

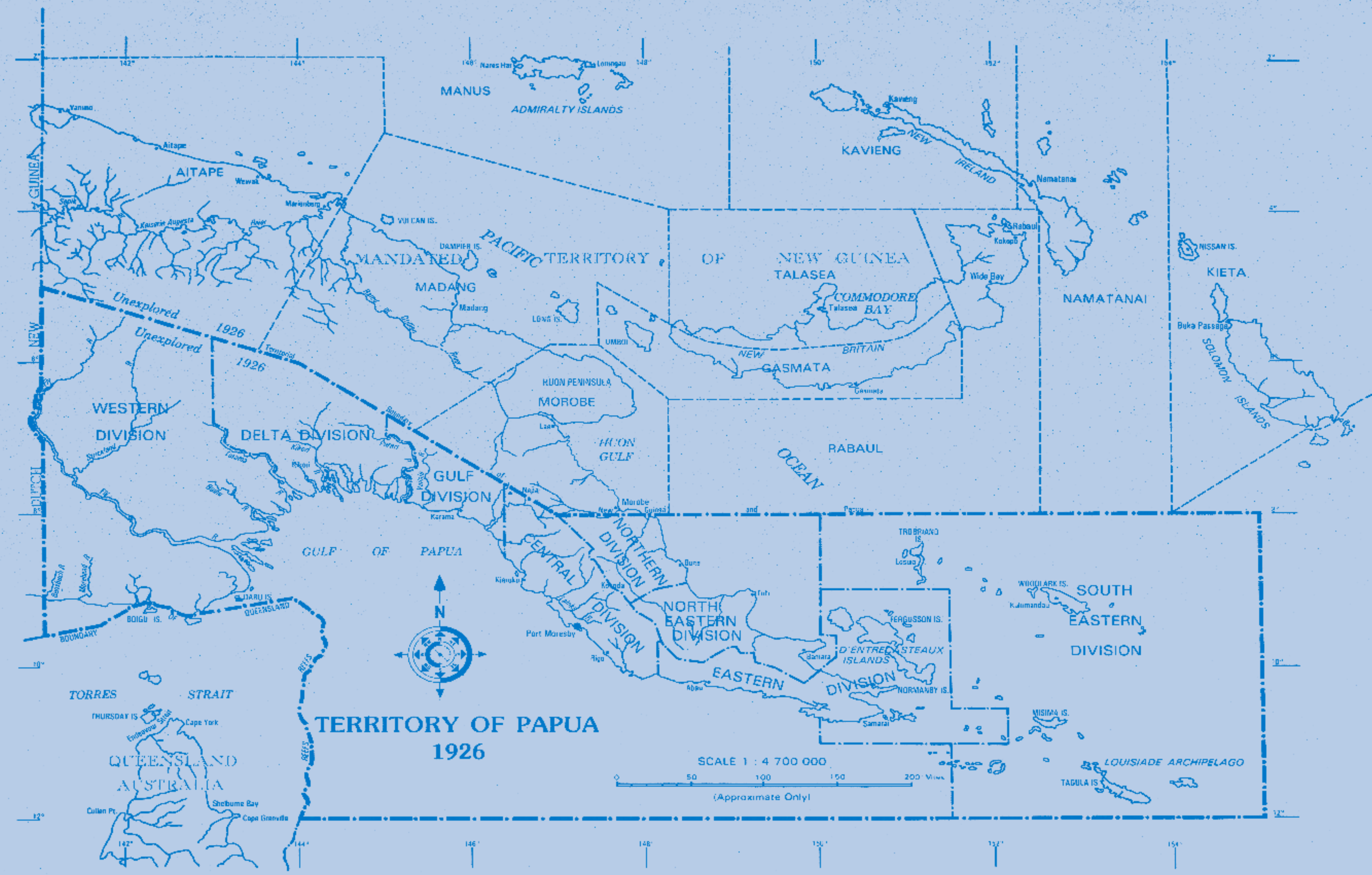


STEAMSHIPS TRADING COMPANY
1918-2018

A HISTORY



JAMES SINCLAIR



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FOREWORD

During its 90 years of existence, Steamships Trading Company Limited has become a Papua New Guinea icon. From its humble beginnings in 1918 as a one-vessel trading operation to its present position as one of the largest private employers in the country, Steamships' history has tracked that of Papua New Guinea itself, and that of its peoples.



Don Harvey

In this book the Company's history has for the first time been researched and recorded. The author, James Sinclair, was himself a long-time resident of PNG. He has done meticulous research and conducted many interviews. Perhaps uniquely in a history of this magnitude, he has been able to speak with all but three of the Managing Directors who have steered the course of the Company from its beginnings, and has also drawn on the memories and records of many other people, for whom Steamships was an integral part of their lives. All this makes this history a very personal document, as it charts the struggles and achievements of many people, Papua New Guinean and expatriate, who played their parts in the building of this great company.

I believe that this history highlights what has made Steamships successful. Its founder, Captain Fitch, was a dynamic, dedicated and progressive man, not averse to taking risks and standing up for what he felt was the right course. His approach has been followed by successive management teams over the years, with results that speak for themselves.

When I joined Steamships in 1956 it was the junior brother in the triumvirate of Burns Philp, W.R. Carpenter and Steamships. Burns Philp has all but disappeared and is now but a fading memory in PNG. Carpenter's is still there, but not as a major presence in the perception of the public. Steamships is now the premier trading company of PNG.

I was directly involved with Steamships, as employee, Director and Chairman, for 47 years between 1956 and 2003. This history brings back a wealth of memories for me, as it will for a great many others. It also stands as a proud guide for those who will come after, ensuring that the story of the Company, and the lessons of the past, will be there to help shape the future.

Jim Sinclair has done an excellent job in bringing together the tangled threads of this complex story, and producing a fascinating and very educational book.

Don Harvey

Chairman 1976 - 1986

MANAGING DIRECTORS AND CHAIRMEN

W.J.W. Strong	Chairman	January 1924 to October 1931
A.S. Fitch	Executive Managing Director Chairman	1924 to 1946 January 1924 to November 1946 October 1931 to November 1946
E.V. Crisp	Executive Managing Director Chairman	1926 to 1961 November 1946 to February 1953
J.M. Mitchell	Executive Managing Director	1951 to 1957 February 1953 to March 1957
E.V. Crisp	Executive Managing Director	1926 to 1961 March 1957 to October 1961
H.D. Underwood	Executive Managing Director Chairma	1953 to 1976 November 1961 to October 1976 November 1961 to October 1976
D.N. Harvey	Executive Managing Director Chairman	1956 to 1983 October 1983 to December 1995 November 1961 to October 1976
W.C. McLellan	Executive Managing Director	1980 to 1989 December 1983 to September 1989
Sir Daniel Leahy	Chairman	November 1986 to August 1996
W.D. Copland	Executive Managing Director	1980 to 1995 October 1989 to December 1995
E.J.R. Scott	Chairman	August 1996 to August 2000
C.D. Pratt	Executive Managing Director Chairman	1995 to 2000 December 1995 to August 2000 August 2000 to February 2006
G.J. Dunlop	Executive Managing Director	1983 to 2003 August 2000 to December 2003
D.H. Cox	Executive Managing Director	1992 to 2008 January 2004 to date
W.L. Rothery	Chairman	February 2006 to date

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Port Moresby Circa 1919

Photo: Courtesy of Alan Coudell

ACKNOWLEDGEMENTS

I commenced the research for this book during 2004, and completed the manuscript in December, 2007. It was commissioned by Steamships Trading Company Limited, who imposed no limitations on the scope of my enquiries.

I am grateful to many people who assisted me in various ways, particularly with their personal recollections of their service with Steamships, and with photographs, reports and other records.

Surviving Managing Directors of Steamships all submitted to interviews, and gave me a unique insight into the problems and complications of management of what is Papua New Guinea's largest group of companies.

I have told as much of the Steamships story as I can within the pages of a manageable volume, but they will know there is much that I have had to leave out. Thank you Del Underwood, Don Harvey, Bill McLellan, David Copland, Christopher Pratt, John Dunlop and David Cox. There have been only 10 Managing Directors in all of Steamships' long history. The only ones I could not talk to were company founder Captain Fitch, Viv Crisp and Jack Mitchell, who have all passed on.

Special thanks are due to a number of people who provided invaluable information: the late Peter Best, Captain Ray Taylor, Captain Dick Sandeman-Gay, Elizabeth Sandeman-Gay, Bruce Blaikie, Maggie Charlton, Ted and Rosalee Thacker, Jack Bolt, John Fowke, Ray Fitz- Gibbon, Derek Baldwin, Bill Lawrence, Eddie Ruha, Sir Daniel Leahy, Sir Michael Bromley, Sir George Constantinou, and Warren Daniels. Many provided information by letter, including Captain Dave Clark, Ivan Nelson, Harvey Halvorsen, Jim McPherson, Bill McGrath, Peter Wisby, Clive Dillon, and Jackie and Paul Barker.

I am grateful to a number of Steamships' national staff who happily agreed to interviews: Polo Possiri, Mary Handen, Malik Kanning, Dolf Marjen, Jessie Thumala, Tom Fox, Hari Avara, Rex Apuka, Arua Oa, Pollie Togarewa, Vere Arava, and Robert Kari.

Many thousands of people, national and expatriate, have worked for Steamships over the years. It is manifestly impossible to name but a few of them in the text.

My sister, Mrs Ren Willard, carried out much appreciated research on my behalf in the National Library, Canberra. Ren lived in PNG for a number of years. I would also like to thank Christopher Raper for his courtesy and unfailing assistance during the writing of this book.

I have not included a formal Bibliography. A great deal of my research was conducted into Steamships' own records. By some miracle the Board Minutes dating from the very first formal meeting in 1924 survived the two major fires that destroyed many Company papers, and I have also had the benefit of consulting the Annual Reports to Shareholders, which have also mostly survived. The various issues of Steamships News, kindly provided by Marion Dredge, also provided much information.

Neil Nicklason wrote a brief 13-page History of Steamships which appears in *The History of Melanesia*, a group of papers discussed at the Second Waigani Seminar, 1968, and published in volume form. I also conducted research in the archives of the *Post-Courier* newspaper,

which go back to September 1950, and I wish to acknowledge the assistance and co-operation of their Librarian.

The newspapers Papuan Times and Tropical Advertiser and The Papuan Courier yielded much valuable information on the early days of Steamships, as did many issues of *Pacific Islands Monthly*, that invaluable source of details of early PNG and Pacific history that is, sadly, no more. Stuart Inder, long-time editor of PIM, gave me much help. I also made extensive use of the series of PNG Handbooks that were published by the *Pacific Islands Monthly*.

Thanks are also due to the Librarians of the National Library, the UPNG Library and the National Archives. Official files on the wartime lootings in Port Moresby and the Barry Report were of particular value. Many files relating to Steamships were examined in the National Library and the National Archives, Canberra.

I consulted many standard works on PNG history, including the *Annual Reports, Government Gazettes* and other official publications, and a great many books. Of particular assistance were Ian Stuart's *Port Moresby: Yesterday and Today*, published in 1970, and Martin Speyer's *In Coral Seas*, published in 2004. *The China Navigation Company* Limited published by Butterfield & Swire, and *Swire: One Hundred and Fifty Years in Australia*, provided information on the history of the Swire Group.

My own collection of Papua New Guineans, collected over the past 50 years, was also drawn upon.

James Sinclair

To my wife Jan'

ABOUT THE AUTHOR

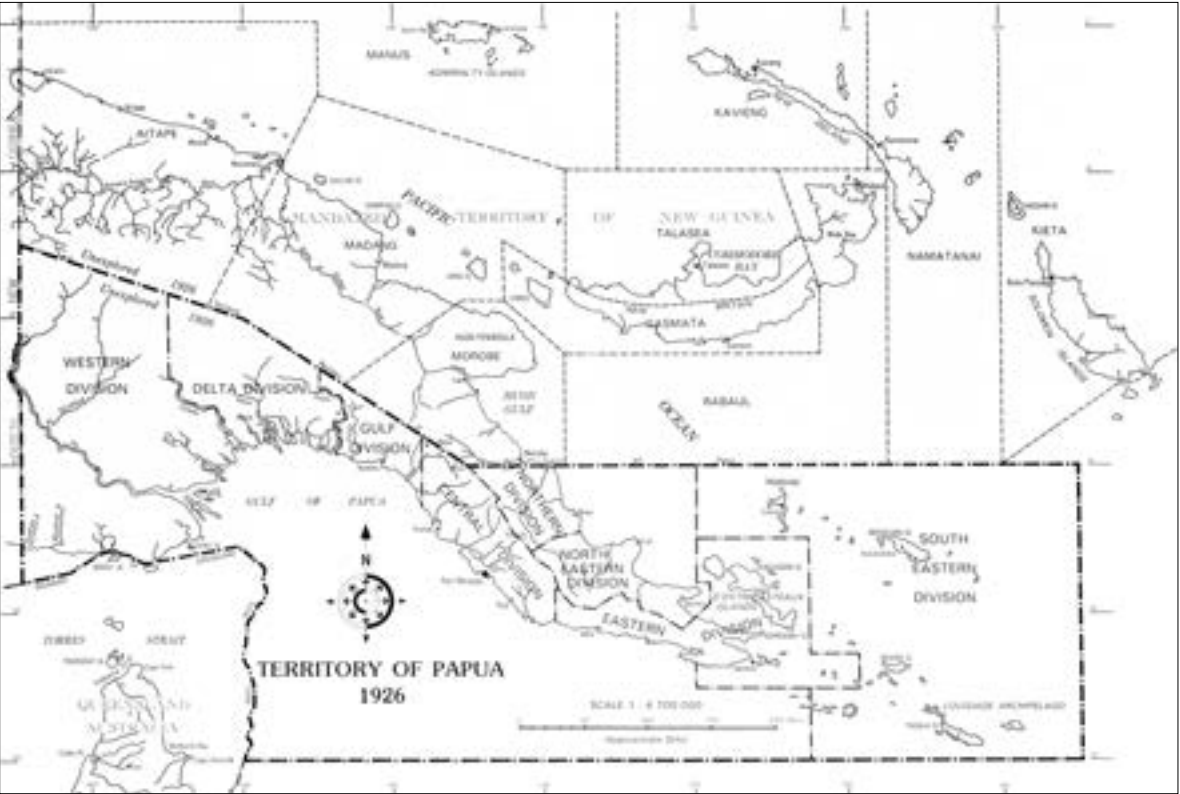
James Sinclair was born in Dubbo, NSW, in 1928. He joined the then Department of District Services and Native Affairs in Port Moresby, in 1948, as a cadet patrol officer. He subsequently served on a variety of stations in Morobe Province, Northern Province and the Eastern Highlands and Southern Highlands Provinces. He rose through the ranks to become the last Australian District Commissioner of the Eastern Highlands. In 1975 he retired and, with his wife Jan and two sons, David and Michael, both of whom were born in PNG, returned to Australia.



James Sinclair OBE

Photo: James Sinclair

James Sinclair commenced writing books while he was a serving officer and then took up writing as a full-time occupation after his retirement from the PNG Administration. He has now published over thirty titles on many aspects of Papua New Guinea's history. In 1992, James Sinclair was awarded an OBE for services to the State of PNG and to literature. This was followed in 1999 by an honorary Doctor of Letters degree from the Australian National University.



Territories of Papua New Guinea - 1926

PROLOGUE

THE LAST UNKNOWN

This is the story of Steamships, a great trading company born in the early years of the 20th century in what was then one of the least-known parts of the world. A company which exists to this day, born of and driven by the profit motive, yet unashamedly, for without reasonable profits development ceases, enterprises die, and staff and families suffer. It is not only the story of a company, but of the formative years of the present State of Papua New Guinea, for the fortunes of the Company and the State have from the first been intertwined.

The Company philosophy, embraced from the beginning, has only in recent years been codified. The Company aims to offer competitive goods and services to all its customers; provide secure and challenging careers for its staff; maintain the highest business ethics at all times; and earn superior returns for its shareholders. Another commitment was adopted in 2003: to protect the environment from harm. This philosophy has in the main been honoured (no commercial organisation is perfect), and over the long years of its existence not only the shareholders of the Company have benefited, but also the State.

The island of New Guinea was the last of the great populated land masses of the globe to be found and explored by Europeans. The first white men to set foot on her shores were Portuguese and Spanish navigators, at the beginning of the 16th century, but the island had been known for uncounted centuries before that to seafarers from Sumatra, Java, Malaya and China. New Guinea was a place of mystery and enchantment to the early navigators, for it was, as the poet Karl Shapiro memorably described it, “The Last Unknown”.

But men were settled in New Guinea for tens of thousands of years before the arrival of Asians and Europeans. It is generally accepted that they came in waves over vast stretches of time from overseas, probably across land bridges from Indonesia, or Australia - we do not really know. They were hunters and gatherers, their tools and weapons crudely fashioned from stone and wood. They were divided by a harsh geography into many small, mutually hostile tribes, each with singular customs and cultures, speaking mutually unintelligible dialects. Warfare was constant. The incursions of strangers were invariably resisted. Life was short, and brutal. The myth of the Gentle Savage is just that - a myth.

The 19th century partition of New Guinea was imposed on the uncomprehending tribes by the imperialism of Holland, Great Britain and Germany. It was an artificial and irrational partition - as was the partition of Africa at much the same time - which arbitrarily cut across terrain and communities in a fashion cavalier even by the insensitive standards of that era.

The process began in 1828, when the Dutch proclaimed sovereignty over the south-west

coast, and twenty years later over the western half of New Guinea (which in May 1963, became the Indonesian province of West Irian, now known as West Papua). In 1884, prodded into reluctant action by the Australian Colonies, Great Britain proclaimed a Protectorate over the southern portion of the remainder of New Guinea, which they called British New Guinea (in 1906, this became the Australian Territory of Papua).

As the British were taking possession of their territory, the Germans were doing the same in the north-eastern part of the island. They administered German New Guinea until it, too, came under Australian control during and after World War 1, as the Mandated Territory of New Guinea.

During the inter-war years the Australian Administrations of Papua and the Mandated Territory were entirely separate, each with its own laws and regulations, its own public service, its own traditions and customs. There was no free access from one territory to the other; European residents of each territory generally regarded each other with suspicion, even open dislike. It was an almost farcical situation, which took the outbreak of the Pacific War in December 1941 to bring to an end.

The Japanese invasion of PNG in the opening months of 1942 forced the suspension of the Australian civil administrations, which were replaced by the Australian New Guinea Administrative Unit (ANGAU), a military organisation that administered those parts of Papua and New Guinea not occupied by the Japanese invaders. After the Pacific War ended, Australia resumed control of what now became a combined Papua New Guinea - PNG.

Our story begins in the early years of the Territory of Papua, in the arid little town known as Port Moresby. The Territory was administered by a tiny public service, under the direction of the august, aloof Sir Hubert Murray, Lieutenant-Governor. He governed the affairs of Papua from Port Moresby for the longest period of time in British colonial history, from 1907 until his death in office, in February 1940.

The town was unappealing, but it was located on one of the most magnificent harbours in the world, discovered by Captain John Moresby, RN, during his famous series of surveying voyages in H.M.S *Basilisk*, in 1873-74. The first permanent settlers were missionaries: Rev. W.G. Lawes of the London Missionary Society, his wife and young son. They began their life of service to the Papuan people on 24 November 1877, from a spartan house on a small hill above the large Motu village of Hanuabada - Great Village.

Lawes and his family were not on their own for long. Papua was a wild, largely unexplored territory, which over the years would attract adventurers, scoundrels, beachcombers, gold prospectors, labour recruiters, pearlers and traders of all kinds - good and bad. Lawes' first white neighbour was a trader, Andrew Goldie, who arrived in 1877. He was but the first of many.

By the outbreak of the Great War, Port Moresby had developed into a small township. It owed its existence solely to its glorious harbour, located by a quirk of geography in what was by Papuan standards a dry belt. It was not the least bit "tropical" in appearance, as was the lush coast to the east and west, which enjoyed a three times greater rainfall. During the dry season, strong south-east winds blew constantly, fraying the nerves, picking up clouds of dust which swirled across the town. The few roads were unsealed, and life was very trying for the few housewives of Port Moresby.

The English traveller, Evelyn Cheeseman, once memorably described Port Moresby as "a frightfully sordid little place, with nothing to recommend it." The Irish novelist, Beatrice Grimshaw - a long-time resident of Port Moresby - called it "the sink of the Pacific."

A later writer, Elinor Mordaunt, went much further: "Port Moresby - ye gods and little fishes! What a place! It is so hideous that it seems to stick in one's gullet like a sharp, hard crust. To come across such a place here, in the midst of all this lovely scenery, is like finding a cruel bone in a filleted fish...it is a place as crude and parched and hideous as the dried husk of a dead grasshopper..."

Elinor visited Port Moresby at the height of the dry season. Had she come to Port Moresby in January or February, she would have seen another little town. "The coming of the December rain always brings changes," wrote a *Papuan Courier* correspondent. "The bare rocks disappear, the dusty roads are transformed, trees and shrubs break into new life...when the rain comes we get all the tender shades that lovely green can give. The duty tree in the back yard is now a thing of beauty. Light tender green grasses cover everything..."

As the decade of the 1920s began, the town was small - around 450 men, women and children, with men far outnumbering women. It had basic amenities. There were by this time several stores, a bakery, an irregular electricity supply, two small hospitals (one each for Europeans and Papuans), government offices, a Post Office and wireless office and an overseas wharf, 630 feet long with another, smaller, for use by coastal vessels.

As befitting a busy port there was a sailmaker, L. Pedersen, and a Slip, located across the harbour at Napa Napa, operated by George Stewart since 1911. It was capable of taking vessels of up to 500 tons, dead weight.

There was a little school for European children, a noisy manual telephone service (residents called it the "Bellowphone"), two banks (Bank of New South Wales and Union Bank), a grievously inadequate water storage system, and a scattering of timber, iron-roofed bungalows served by bucket toilets, emptied daily by prisoners from the Gaol. The Lieutenant-Governor, Judge J.H.P. Murray, lived nearby in a rambling wooden structure which was called, rather grandiloquently, Government House.

Despite the scanty white population, the cultural and sporting aspects of life were well catered for. There was a Choral Society, a Library Institute Hall, an Aquatic Club which conducted regular canoe races, a Rifle Club, a Racing Club, a Cricket Club, a Citizen's Association, and of course churches.

There was even a club for gentlemen, the Papua Club, formed in 1912 with an exclusive membership, modelled after the famous Clubs of England. It still exists. There were, inevitably, hotels, for Port Moresby was a hard-drinking town. The Moresby Hotel, located on the corner of Port Road and Musgrave Street, was owned by Tom McCrann. It was, McCrann boasted in advertisements in the Territory's only newspaper, *The Papuan Courier*, the "Premier Hotel in Papua! Premises lighted by Acetelyne Gas. Only the best brands of beer, wines and spirits sold. Everything True to Label. Cordial and Aerated Waters Factory attached..."

The Papua Hotel was higher up Musgrave Street. The proprietor was T.D. Ryan. Tom Ryan went one better in his advertising. "The Largest and most up-to-date Hotel in Papua! Lighted throughout by Electricity. Refrigerating plant installed to ensure a constant supply

of ice, fresh meat etc...large quantities of prime Beef and Mutton by every steamer...dining room furnished with electric fans.” Ryan also operated an adjacent open-air picture theatre, showing silent films brought in from Australia.

There were a number of merchant and trading houses. The largest was Burns Philp & Co, established in Port Moresby by Walter Gors, in 1891. Burns Philp was the leading firm of merchants, agents, importers and shipowners in Papua. In 1912, the Company erected an imposing new headquarters building, opposite the Moresby Hotel, dominated by a high concrete tower, which still stands. It was described in an editorial in the *Papuan Times* - forerunner of *The Papuan Courier* - as “the largest and most costly ever erected in Papua.”

Burns Philp provided the only regular direct shipping and mail services between Australia and Papua, subsidised by the Commonwealth Government (the first eight-weekly mail service between British New Guinea and Queensland was inaugurated in November 1882, by the Burns Philp schooner, *Myrtle*, 167 tons). The steamers *Mataram* and *Matunga* left Sydney monthly for Papua via Brisbane and the Solomon Islands, calling at Woodlark Island, Samarai and Port Moresby en route, and returning via Cairns. The schedules and the vessels on the run were changed from time to time, but the Burns Philp service was truly Papua’s lifeline until the beginning of air services, in April 1938.

Other overseas shipping companies sent unsubsidised vessels to Papua en route to farther destinations, with mails, cargo and passengers. The most important was Koninklijke Paketvaart Maatschappij, generally referred to as the KPM, or Royal Dutch Packet Line. The fast, modern KPM steamers *Tasman* and *Van Houtman* made regular sailings from



Papua Hotel, Port Moresby circa 1920

Photo: Courtesy James Sinclair

Melbourne to Sydney, Brisbane, Port Moresby and Darwin to Java, which connected with no less than 42 KPM mail services to Singapore, Penang and the Dutch East Indies, to Europe.

Burns Philp also operated subsidised coastal vessels. The best known of these, *Mindoro*, had been lost after striking a reef in April 1913. Her replacement, *Misima*, was also wrecked, in 1917. Another company vessel, the ketch *Zephyr*, 12 tons, was lost in the Lakekamu River after striking a submerged log.

The visits by these, and other small coasters, were eagerly anticipated by the residents of plantations, trading posts and government stations along Papua’s long, lonely coastline. In 1912, A.E. Oelrichs, Resident Magistrate (RM) Kumusi Division, wrote:

“SS *Mindoro* has run with a regularity that is a credit to the captains in command. No one, unless he has lived in these outside places, can realise what a benefit it is to know that, on a given date between 11 and noon, the cry of ‘Sail O!’ will be heard, and on looking out to sea, there is the faint outline of a vessel...at last there is the rattle of the anchor chains and then, so far as the residents are concerned, the sun, the whole world is at a standstill; they are deep in their correspondence, mostly bills perhaps and probably the handwriting is quite familiar by this time, but what does it matter - it is something from ‘the outside’.”

The risks involved in running coastal ships in Papua were great. The entire coastline of Papua was at this time almost completely without beacons or buoys, for Papuan Government revenue was minute and little could be spared for this admittedly important work. Mapped by Royal Navy sea captains in a series of daring surveying voyages between 1842 and 1885, it was a coastline strewn with dangerous reefs and bars, subject to constant change from the battering of high winds and violent seas, particularly in the Gulf of Papua.

Buoyming and beaconing of the long coastline was carried out in desultory fashion over a period of years; it was not until December 1923 that a permanent A.G.A. flashing-light beacon was installed at Basilisk Passage, at the entrance to Port Moresby harbour, visible for a distance of 10 miles at sea under normal weather conditions.

In 1917, plans were made to extend the work from Port Moresby along the coast towards Samarai, but these had to be put on hold when it proved impossible to obtain the services of the only seaman capable of supervising the work - the veteran Captain C.O. Andersen, of Samarai. It was not until many years later that the task was finally completed.

The other major business enterprises in Port Moresby also operated coasters. Whitten Brothers (who advertised themselves as “General Merchants & Planters; Customs, Shipping & Insurance Agents, Samarai and Port Moresby”) were agents for the scow, *Vailala*, while the big British New Guinea Development Company (“Offices in London, Sydney, Port Moresby, Samarai and Buna Bay; copra plantations at Aroa, Baubauguina, Isu, Obu, Otumata, Paili, Waigani; rubber plantations Itikinu, Jawarere, Doa, Robinson River, Logubu. Direct importers. Largest and most complete stocks of grocery, hardware, drapery, wines and spirits and trade goods”) owned the 37.27-ton ketch, *Jean* (for which G.A. Loudon & Co were agents), the little steamer, *Wakefield*, the auxiliary ketch, *Aroa*, and most significantly, SS *Tambar*, a steamer of 450 gross tons.

BNGD Co, lavishly financed and full of ambitious plans, had commenced operations in Papua in 1910. A subsidised coastal mail service had been in operation in Papua from the

earliest times, and in 1919 the contract again came up for renewal. The Chief Postmaster called tenders, and BNGD Co won it, beating off the previous holder, Burns Philp & Co. Under the command of Captain C.O. Andersen, *SS Tambar* began a regular six-weekly service between Port Moresby, Samarai, Misima, Woodlark Island, Yule Island, the Trobriands, Daru and Thursday Island, and return.

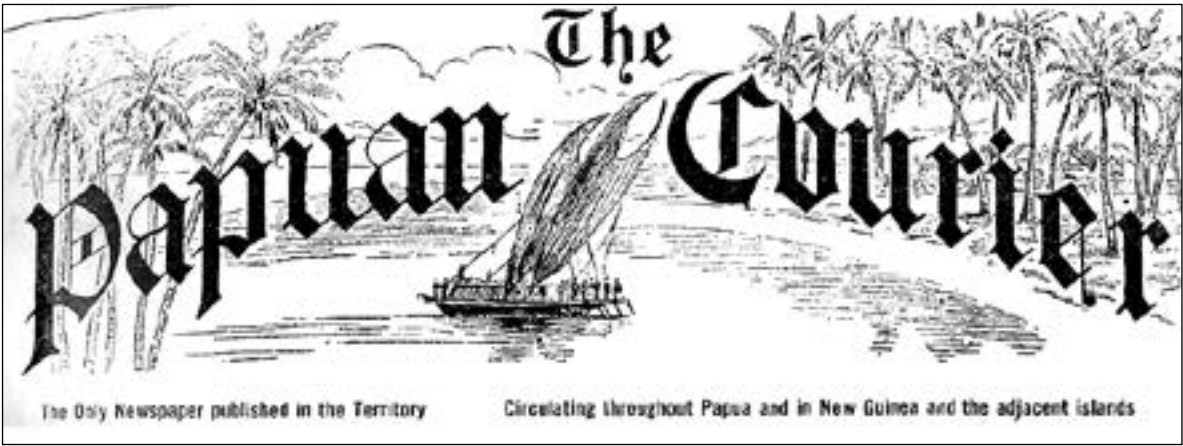
BNGD Co was fortunate in securing the services of Captain Andersen, the best-known skipper on the Papuan coast. A Norwegian-born master mariner, he spent his early years in square-rigged deep-sea ships before migrating to Australia. Realising that the days of sail were coming to an end, Captain Andersen obtained his ticket in steam and in 1901 joined John Clunn & Sons, a firm of shipowners and traders, based at Cooktown, North Queensland.

In the old sailing ship *Adelaide*, Captain Andersen conveyed most of the early gold seekers to the new Papuan goldfields at Sudest and Misima - and brought those of them who survived back, fever-ridden and broke. As skipper and part-owner of MV *Papua*, Andersen served the Woodlark and Misima goldfields and the town of Samarai before losing the ship to a fire and explosion, after a native crewman filled a hurricane lamp with petrol, instead of kerosene.

The vessel was insured, but the circumstances of the loss were such that the insurance company refused to pay up, so Andersen left Cooktown and settled with his young Queensland wife in Samarai. They were to have 11 children (one eventually became Adjutant-General of the Australian Army. Another, F.W.G. (George) Andersen was to become Claude Champion's companion on the great Lake Kutubu Patrol of 1938).

Captain Andersen continued to ply the Papuan coast from Samarai in a succession of small vessels. As a side-line, he started a coconut plantation on one of the small islands of the Strathord group, between the d'Entrecasteaux Islands and Misima, before taking up the position of master of *SS Tambar*.

It was not long after *Tambar* commenced her running that another sea captain came to Papua to seek his fortune.



The Papuan Courier 1918-1942. An integral advertising medium for the Company.

PART 1

THE EARLY YEARS



Captain A. S. Fitch - Founder

Photo: Courtesy Pacific Islands Monthly

CHAPTER ONE

THE QUEENSCLIFFE ERA

November 1918. The Great War, the bloodiest conflict in history, was finally over, and Australia's young warriors would soon be returning from the terrible battlefields of France, covered with glory. The nation would greet them with wildly unrestrained outbursts of pride, acclaim - and joy. The long struggle was over, and now life could return to normal.

In Melbourne at this time was a retired master mariner named Algernon Sydney Fitch. Born in London on 30 January 1881, Fitch was the son of Robert Owen Fitch, chemist, and his wife, Jemima Susannah. He was educated at St. Michaels-au-Angel, in France, and from his boyhood decided to follow the sea. He was a youth of character and determination, and at the tender age of 15 became a cadet on a square-rigged deep-sea sailing vessel. He studied hard while serving on a number of sailing ships, and steadily advanced in his profession. He was an officer when the Boer War broke out. Fitch served on a hospital ship during that dire conflict, and afterwards joined the British India Line.

Fitch came to the attention of the shipowner James Mackay (afterwards the first Lord Inchcape) and it was through Mackay's influence that Fitch joined the Hoogli River Pilot Service. Hoogli pilots navigated ships through the dangerous waters of the Ganges Estuary, in and out of the port of Calcutta, India. From 1908 to 1913, Fitch served as a pilot and master mariner on the Hoogli, and qualified as a hydrographic and river surveyor.

In 1914, Fitch migrated to Tasmania, where he established an apple orchard at Bagdad. After the outbreak of the Great War, he joined the Australian Imperial Force (AIF), although he had been a member of the Royal Naval Reserve for three years. He served from October 1916 until April 1917, when he was discharged as medically unfit.

In his later life, Fitch was to prove himself a remarkably shrewd businessman and he seems to have developed this aptitude whilst in Tasmania. He became involved in a small way in the North Tasmanian timber trade, and began to look around for a suitable vessel.

Accounts differ on what followed next. Many years later, Fitch told his close friend R.W. Robson, publisher of the journal *Pacific Islands Monthly*, that he located a small ketch called *Lady Harriet*, and took her to Sydney for overhaul. The war was still raging, and the movement of ships was controlled by the naval authorities. When Fitch applied for permission to remove *Lady Harriet* after the overhaul, this was for some reason denied. Fitch defied the authorities, and a warrant was issued. He was arrested in Pitt Street. Angry and disgusted, Captain Fitch returned to his Tasmanian apple orchard.

In the early part of 1918, a barque, *Southern Cross*, went aground on King Island, in Bass Strait. The call of the sea was too much for Captain Fitch, and he decided to abandon apples and attempt her salvage. Again he searched for a suitable vessel. One account has it that Fitch teamed up with a syndicate, the Songvaar Salvage Co. Ltd, which raised £5,000 and on 18 May 1918, purchased an old iron ship, SS *Queenscliffe*, for fitting out as a salvage vessel.

Her actual dimensions are not known with certainty. She had been built on the Yarra Bank in Melbourne for trading on Port Phillip Bay, and had recently been laid up after plying between Melbourne and the Gippsland Lakes. Her tonnage has been variously given as 90, 99 and 100 tons and her length as anything from 99 feet to 109 feet. She was of narrow beam, and relatively shallow draft. *Queenscliffe* was undoubtedly a small ship, although stoutly constructed. The Company set about fitting the old steamer for salvage work, but funds ran out and the vessel was taken over by one of the backers, Frederick Smyth.

R.W. Robson says, however, that *Queenscliffe* was located in Hobart, Tasmania, the property of Henry Jones, founder of the famous IXL jam factory, near the Hobart docks. He sold the steamer to a company formed by Captain Fitch, on easy terms.

Whatever the truth of the matter, it is undoubted that before *Queenscliffe* could be made ready, the barque, *Southern Cross*, was swept off the reef on which she had lodged, and sank.

Fitch certainly did become a shareholder in a small proprietary company formed in Melbourne in 1918. Records have not survived, but it seems certain that the other shareholders included several Melbourne businessmen, among them solicitor William John



SS *Queenscliffe*

Photo: Steamships archives

Whitley Strong, businessman William Robertson Chisholm, engineer Ernest James Cochrane, mining engineer Frank Heald and businessman James Reynold Clifford. This private company, which appears to have been registered as Steamships Pty Ltd, acquired the ownership of the *Queenscliffe*.

The Company had a small steamship, partly fitted out for salvage work, but now with no employment for her. What to do? One source says that the ketch, *Lady Harriet*, was owned by a Melbourne shipbroker called John Elleker. He knew Captain Fitch, and arranged for him to meet a young man, Edgar Clarence Skelly, who was down on leave from the Territory of Papua. As far as can be established, this was the first time that Fitch had ever heard of Papua, then one of the remotest and least-known parts of the British Empire.

Skelly had joined the Public Service of Papua in August 1912, as Deputy Registrar of the Central Court. He later became a patrol officer of Armed Constabulary, and was promoted to the position of Assistant Resident Magistrate (ARM), on a salary of £250 per annum. In November-December 1916, Skelly made the first long patrol from Kerema into what was then known as the Kukukuku country, home of probably the fiercest warrior tribe of that pioneering era. In his 1916/17 Annual Report, the Lieutenant-Governor, Judge Hubert Murray, described this as “the most important patrol of the year.”

Skelly retired from the Service in December 1918, and it was while he was in Melbourne that he met Captain Fitch. He told the master mariner of life in Papua, and of the shipping and trading opportunities there. Captain Fitch then suggested to his company that he take *Queenscliffe* to Port Moresby, Papua. The refitting of the steamer had almost exhausted company funds and the members were reluctant to throw good money after bad, but it was agreed that Fitch would take the little steamship to Papua, towing *Lady Harriet*, which would also be employed in the enterprise. Company headquarters would remain in Melbourne - indeed, so far as can be established, none of the original shareholders ever visited Papua.

It was surely an awkward arrangement, for those were days of primitive communications. There was a wireless-telegraphy link between Port Moresby and Australia, but an air service was years away. The only sure means of communication was by sea.

Closer examination convinced Fitch that the ketch was not up to the work required of her, and she was sold. Fitch then prepared for the voyage to Papua. He engaged an engineer, J.J. Kelly, and a mate (whose name has unfortunately been lost) and with D. Krabman, W.J. Kirby, J. Keyser and a Mrs Haig as passengers, set off.

It was a hazardous voyage for the old steamer. *Queenscliffe* had just enough coal in her bunkers to reach Port Moresby, and insufficient water for the final leg of the journey. Water cost money, even then, and Fitch had limited funds. It is said that Fitch spent one night off a small Queensland port, creeping in after dark to replenish the water tanks, and sneaking off again before payment could be exacted.

The gallant little *Queenscliffe* chugged into Port Moresby harbour on 7 January 1919. Fitch was almost broke. Company legend has it that he was forced by dire necessity to make an immediate trading voyage to try and raise funds. He placed an advertisement in *The Papuan Courier*, soliciting cargo for a voyage to the ports and plantations along the coast west of Port Moresby.

There was little response. When Captain Fitch left Port Moresby, the outward cargo

consisted of 25 empty copra bags, a 15-pound caddy of trade tobacco and a small repacked Nestlé’s milk case. Upon arrival at the river plantation where this cargo was to be discharged it was found that *Queenscliffe* could not negotiate the sandbar at the entrance, and the goods had to be delivered by ship’s boat.

Captain Fitch carried on, looking for native trade. He entered the Purari River and succeeded in trading a number of axes and knives with local villagers for 20 bags of betel-nut and 300 bundles of sago. Back in Port Moresby, Fitch persuaded the engineer, J.J. Kelly, and the mate to accept betel-nut and sago in lieu of salary, for he lacked the funds to pay them. They sold the nuts and sago locally. There was a short-fall of seven pounds ten shillings, which Fitch subsequently made good. He sold the remainder for £80, which provided sufficient funds for a second voyage, along the south-east coast, to the tiny island of Samarai.

Fitch now decided to base his enterprise permanently in Port Moresby. On his arrival in Moresby he had attempted to engage a crew from the Motu village, Hanuabada. The Motu were famous seamen, each year making long trading voyages along the coast in their lagatois - big sailing canoes. But *Queenscliffe* was not then registered in Papua, and permission to employ Hanuabadans was refused.

Fitch then looked at the possibility of taking his steamer to Rabaul, capital of the Mandated Territory of New Guinea, and launching his trading enterprise there. But again he was thwarted by regulations that severely restricted contact between Papua and the Mandated Territory. In desperation, Fitch appealed to the Government Secretary, H.W. Champion, an exceedingly tough, but fair, public servant. Papua was in great need of coastal shipping, and



E.C. Skelly

Photo: Courtesy Rosalee Thacker

Fitch promised Champion that if he were allowed to use Motuan crewmen, he would trade only along the Papuan coast. The earlier decision was thereupon reversed.

“If it had not been for Champion’s kindness,” Fitch told R.W. Robson, many years later, “I should have gone to New Guinea, where opportunities were much greater - and now I might have been a millionaire!”

Captain Fitch undoubtedly faced very stiff competition when he decided to pit his ancient little *Queenscliffe* and small financial resources against BNGD Co, Burns Philp & Co and the other solidly established merchants. He was however a man of mettle. He raised the funds required (how has never been explained) to purchase an old boarding-house called Matunga House in Douglas Street from the owner, Mrs E. McGrath, and made it his residence and temporary business premises.

The business was from the first advertised as “The Steamships Trading Company Pty Ltd”. Fitch sold his trade goods to the (mostly native) public through the window of his bathroom. It is said that on one day he did business to the amount of £130, a considerable sum then, when the average European wage in Papua was in the vicinity of £300 per annum.

Fitch immediately began to advertise his business in the pages of *The Papuan Courier*. Typical of the early, very small advertisements was that published in the issue of Friday 21 February 1919:

The Steamships Trading Co. Pty. Ltd
Steamship Owners, Traders, Customs, Indent, and General Agents.
Matunga House, Port Moresby
P.O. Box 17 Telephone 40
The SS *Queenscliffe* will leave for Daru, via ports, on or about March 1st.

Two months later, the advertisement added “Recruiters” to the list of functions. A “Regular steamer service both East and West” was notified. Steamships were agents for United Insurance Co. Ltd, Sydney; Ship Exchange, Sydney; and The Papuan Industries Ltd, Daru. “For advertisements on Ryan’s Picture Screen, apply to us”.

Although the agency business probably returned little, there is no evidence to support the view that Fitch’s situation was desperate. The few months were doubtless very difficult, but the week after Fitch arrived in Port Moresby he employed D. Krabman, who had been working for BNGD Co since July 1914, as Steamships’ first accountant. W.J. Kirby, too, was a BNGD Co employee, and he also joined Captain Fitch’s enterprise, as book-keeper. Neither stayed for long. When Krabman left in early 1922 he was replaced as accountant by L. O’Malley, who had been working at Samarai for Whitten Bros. Two typists were also engaged - their names have been lost.

Another early employee, for a short period, was E.C. Skelly. In a letter to their daughter, Mrs Rosalee Thacker (who lived in Samarai from age three until the family was evacuated to Australia in December 1941, just before the Japanese invasion), Mrs Skelly recalls that the Company “got into debt, to Gardeners I think it was, later Sargood-Gardeners, and they were screaming for their money. Captain Fitch went down to Sydney to ‘raise the wind’ but wasn’t having much luck....he returned to Moresby empty-handed. The blighter made no mention of the bolts and bolts of calico I made into native dresses and ramis, all for free, to help things along in those faraway days of Steamies’ struggle. I got a bit fed up and snakey

one day, and reminded my old mate that Captain Fitch had a wife with a perfectly good pair of hands, why not send her a few bolts of trade calico? But Dad said, she wouldn't know how to handle a needle!"

(Skelly had a falling-out with Captain Fitch, and left the Company. In September 1922, he brought an action against Steamships in the Small Debts Court, claiming £100 balance of salary due, and holiday pay. Fitch counter-sued, claiming Skelly owed the Company more than £28. A verdict was given for Skelly, awarding him £52 plus professional costs.)

Captain Fitch rapidly acquired a reputation as a hard-driving businessman. He was looking for every opportunity he could find to try and put his small enterprise on a sound footing. When the Anglo-Persian Oil Company (which was examining the coast from Yule Island to the Kapuri River district for the presence of oil on behalf of the Commonwealth Government) began to transport cargo from the general public in its scow, *Vailala*, Captain Fitch lodged a strong objection.

Nevertheless, in September 1919, he wrote to the Company, seeking to acquire the agency for the scow. Dr A. Wade, Director of Oilfields, forwarded Fitch's letter to the Secretary, Department of Home and Territories, Melbourne, with a stiff comment: "These are the people who raised objections to the *Vailala* carrying freights for the general public...we are out to oblige the general public insofar as her running makes it possible or convenient, and not to take part in any cut-throat competition for trade. I would not entertain their proposition for a moment. There are much sounder concerns in Port Moresby. Moreover, I do not approve of their business methods."



L – R: D. Krabman, Mrs Skelly, W.J. Kirby

Photo: Courtesy Rosalee Thacker

Meanwhile, the trusty old *Queenscliffe* continued to ply the length of the Papuan coast from Daru to Samarai, gradually establishing a reputation for reliability, although chief engineer Kelly had to constantly nurse the worn old engine. She was now affectionately referred to as the Queenie, and the Company store was known to Papuan customers as "Queenie's store".

A serious problem soon emerged. *Queenscliffe* was a steamer, and she required large quantities of water for her boilers. As noted above, Port Moresby was located in a dry belt, and for much of the year suffered an acute shortage of water. In July 1920, permission to water the vessel was refused. On 7 August, an angry Fitch sent off a cable to the Prime Minister of Australia: "Coastal shipping, Papua, refused necessary water by Government seriously affecting transport urgently request relief."

Judge Murray was asked for his comment. He replied, "Yes, water shortages cause refusal to Steamships Trading Company and other vessels. Am writing."

In his letter, Murray said that Port Moresby would soon be in serious trouble unless "great care" was exercised in water distribution. "Supply of water to shipping at Port Moresby has been stopped completely...I should point out that the *Queenscliffe* of 100 tons, the only vessel of Steamships Trading Co, was quite the last vessel to receive water from the reservoir, 800 gallons, all that was applied for. Port Moresby is the driest place in Papua...we...are in the midst of an unusual drought.

"It is regarded as unreasonable that vessels should expect to be supplied with water at Port Moresby during these conditions. All these vessels call at other places in Papua where the rainfall is plentiful, and should make provision for their passage through the Port Moresby dry belt.

"A system of water supply for coastal shipping has recently been completed at Argyle Bay near Bona Bona. BNGD Co's steamer *Tambar* obtains her water at this place, and I am aware of no reason why *Queenscliffe* should not do the same...furthermore, water can usually be obtained at Samarai, and many other places."

The Secretary, Department of Home & Territories, informed Captain Fitch that he "had better find his water elsewhere." This did not improve relations between Captain Fitch and Judge Murray.

Passengers began to complain about the poor standard of accommodation offered by the little vessel, and in March 1919, the local builder, Andy Villiers, constructed a saloon and two cabins on the after deck. "Nothing but local timber is used," said a report in *The Papuan Courier*, "and much credit is due to Mr Villiers. It is a great improvement, and should be an inducement to all and sundry to travel either east or west, and see something of the country."

Although Fitch was deeply involved in his small, but growing, business he found time to play a spirited part in civic affairs. He was an active member of the Chamber of Commerce, and of the Citizens' Association. It was this latter involvement which was to land him in very hot water, so soon after taking up residence in Port Moresby.

Papua had prospered during the Great War, with plantation products fetching very high prices. There was a sharp drop in returns after the war ended; in 1920 the export value of copra fell from over £124,000 the previous year to £68,579. The price of rubber, too, slumped drastically.

These were Papua's main exports, and the Territory fell into depression. In 1921 the Australian Navigation Act was applied to Papua, which effectively required all Papuan exports and imports to be shipped first to Sydney, and then reshipped to foreign markets. This was a burden, the Lieutenant-Governor, Judge Murray, publicly pointed out, that Papua could not bear.

For these and other reasons, the mood of the planting and business community rapidly soured, and Murray largely got the blame for a situation over which he had no control. Relations between Governor Murray and the European population had been deteriorating for a long time. Murray was seen to be over-protective of the rights of the Papuans, and against the commercial interests of the white settlers.

Murray was trying to encourage Papuan villagers to form their own plantations, which white planters claimed would prevent them from obtaining the cheap abundant labour they had to have if their own plantations were to prosper. A comment that Murray was said to have made, to the effect that white labour was less efficient in the tropics than in temperate regions - which was surely self-evident - was bitterly resented by many planters, who held it as proof that Murray wanted to bring in Chinese coolie labour.

This trivial matter provided the spark which ignited the smoldering resentment of the white population. A public meeting was called by the Port Moresby Citizens' Association at the Library Institute Hall, on 23 December 1919 (the annual subscription for membership of the Association was five shillings; E.C. Skelly was secretary). A Committee was appointed to bring the concerns of the white population to the notice of the Australian Prime Minister. Captain Fitch was appointed Chairman.

In March 1920, Captain Fitch called another public meeting, to discuss strategy. He was called away to Melbourne on business before the meeting started, departing on the *Morinda*. (On 27 May, he married a divorcee, Jessie Elaine Goodeve, nee Crovett, in Sydney, and became stepfather to her daughter. The couple never had children of their own. While in Sydney Fitch wrote a letter, published in the *Sydney Morning Herald*, alleging that Murray, a Catholic, had favoured the Catholic Mission of the Sacred Heart by granting their imports exemption from duty.)

In the absence of Fitch, the meeting was chaired by one of Murray's bitterest enemies, W.C. Bruce. A resolution was carried, demanding the replacement of Judge Murray by the Administrator and Director of Agriculture, Miles Staniforth Cater Smith, who was held in high esteem by the planters.

The agitation against Murray continued. The Samarai Chamber of Commerce joined in the attack on the Papuan Government - members were particularly incensed by the dilapidated state of the Samarai government wharf, and the lack of promised action to fix it.

Matters came to a head over a somewhat peculiar incident. A new medical officer, Dr W.R. Mathews, had been appointed to take charge of the Port Moresby Native Hospital. Mathews was something of a religious crank, who believed that the end of the world was nigh. He was eventually dismissed by Dr Strong, Chief Medical Officer, for allowing the Hospital to fall into a disgraceful state.

Dr Mathews then took up private practice in the town, but he was forbidden to enter the European Hospital to treat his patients there. He went to the editor of *The Papuan Courier*,

who published an editorial saying that the doctor was being victimised by an autocratic government, and the interests of white patients thereby placed in jeopardy.

This was the last straw. Captain Fitch was back in town with his wife and stepdaughter, and he called yet another public meeting, on 28 September 1920. Another formal resolution was passed, demanding the replacement of Murray. Following the meeting, Fitch sent a telegram to King George V, asking him to remove Murray as Lieutenant-Governor because "his persistent and persecuting actions" were "leading to serious and dangerous uprising of white people" in Papua. The King was asked to "take immediate action which honour and integrity of Empire demands."

This action shocked many influential white citizens into a belated realisation of the seriousness of the step that had been so impulsively taken, and there was an immediate reaction in favour of Murray, and against Fitch. A Special General Meeting of the Citizens' Association was hurriedly called. Over 100 citizens attended, and Captain Fitch came under sustained attack. A report on the meeting in The Papuan Courier noted, primly, that "at times it appeared that some of those taking part were likely to forget their habitual refined expressions and gentlemanly conduct in their indignation, justifiable or not..."

Captain Fitch occupied the chair. He tried to calm the meeting, with little success. "The man who sent that radio ought to be damned!" cried a citizen. D.N. Turnbull shouted, "The first thing to find out is who sent that infamous telegram to His Majesty! If that cablegram has been sent it is a damnable insult to the King, the Commonwealth, and every person in Papua, and should be repudiated!"

Fitch confirmed he had sent the cable, and there were loud cries of "Shame! Shame!" Turnbull asked, "Do you seriously say there was a danger of a serious uprising?" The only rising he knew was in the cost of living! Fitch protested that he had acted with the approval of the Committee, which was struggling on against heavy odds, always with the idea of conforming to the will of the people. He would not like it thought that he wanted to run the community ("Hear! Hear!" cried several people, sarcastically). Fitch said he looked upon himself as an "Anglo-Papuan", and asked the meeting to avoid personalities.

J.J. Hunter then moved that the Committee be prevented from sending more telegrams, to either the Governor-General or the King, without the express sanction of a general meeting. He did not doubt Captain Fitch's loyalty. He objected not to him sending the radio to the King, but to sending it in the name of the people.

In December a reply to the telegram came from the Governor-General, addressed to Captain Fitch, informing him that "the cablegram, sent by you, addressed to His Majesty the King, in which complaint is made against the Lieutenant-Governor of Papua, was duly received. By His Majesty's command, the matter has been referred to the Commonwealth Government."

So the wheel had turned full circle. Murray remained in office. In the long run this unfortunate incident probably benefited him. Many influential white citizens were ashamed of the way Murray had been treated, and began to support him. Murray was achieving a world-wide reputation as a wise and enlightened colonial governor, and the white population gradually came to an appreciation of his devoted efforts to improve the lot of all residents of Papua, white as well as black.

When Murray was knighted in 1925, white residents were united in their acclaim for a man they were now all proud of. Said an editorial in *The Papuan Courier*, the newspaper so often critical of Murray and his policies:

“We all know and feel that in intellectual power, in mental accomplishments and in scholarship, Sir Hubert is a Gulliver among the Lilliputs...there is no doubt that our Governor is in every way a Big Man.”

It took Captain Fitch some time to live down his part in this celebrated affair, but recover he did. Residents realised that he had acted for the best, at the behest of his Committee. He was coming to be familiarly known as “Cappy”, and his business affairs prospered, modestly - but he stayed aloof from further involvement in politics!

Fitch was a hard man of business, undoubtedly, but he had his approachable side. When the Port Moresby cricket team’s visit to Samarai was in danger of being cancelled because the skipper of the big Papuan Government auxiliary ketch, *Elevala*, was ill, Fitch volunteered to take his place, without charge. He transported the team to Samarai in the vessel, and brought them back. As a token of their appreciation, the Captain of the team, G.A. Bayer, presented Fitch with “a pair of beautiful pipes as a small token of their appreciation of his assistance in navigating the *Elevala* thereby enabling the trip to take place.”

In June 1920, Steamships Trading Company announced it was increasing its capital to £100,000 (but this did not eventuate). Fitch said that his company intended to add to its coastal service another vessel of about the same size as *Queenscliffe*, as well as smaller craft. “Other enterprises” would also be entered into.

As a result of the depressed conditions of the early 1920s, BNGD Co decided to close down their retail store business in Port Moresby, and transfer their stocks to Baldwin’s Ltd. The Company dropped their advertising in *The Papuan Courier*. This move was a small but quite useful development for Steamships, which gained some additional business.

BNGD Co continued to run SS *Tambar* on the subsidised coastal mail service. By August 1921, the vessel was conducting regular six-weekly sailings to a great many ports - Kapa Kapa, Hula, Arova, Vilirupu, Domara, Abau, Orangerie Bay, Fife Bay, Samarai, Misima, Woodlark, the Trobriands, Mambare, Buna, Cape Nelson, Baniara, Yule Island, Iokea, Kerema, Orokolo, Daru and on to Thursday Island. Stops were made at specific plantations and trade stores by special arrangement.

The BNGD contract was due to expire in mid-1922, and the Company decided to withdraw the vessel, which needed expensive repairs, and was costing too much to operate. An opportunity of immense significance to Steamships was about to open. The mail contract provided for quarterly payments of £375, a relatively small but guaranteed income very welcome to a company at this early stage in its growth.

On 18 October 1921, the Chief Postmaster invited tenders for “a mail, cargo and passenger service of not less than 12 months along the Papuan coast, with Thursday Island as a calling port, in place of the SS *Tambar*. Tenders should state particulars of the vessel or vessels proposed to be used, the time to be spent on the voyages, rates of freight and passenger fares, European and native, from Thursday Island to Port Moresby and Samarai, from Port Moresby to Samarai, and from each of these ports to all other ports of call.” Tenders closed on 31 December 1921.

Captain Fitch immediately lodged a tender, proposing *Queenscliffe* as the vessel to be employed. It was accepted. But he knew that the ship was not in good enough repair to undertake a service which demanded strict adherence to a timetable, with financial penalties for breaches. On 25 January 1922, the vessel left for Sydney for a complete overhaul, under the command of Captain Frost, with Captain Fitch as passenger. It was a very slow voyage, for *Queenscliffe* experienced constant engine problems and was forced to make an unexpected call at Brisbane, arriving on the evening of 6 February.

She created what a Queensland newspaper called “something of a sensation”. She was a “mystery ship”, said the paper, an “unknown steamer of between 600 and 700 tons” named *Queenscliffe*, which passed the pile light flying the yellow flag and anchored off the quarantine area. Nobody had any idea where the steamship had come from, or to whom she belonged.

Next day came another announcement. The vessel was the *Queenscliffe*, from Port Moresby, and belonged to the “Steamer Trading Company, of Melbourne”. She put into Moreton Bay “in distress”. After emergency repairs, she would continue on her voyage to Sydney.

The old ship finally struggled into Sydney, and went on the slip. On 12 May 1922, Captain Fitch sent a cable to his Port Moresby office. *Queenscliffe* had been completely overhauled, and altered to suit her new role. Two-berth cabins were built on the after-deck and a more commodious dining saloon provided. Over £3,000 had been expended on the refit, and a marine surveyor had stated that the vessel should now require only normal maintenance during the next five years. It was expected *Queenscliffe* would return to Port Moresby on or about 29 May. She would then be placed under the command of Captain William Grundt Beck, a well-known local skipper.

Queenscliffe finally left Sydney for Port Moresby on 3 June under the temporary command of Captain M.N. Plante, a famous old master mariner from the days of sail and the early steam era. During the Russo-Japanese war of 1904, Captain Plante had been master of the tramp steamer, *Kenley Abbey*. He ran the blockade at Port Arthur, and was actually in the harbour entrance with Russian fort guns firing over the ship at the closing Japanese warships when *Kenley Abbey* struck a mine, at full speed, and went down in deep water, taking seven of her crew with her. Captain Plante had a miraculous escape.

Queenscliffe did not reach Port Moresby until the 15th. Heavy weather was encountered along the Australian coast, which worsened after the vessel departed Cairns. Captain Fitch told a newspaper reporter that whilst crossing the Coral Sea, the seas were so heavy that the deck pipes were strained, with the result that sea water got into the fresh water tanks and spoiled the drinking water.

Fitch blamed the late departure of the *Queenscliffe* on the need to comply with conditions demanded by the Navigation Act. The matter had finally to be taken to Federal Cabinet for a decision. Fitch stated emphatically that he was sure he would not have been granted the necessary permit had it not been for the assistance rendered him by the Lieutenant-Governor, Judge Murray.

Queenscliffe brought in a full cargo of coal and general stores. Fitch expressed the pious hope that her voyages would be well patronised, in view of the heavy outlay that had been incurred in preparing her for the scheduled mail service.

Queenscliffe took up the running of the mail contract on 22 June 1922. Almost immediately a tragedy occurred. The ship made an overnight stop at Wainapuna. One of the passengers, Fred Berge, ARM Rigo, left the ship and spent the night at a rest house. He was preparing to leave next morning for Kalo when he received a note from J.A. Broomfield, another passenger. Captain Beck had been found, dead, on the bridge of *Queenscliffe*.

Berge hastened back to the ship. The body of Captain Beck was found lying across a cabin trunk on the bridge, the floor covered with blood. The head was shattered. At the feet of the dead man was an open leather suitcase containing a Colt .32 calibre revolver, standing on its muzzle. It was obvious that Captain Beck had shot himself, the gun then dropping from his hand.

Berge held an inquiry. None of the passengers - Mr and Mrs Broomfield, publican Tom McCrann - nor chief engineer J.J. Kelly or Papuan boatswain, Magani, had heard the shot. Both McCrann and Broomfield said they had known Captain Beck for years, and he appeared to have been worried about the responsibility of his position.

The verdict was inevitable: death by a self-inflicted bullet wound. Captain Beck, a Scandinavian, had no known relatives in Papua, and he was buried at Hula Cemetery. The position of master of the *Queenscliffe* was now offered to the veteran Captain C.O. Andersen. He was to remain in the employ of Steamships until 1939.

The ship carried out the scheduled service with few delays for some time, but despite the overhaul in Sydney she was a tired old lady. Her voyaging took her from Daru in the west to Samarai in the east, with innumerable stops en route. She could hardly avoid the odd bump



Port Moresby, early 1920s - view to the East

Photo: Courtesy James Sinclair

and scrape on reef or bar, but she had been stoutly built of soft iron plates, and was usually able to back off and carry on.

In addition to the mail subsidy payment, Steamships earned revenue from passengers and freight, an agreed schedule setting out fixed rates and fares. Freight was carried from Port Moresby to Samarai at 30 shillings per ton, with pro-rata rates for intervening ports. The Port Moresby-Daru rate was 50 shillings. The adult European fare Port Moresby-Samarai was 80 shillings (natives 20 shillings) and to Daru, 80 shillings (natives 25 shillings). Separate rates applied for the carriage of copra, shell, rubber, timber, whaleboats over 12 feet, horses, cattle, sheep, goats, pigs and dogs. Explosives were carried at double rates.

On 25 August 1922, *Queenscliffe* failed to arrive in Port Moresby from Daru as scheduled. Four days later the ketch Sir Arthur arrived, commanded by Captain Kunson, with the news that the steamer had gotten into difficulties, and was anchored in Orokolo Bay. Chief Engineer J.J. Kelly came in to Port in the ketch, to obtain the necessary tools to effect temporary repairs. He reported that while on the return trip from Daru, the piston rod broke without warning and smashed through the high-pressure cylinder cover.

Captain Kunson assured the Port Moresby Harbourmaster that *Queenscliffe* was in no danger, unless heavy weather set in. Kelly got his tools and returned to Orokolo Bay in the Whitten Bros. ketch *Aroa*.

In the meantime, Port Moresby was in a state of high excitement. The famous Australian photographer and traveller, Captain Frank Hurley, was about to embark on an ambitious expedition to cross New Guinea by air. He planned to establish bases at Yule Island and Kikori and then ascend the Fly by ketch to its junction with the Alice River, and from there attempt to fly over the Central Range to the Sepik.

Captain Andrew Lang arrived in Port Moresby on the Marsina on 21 August 1922, with a Curtiss Seagull biplane flying-boat. This was the first flying machine seen in Moresby, a harbinger of things to come, a rival to sea transport that would eventually transform communications within Papua and the Mandated Territory.

On Tuesday 5 September Captain Lang made the first flight. "At ten o'clock she left her moorings and after racing across the bay towards Tatana she gracefully rose in the air, flew round the bay and over the town," reported *The Papuan Courier*. "Captain Lang remained in the air for just over half an hour. The excitement among the natives was something worth seeing...one boy was so excited when Captain Lang waved as he passed over the town that he whipped off his rami and waved like mad, oblivious of the fact that he was standing without any clothes whatsoever."

Queenscliffe returned to Port Moresby on 16 September, under her own steam. The feat was "very creditable to engineer Kelly and Captain Andersen, considering the seriousness of the smash," *The Papuan Courier* reported. The damaged cylinder was removed and dispatched to Australia for repair.

The repaired cylinder was not returned until early November. Engineer Kelly had by this time left Papua, and was replaced by F.W. Clark. He soon had the engine repaired and operating smoothly, and the subsidised voyages resumed.

This long delay was a serious setback for Steamships, and the Company was permitted to continue the mail service purely because no other suitable vessel was available. The other

coasters then operating - *Aroa*, the scow *Vailala*, *Obu*, *Cranbrook*, *Topsy*, *Ela*, *Varoe*, *Rambler* - were either too small, or were tied up on other work.

Queenscliffe continued her voyages. Captain Andersen reported that the repaired engine “ran smoothly and gave every satisfaction.” In May 1923, the ship underwent annual survey on George Stewart’s Napa Napa Slip, and was reported to be “in first class condition.”

The mail contract period was nearing completion. Tenders for the coastal service were again called, for a period of 12 months from 22 June 1923, for all ports between Thursday Island, Daru, Port Moresby, Samarai, Bwagaoia, Misima, Bonagi, Woodlark Island, Losuia, Trobriand Islands, Mambare mouth, Buna, Tufi, Baniara, Samarai and back to Thursday Island via ports. The subsidy was raised to £2,000 per annum, payable quarterly.

Queenscliffe returned from her final run to Daru under the contract towing a sailing cutter, *Fanny*, which Captain Fitch had purchased to service plantations and trade stores. He had recently acquired a small trading station at Kukipi for the Company, and *Fanny’s* early voyages were to this station, loaded with trade goods. Another cutter, *Overseas*, was added to the Steamships fleet a little later. She was first examined and passed for service by Captain Andersen.

Rumours now began circulating: *Queenscliffe* was to be taken off the mail run. Said a report in *The Papuan Courier*:

“It would undoubtedly be a great loss to all settlers along the coast if the rumours are proved correct, for the *Queenscliffe* is the only coastal steamer we have in the Territory, although her running during the past twelve months unfortunately has not been as regular as it would have been, but for the number of unforeseen delays. She was very much missed when she was in Sydney...during the south-west season, a steamer is almost an absolute necessity on this coast. We sincerely hope in the interests of the residents that the Government and Steamships Trading Company will come to some arrangement whereby the services of the *Queenscliffe*, or some other steamer will be retained on the coast for the Daru-Samarai run...”

Residents were concerned that if Steamships lost the mail contract, it would be snapped up by the big company, Burns Philp & Co. There had long been criticism of the Burns Philp subsidised monopoly of the Papua-Australia route. “Papua is groaning under Burns Philp!” said an article in *The Papuan Courier*. “Settlers and planters intend to appeal to the League of Nations if Australia fails to act!”

Queenscliffe had in fact completed fewer than half of her contracted voyages. After much discussion and negotiation, Steamships was again awarded the mail contract, utilising *Queenscliffe*. However, it was now obvious that the old ship was too unreliable for this vital service, and the contract issued by the Commonwealth Government specified that it was awarded subject to the construction of a new steamer, specially designed for the island trade.

Moreover, because of the world-wide slump in copra and rubber sales, the contract reduced allowable freight rates to a point below those prevailing when the *Wakefield* held the mail contract, at the turn of the century. Since that time the price of coal, water and general costs had increased by almost 100%. Salaries, too, were now much higher.

Captain Fitch was now in a difficult position. The merchandising side of Steamships’ business was doing quite well, but the Company could not afford to lose the mail contract,

which returned much more in incidental business than the amount of the subsidy. But a new steamer would involve the expenditure of a great deal of money. He cabled his Directors in Melbourne, and was instructed to return there immediately for urgent discussions.

Fitch left for Sydney and Melbourne in the *Morinda* in July 1923. In Sydney he gave evidence on behalf of the Port Moresby Chamber of Commerce to a Tariff Board inquiry into the dire effects of the Navigation Act on the economy of Papua. He cabled the Secretary of the Chamber, saying he “had a splendid reception, expect good results.”

The Steamships Directors agreed that a new vessel would have to be constructed. Financing such a vessel would be beyond the resources of the Company, and it was decided to form a new public company, which would take over the assets of the original company, and issue new shares.

Captain Fitch had decided ideas on the design of the new vessel, and he traveled to London to arrange for her construction. He appointed James Morrison & Co as Steamships’ London agents, and commenced discussions with several shipbuilders. Agreement was reached with the firm of McKie and Baxter Ltd in conjunction with the famed Scottish shipbuilders, Harland and Wolff Ltd, for the new ship to be built on the Clyde. Fitch then returned to Melbourne, leaving the supervising of the work to the London agents, Morrison’s.

During his absence arrangements had been completed for the formation of the new company.

Publicity

of the "Courier" is, who is act- etary, on Wed- m of the Gove- de a statement to the reasons meet in calling tal constables. hat he would ader the notice istrator. Yes- ursday) we re- message from ex: "There is n be published t" one on Friday ministrator as ted the "Cour- x-communication, options which most lament- Feb. 18, 1921. Interview of regard to the ews and the re to have my

"Port Moresby."

THE MINISTERIAL VIEW

Mr Skelly received the following communication by radio on Tues- day:—

"Your radio 18th. Minister has given full consideration to matter of hospital. Position is that patients may either be treated in their own homes or at hospital, but if they elect to go to the hospital they must conform to rules in that institution, one of which is that private practi- tioners are not permitted to treat patients therein. That is general practice throughout Australia, and Minister sees no reason why excep- tion should be made in case Port Moresby.

ATLEE HUNT.

The Morinda, on her return trip from Rabual, via Samarai, is ex- pected to leave Port Moresby for the South about Friday next, 4th March.

The Morinda is due to leave Sydney on Wednesday next, 2nd March, and is expected to arrive about the 11th.

A FULL LINE OF SPARES STOCKED.

The Steamships Trading Co
LTD.

STEAMSHIP OWNERS, TRADERS, RECRUITERS, CUSTOMS INDENT, INSURANCE AND GENERAL AGENTS.

'PHONE 40. BOX 17. PORT MORESBY.

Regular Steamers service both East and West.

Agents for: Phoenix Assurance Co. Ltd., Sydney. Ship Exchange, Sydney. The Papuan Industries Ltd., Daru.

For Advertisements on Ryan's Picture Screen apply to us.

DRIED SAGO in large or small quantities always on hand.

HOTEL MORESBY,
Musgrave Street, Granville West.

A constant supply of ice, fresh meat, etc. Premises lighted by Acetylene Gas.

Only the Best Brands of Beers, Wines and Spirits Stocked. Everything True to Label.

Cordials and Aerated Water factory attached.

The Premier Hotel in Papua.

The Papuan Courier

CHAPTER TWO

THE PAPUAN CHIEF

Steamships Trading Company Limited was formed on 30 September 1923. Captain Fitch hastened to Port Moresby, to make arrangements for the new company to be incorporated under the Companies Ordinance 1912, Papua. On 12 January 1924, the Certificate of Incorporation of Steamships Trading Company Limited was handed to him by the Registrar of Companies, Alfred J. Bates. It was marked “No. 1 of 1924”.

The Memorandum of Association of the Company (dated 24 December 1923) provided for the registered office to be situated at Port Moresby. The predominant object of the Company was set forth in Clause 111 (a) - for Steamships was primarily a shipping company in this early stage of its existence:

“To purchase, take in exchange, charter, hire, build or otherwise acquire and hold steamers, ships, vessels, tugs, hulks, lighters and hulls (whether wrecked or not) and cargoes, goods, merchandise, plant, machinery and stores of any description or any shares or interests in ships or vessels and also shares stocks and securities of any companies possessed of or interested in any ships or vessels and to maintain, repair, improve, alter, sell, exchange or let out to hire or charter or otherwise deal with and dispose of any ships, vessels or shares or securities as aforesaid and the right to salve or recover any wrecked vessel and the cargo of any wrecked vessel as may seem expedient.”

A long list of other clauses allowed the Company to engage in business undertakings, enter into contracts with any company, government or public body, and acquire real estate by purchase or lease (“and in particular cargoes, steamers, ships, wharves, docks, engineering or repairing works, storage, yards, patents, lighters, tugs or vessels, mineral leases, coal mines, coke, timber, goods, merchandise, livestock and produce”).

One clause provided for the Company to carry on the business of planters, others to enter into partnerships or joint ventures, to lend money, to raise or borrow money “on any terms”, to issue fully paid up shares and debentures to any creditor or creditors in settlement of any debt incurred, to give donations, subsidies or contributions to any association as the Company thought expedient, and to grant pensions and allowances to benefit employees.

Clauses 111 (j) and (k) empowered the Company to issue preference and ordinary shares, sub-divide such shares into shares of a smaller value, and to increase or reduce the capital of the Company as required.

The nominal capital of the Company was £500,000, divided into 500,000 shares of one pound each. Initial shareholders were Captain Fitch, Jessie Elaine Fitch, William Strong, William

Chisholm, Ernest Cochrane, Frank Heald and James Clifford. Each held a nominal one share.

The first Meeting of Directors of Steamships Trading Company Limited was held at the offices of W.J.W. Strong, Union House, 247 George Street, Sydney, on 21 January 1924. Strong was appointed Chairman, and Captain Fitch, Managing Director. The other Directors were Robert W. Martin and R.J. Fagan, while W.R. Chisholm was secretary pro tem. All were residents of Sydney and Melbourne.

Fitch would represent the Company in Papua, and would reside at Port Moresby. He would be paid a salary of £1,000 per annum, plus a commission based on profits (the same remuneration he had received from what the minutes called the “Old Company”). Since it would be obviously impossible for Fitch to attend all Directors’ meetings, he would be represented when necessary by Strong under a Power of Attorney.

Members of the Coward family of Sydney applied for the first large block of shares, 5,000. Other applications were received - mostly from shareholders in the original company - making a total of 15,000 one-pound shares. The entire assets of ‘the Old Company’ were acquired for the sum of £15,000.

The second Meeting of Directors empowered Captain Fitch to send a cable to James Morrison & Co in London, authorising the construction of the new vessel. A preliminary deposit of £2,250 was sent to London. It was resolved to create 25,000 preference and 35,000 ordinary shares of one pound each. At the end of December 1924, the subscribed capital of the new company was £40,000.

Captain Fitch returned to Port Moresby on the *Morinda* with his wife, Jessie, and their daughter on 15 February 1924. Fitch announced that construction of the new vessel was already under way, and McKie & Baxter had promised to “expedite matters as much as possible.”

The vessel, of 255 tons net register, would be named *Papuan Chief*. She would be “fitted with a motor launch of particular pattern, suitable for towing boats, cargo etc, or landing passengers at the various coastal ports without loss of time. The main features will be electric light, triple expansion gear, steam windlass, winch etc and special cargo gear for the purpose of lifting cargo from the boat in a seaway without the need for touching the vessel. Small booms will be attached to enable whaleboats, canoes etc to make fast and ride clear of the vessel the whole time. First class berths will be provided for ten passengers, a saloon, bathroom and other conveniences. The boat has been specially designed for the Papuan coastal trade...”

Fitch added: “Owing to a change in the reconstruction of the Steamships Trading Company, it is likely that considerable changes will take place therein, within the next twelve months.”

While awaiting the arrival of the *Papuan Chief*, Captain Andersen continued in command of *Queenscliffe* on her contracted voyages. When Andersen departed on leave, he was temporarily replaced by Captain Kunson. By this time Thursday Island had been dropped from the itinerary. The cutters *Fanny* and *Overseas* continued their running.

Captain Fitch immediately began to expand the operations of the new company. Two small cutters, *Lebafa* and *Revel*, were added to the fleet (but they were soon sold off). He called for tenders for the construction of Steamships’ first dedicated store-office building, in Port Road, on what was known as the Hospital Cottage site. A contract for the work was let to P.J. McDonald.

Percy McDonald was a remarkable man. He came to Papua on 9 January 1923, and in a long and varied career was an innovative contractor, aviation pioneer, planter and general businessman. He and Captain Fitch were subsequently to be partners in several ventures.

The new building, constructed of reinforced concrete, was partly completed and occupied in early November, 1924. McDonald was instructed to add a verandah, a garage (Steamships acquitted its first motor vehicle, a lorry for the delivery of goods, in September) and a bulk store to the complex. Said *The Papuan Courier*:

“One end of the new building, which is very much larger indeed than the old premises, is given up to the store section, with fixtures for stock, counters etc while office accommodation is to be fitted up at the other end of the building...the building, of concrete throughout, is well lit, well decorated and appears to be particularly well suited for the purpose for which it is intended.”

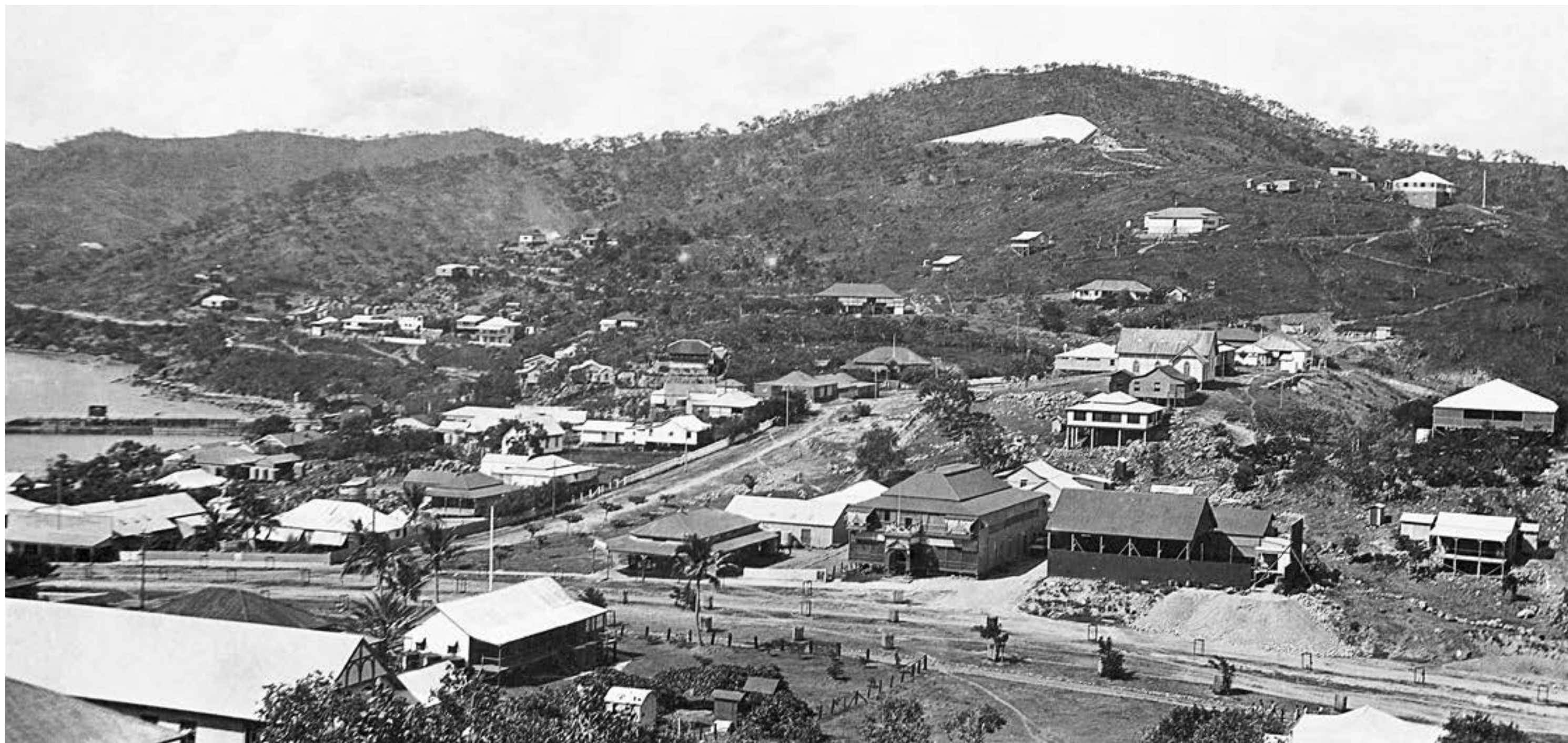
Trading from the new premises began immediately, and the Company rapidly increased its range of imports. Steamships advertisements boasted that “our famous Choice Ceylon teas, packed in lead-lined five-pound chests” were absolutely fresh, specially packed to order and imported direct. The tea cost three shillings and nine pence a pound. Other direct imports included Van der Tak cigars at one pound a tin, Club House cigarettes at three shillings, Beale’s knives, Blair’s axes and tomahawks, Dietz lanterns, and trade goods “of all descriptions”. Steamships offered its own “Queenie” brand of 35-inch long cloth, leather belts and other trade items. The store remained “Queenie’s store” to the Papuan people.

Captain Fitch was now a highly-regarded member of the Port Moresby community. He was one of a small Committee appointed to greet the Governor-General of Australia, Lord Forster and Lady Forster, on their first visit to Papua. (During their visit the exalted couple were guests of the Papua Club, which normally did not admit ladies, no matter how high their social standing.)

Fitch’s expertise as a master mariner was also called upon. On 23 December 1923, SS *Pruth* was lost on Naterara Reef, near Port Moresby. A twin-screw vessel of 4,698 gross tons, commanded by the veteran Captain Hudson, *Pruth* was abandoned, a total loss, together with her cargo worth some £50,000. An official enquiry into the stranding was held, with Captain Fitch one of two master mariners acting as expert advisers. Captain Hudson was found to be at fault, for not giving the reef a wider berth, and was censured. The rusting remains of *Pruth* remained on the reef, and were used by RAAF bombers in practice bombing runs during the Pacific War.

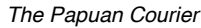
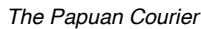
Steamships also commenced another shipping involvement in 1924: agent for foreign vessels. In October 1924, the Company announced that the SS *Ling Nam* would be calling at Port Moresby on a voyage from Sydney to Hong Kong. The ship would accept freight and passengers. The vessel was a sister-ship to the well-known SS *Marella*, and had “excellent accommodation”. She was the first of many overseas ships which would be represented by Steamships over the years ahead.

In October, the Company sent down a native crew to Sydney to bring back a vessel built and designed specially for the requirements of New Guinea Oil Company, which was drilling for oil on the Vailala River. Steamships were acting as agents for the oil company, and also for Lane’s Prospecting and Options Syndicate N.L. who had secured oil concessions on Woodlark Island.



Port Moresby, circa 1923

Photo: Courtesy Alan Caudell



Queenscliffe was much more successful during the currency of the second mail contract. She



Photo: Courtesy National Geographic

was slipped at Napa Napa in July 1924, for annual survey. Upon leaving Port on her first voyage after survey, Captain Kunson signaled the occasion with a shrill blast from the ship's steam whistle. "We understand Port regulations do not permit of this," *The Papuan Courier* commented. "We trust to see it become a regular custom, in order that passengers may have a few minutes to reach the steamer."

In preparation for the forthcoming arrival of the *Papuan Chief* the Company was granted permission to build a coal bunker at the end of the Government wharf. Water tanks were also installed.

Construction of the *Papuan Chief* was proceeding at a greater rate than had been expected. She was launched on the Clyde in June. She was insured with Phoenix Assurance Co Ltd of Sydney for cost price plus steaming-out charges and a special premium covering the voyage out to Port Moresby.

A loan of £500 was negotiated from the Bank of New South Wales, Melbourne, for the specific purpose of commissioning the *Papuan Chief* on her arrival at Port Moresby. The quarterly mail subsidy of £500 was applied to the cost of the vessel, and a mortgage taken out. So far as can be determined, the final cost of the ship was in excess of £17,000.

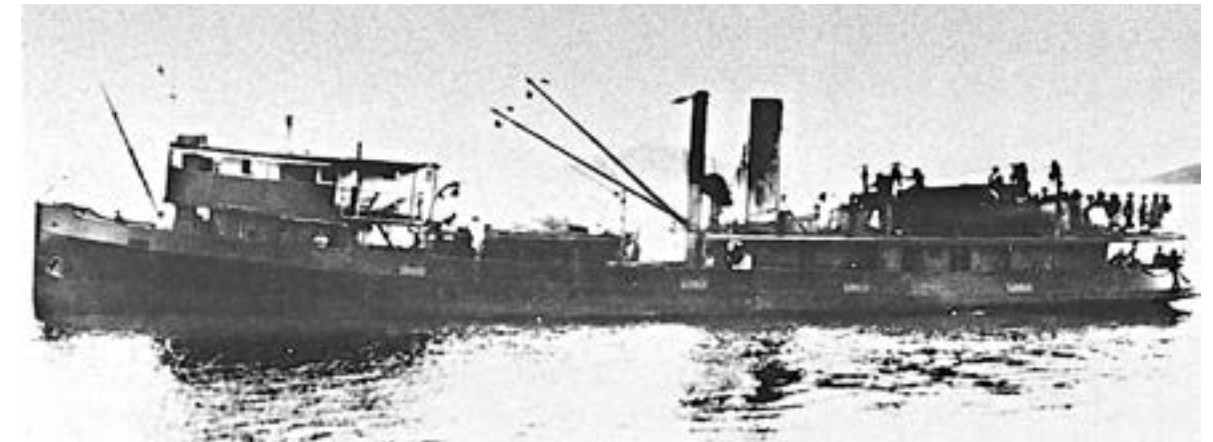
The *Papuan Chief* departed Glasgow for Port Moresby via a number of ports on 25 September, arriving on 12 December 1924. She left on her first voyage, to the west, on the 28th. The captain, engineer and crew who brought the ship out direct from Scotland returned there, and Captain Andersen formally took over command.

Captain Kunson continued as master of *Queenscliffe*, which now was moved to Samarai, from where she ran to coastal ports along the north-east coast. Samarai was to be her home port for the rest of her days.

The First Annual Director's Report and Balance Sheet of Steamships Trading Company Limited, covering the period 30 September 1923, to 31 December 1924, was presented at the Annual General Meeting in Sydney on 29 May 1925. Directors reported that trading had been "of a very satisfactory character."

In view of the expenses incurred in the construction of the new company headquarters and the new vessel, the net profit of £3,567 was regarded as "a most excellent result". Merchandising turnover had increased by nearly 100%. However, an additional £5,000 capital was immediately required in order to purchase adequate stores to meet the increasing turnover and the larger operations expected by the advent of *Papuan Chief*. An issue of 5,000 preference shares of one pound each would be made, with preference given to existing shareholders. A dividend of 10% on preference and 5% on ordinary shares was recommended. The balance of profits was carried to reserves, a prudent measure which was to mark the conservative practices of Steamships over the years.

The arrival of the *Papuan Chief* was a seminal event in the life of the Company. She was to serve for more than 15 years, in the process becoming the best-known vessel on the Papuan coast. "*The Papuan Chief* is more than a ship, it is an institution," wrote H.L. Hurst, Secretary of the London Missionary Society, in 1938. "It is known by Papuans and white folk alike up and down the coast of the Territory. As soon as it is sighted the cry goes up from village to village - 'Sail-ho-*Papuan Chief*!'...the cry is one of the cheeriest for many a missionary, magistrate or planter along these shores. It means letters, papers, books. It means stores - food, kerosene, machinery..."



SS *Papuan Chief*

Photo: Steamships archives

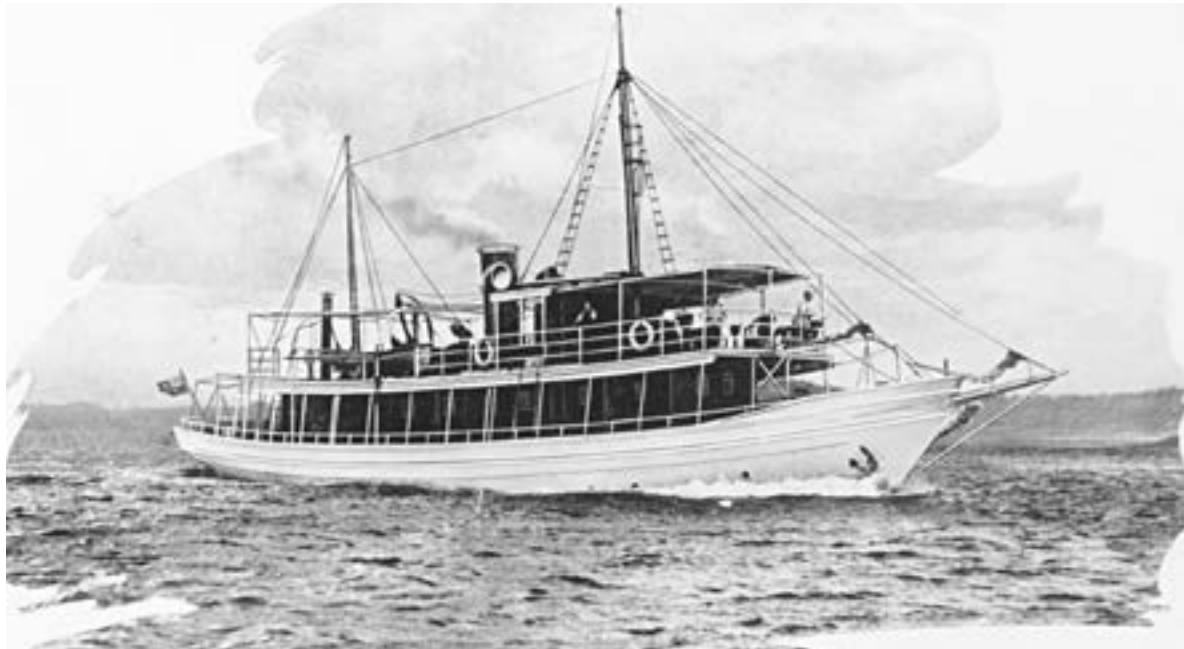
She was an entirely practical but ugly little ship, flush-decked, with the bridge well forward for navigation in hazardous waters, with the engine aft and between a single large hatch served by kingposts next to a tall upright funnel. She generally steamed at a steady ten knots, handled well, and kept steadfastly to schedule. One could set one's watch by the *Papuan Chief*.

In May 1925, Captain Fitch reported to the Steamships Board that the ship was "most satisfactory, being entirely up to expectations as regards economical running, and her coal consumption relative to speed and carrying power is probably the lowest in the Southern Hemisphere."

Captain Andersen was appointed Commodore of the Steamships fleet. "Captain Andersen finds little use for the Admiralty charts he carries," said a report. "Thirty years in sailing oil and steam ships round and about the adjacent islands of Papua, and between Papuan ports and Queensland, has learnt this tough old seaman as much as it is possible to learn of the treacherous coastline of New Guinea. He knows by sight and sound every coral strand and sand bank in the maze of reefs that girdle these shores...twice he has sworn never to go back to the sea, and twice the call has been too insistent. That is why in his new command he is as ready as ever to welcome old friends of the early Papuan days."

The Chief was involved in a minor collision with the Lieutenant-Governor's new official vessel, *Laurabada*, on 1 May 1925. *Laurabada* was a shapely, twin-screw yacht-like craft, designed and built to official requirements in Sydney, and launched on 8 January 1924. She made the voyage to Port Moresby in a non-stop run of a little over five days, commanded by Leonard Murray, with engineer W. Keppie in charge of the machinery. (The name, *Laurabada*, was to be closely associated with Steamships three-quarters of a century later.)

The collision resulted in an action being brought by the Territory of Papua against Steamships for alleged damage caused by *Papuan Chief*. The case was heard in Small Debts Court before J.T. O'Malley, RM, with R.T. Gore for the plaintiffs, and R.D. Bertie for the defence. The finding was that both Captain Andersen and the new Chief Engineer, J. Hurry, had been "negligent". R.D. Bertie was for many years after solicitor for Steamships Trading



MV *Laurabada* on trials, 1924

Photo: Courtesy Ivan Champion

Company. Hurry soon afterwards left Steamships’ employ.

Captain Fitch also earned a rebuke from his Directors, in May. The mail contract as issued, deleted Thursday Island from the ports of call, but Fitch was very proud of the new ship and he authorised Captain Andersen to make several trips to T.I. Reports appeared in Australian newspapers that the *Chief* was overdue on one such voyage. Insurance covered scheduled ports only, and the insurers immediately demanded payment of an additional premium to cover the new risk. The annoyed Directors cabled Fitch for information and received the reply, “Alarmist report heavy weather passed *Chief* all well trade good.”

Directors resolved that the Managing Director “be radioed, instructing him that *Papuan Chief* must not leave Papuan coast for Thursday Island unless directly authorised by the Board. Further resolved that the insurance company be paid the further premium demanded...further resolved that no deviations from the ordinary work of the Company’s operations be made unless expressly authorised. Secretary instructed to ascertain whether the *Papuan Chief* sustained any damage in trips to T.I. as if so, it is intended to lodge a claim with the insurance company under our W.P.A. cover.”

Directors also noted that the cutters *Fanny* and *Overseas* were not insured. Fitch was asked to explain why this was so, and what arrangements had been made to cover loss or damage to cargoes carried on the two little craft.

Captain Fitch, wholly immersed in the affairs of the Company in Papua, was often remiss in forwarding due profits and reports to Melbourne on time. There is a comment in the Minutes that the Board viewed “with a great deal of annoyance” Fitch’s failure “to be prompt” as promised in attending to such details. Running the Company with the Board

located in Melbourne, and the Managing Director in Papua, was clearly a difficult matter, in those days of primitive communications.

Despite these small setbacks, Steamships continued to make steady progress. The hated Navigation Act was lifted from Papua in 1926, and the Territory embarked on a short boom that lasted until the Great Depression. Steamships benefited from the improved business conditions. In January 1926, Chief Postmaster W.T. Kendrick called for tenders for a mail, cargo and passenger service from Samarai to the Mambare Beach, calling at Baniara, Cape Nelson and Buna Bay each way (this was later extended to include the outlying islands). Each voyage was to take no longer than one month.

Captain Fitch nominated *Queenscliffe* for this run, and gained the contract. *Papuan Chief* and *Queenscliffe* now provided scheduled services to the entire coast of Papua, and spread the name of the Company far and wide.

In March, Steamships completed the installation of Port Moresby’s first Soda Fountain at the Port Road store. “The outfit has been very nicely set up,” said a report in *The Papuan Courier*. “A special counter has been set aside for the use of European customers... glasses are not used for Europeans, patent paper cups being used, for one person only, of course...certainly no better time than the present hot weather could have been chosen for the opening of this business. We know, because we have tried it...”

The Soda Fountain dispensed lime juice and soda, lemonade, ginger beer, soda squash, orangeade and pineapple soda at six pence per cup. The Company also set up a small aerated waters factory, supplying lemonade at six shillings a dozen and limeade, pineapple, strawberry, raspberry, orangeade and kola at seven shillings and six pence.

Extensive additions to the Port Road store were completed in May. A large bulk store, 81 feet long and 36 feet wide was added at the rear of the store, the largest yet erected in Papua. A major development for Steamships came in December 1926, when the Company was again awarded the South Coast mail contract, this time for a period of five years, from 1 January, 1927. Captain Fitch wanted to replace the aged *Queenscliffe*. He recommended



Photo: Steamships archives

Steamships General Store, 1924



The Papuan Courier



The Papuan Courier

to the Board that either a motor vessel or a steamship should be constructed in England, of 310 gross tons, drawing no more than nine feet loaded and with a speed of nine knots. There should be accommodation for 18 passengers. “This is good news,” said *The Papuan Courier*, “as it goes to show that our trade is increasing sufficiently to warrant improvements in our transport, without which no country can forge ahead.”

The book value of the Steamships fleet had by this time been written down to £24,226. *Papuan Chief* was now down at £14,876, *Queenscliffe* at £5,924, and the cutter *Overseas* at £243.

The Board declined to proceed on what would have been an expensive exercise, so soon after absorbing the cost of *Papuan Chief*. So Fitch proposed instead the purchase of the fine auxiliary ketch *Veimauri* from Houlder Bros. Ltd. She had been specially built for the Papua trade, using local timbers and with natural knees throughout. The Board approved the purchase of the ketch for £4,000, covered by an advance on overdraft with the Bank of New South Wales (today, Westpac, the Company’s banker throughout its existence) secured by a mortgage over *Queenscliffe* and the existing mortgage over *Papuan Chief*. The cutter, *Fanny*, had been sold, with *Overseas* remaining in the fleet.

Veimauri entered Steamships’ service in December 1926, under the command of Captain W.J. (Jack) Dean, a master mariner who had lived in Papua for many years (Captain Dean died in Samarai in April 1931). She made her first run to Hisiu, but was based at Samarai. Fitch announced that the Company was also considering the construction of another vessel similar to *Veimauri* for work out of Samarai.

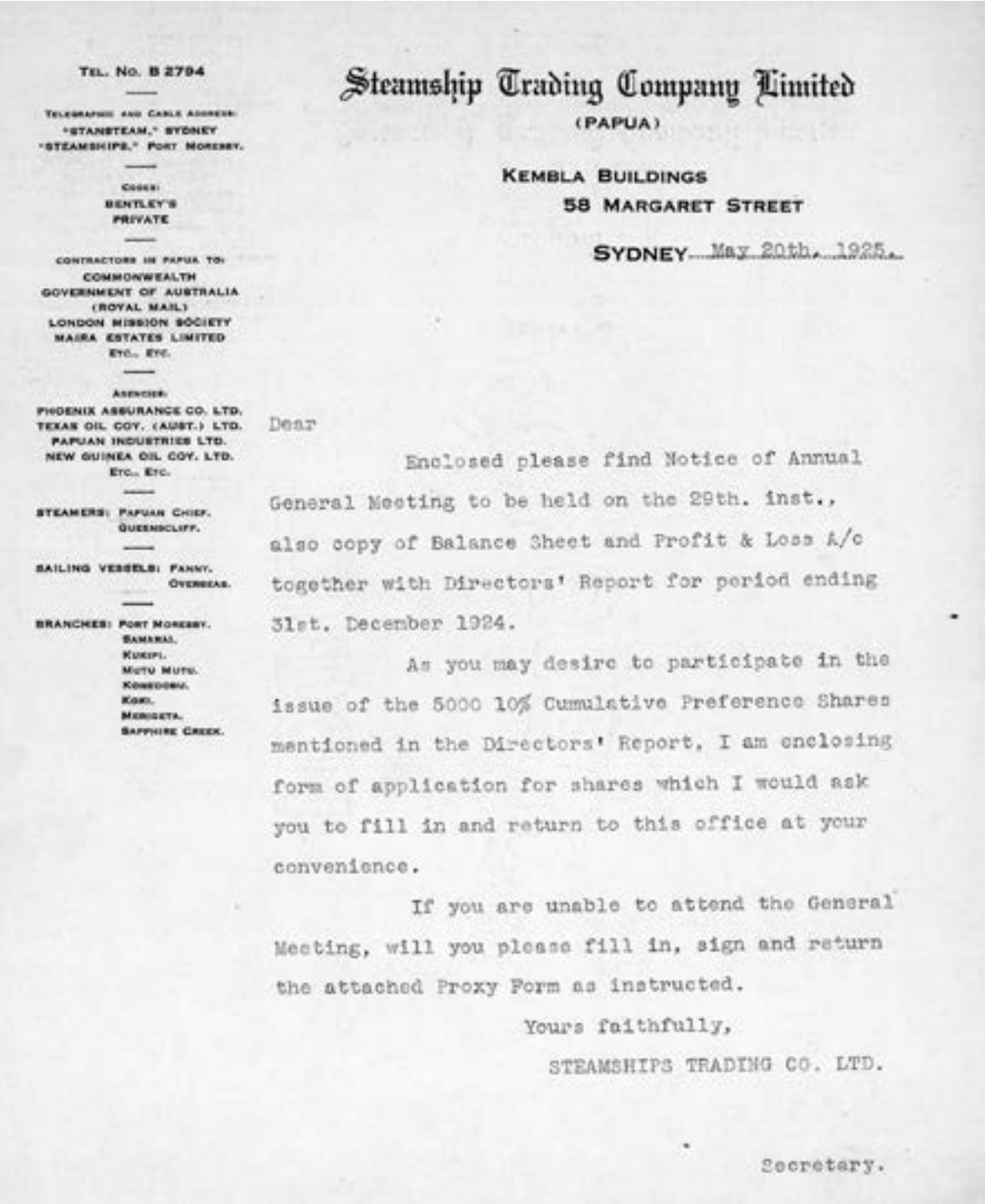
Queenscliffe was almost at the end of her life. She went on the Napa Napa slip for annual survey in October 1926. The survey was made during a stay of the Burns Philp vessel *Morinda*. Her chief engineer, L.G. Sadler, carefully inspected the old steamer, and advised that she would have to be very thoroughly reconditioned if she was to remain in service. The engine in particular was in a bad state.

Captain Fitch strongly recommended this course of action in a series of letters to the Board. It was moved that Fitch be asked if he could suggest anything “whereby the loss might be minimised as to laying her up as a coal hulk” and salvaging any useful parts.

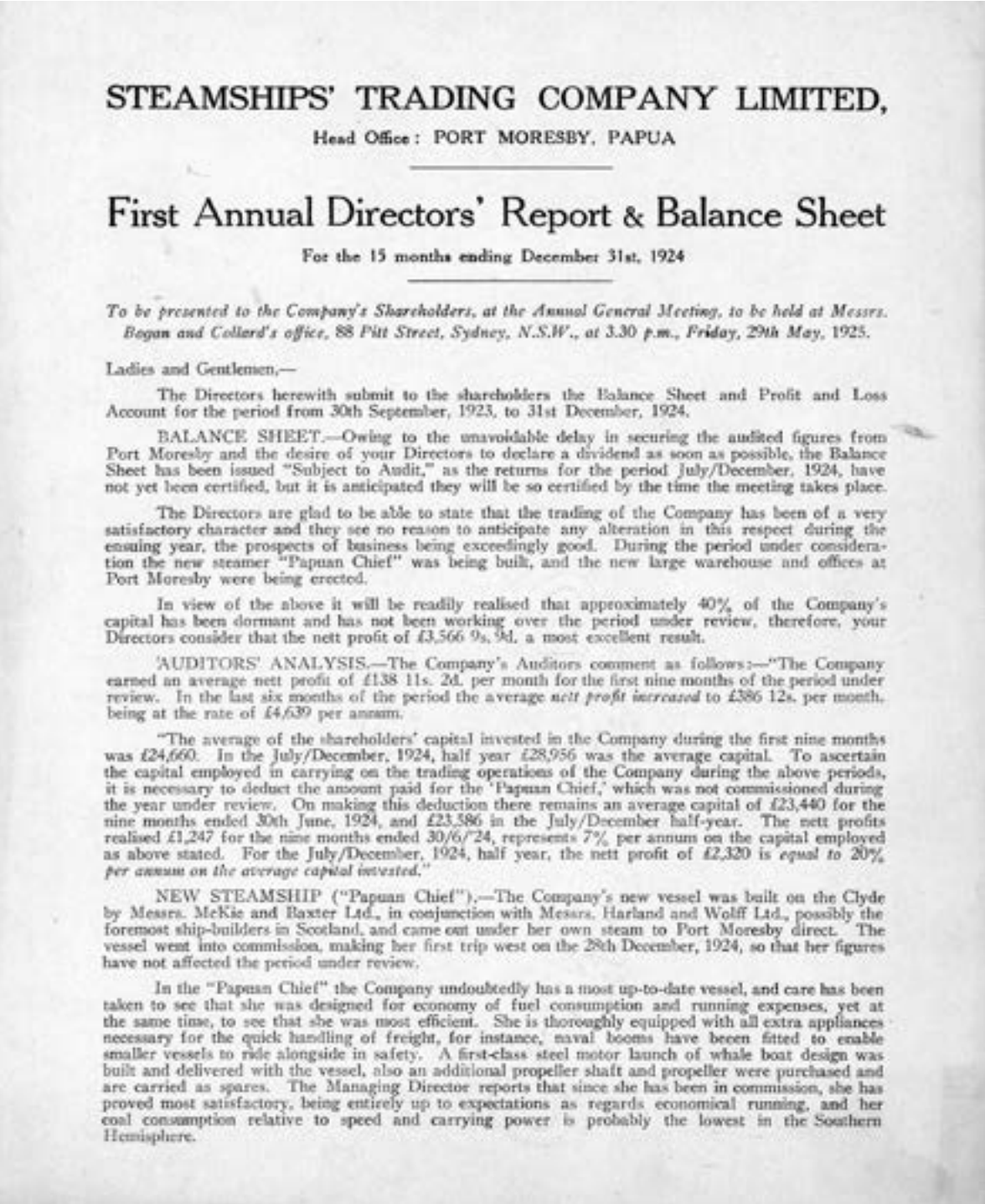
The matter was left in abeyance. *Queenscliffe*’s insurance cover was renewed, and she continued her subsidised voyages. The end came in June 1927. “SS *Queenscliffe*, one of the old-timers on this coast, has gone into sick bay pending a decision on her future,” *The Papuan Courier* reported. “After returning from the N.E. coast on 10 May, her engineer reported engine trouble. After the report of the shore engineers, it was decided to lay her up until expert opinion could be procured. In the meantime, it is highly probable that the auxiliary ketch *Veimauri* will take up the *Queenscliffe*’s running.”

The old steamer was “temporarily” laid up at Samarai, and *Veimauri*, under Captain Dean, took over the running of the contract. During the November 1927, meeting of the Board (held at 396 Flinders Lane, Melbourne, now headquarters of Steamships in Australia) a newly appointed Director, G.A. Clack, said that if capital could be obtained, it would be advisable to recondition the ship as recommended by Captain Fitch.

But it was to no avail. *Queenscliffe* was beyond salvation. She was stripped of all worthwhile materials, and early in 1928 was towed to a small bay on the western side of Saraiba Island, just north of Samarai, and used as a coal store. Her value was written down to £5, and she



Annual Report, 1924



Annual Report, 1924

NEW STORES.—The new stores and offices at Port Moresby cost more than originally estimated, but now that they are completed the Company's Head Office and Warehouse are most imposing and have resulted in increased European trade.

LIQUOR LICENSE.—A liquor license was purchased during the year, and the Managing Director reports that business in this line is developing most favourably.

COAL BUNKERS.—It was decided to take advantage of the Government's concession in allowing the Company to build its own coal bunkers at the end of the Government pier at Port Moresby. The Managing Director estimates that when completed they will pay for themselves in twelve months, in bunkering the Company's vessels.

WATER TANKS.—During the year the Company erected its own water tanks on the pier at Port Moresby, as great difficulty has been experienced in the past in getting the necessary supplies. In consequence a great deal of expense and lost time will be saved.

SAMARAI.—Arrangements have been made to open the Company's own offices and warehouse in this important trade centre, and the Managing Director reports that the services of a good manager have been secured. With the advent of the "Papuan Chief" the "Queenscliffe" was automatically released from her old run and was free to take over the additional coast line as far north as Mambare River and Buna Bay, and this territory, it is intended, will be exploited from Samarai, at which port the "Queenscliffe" will make her headquarters in future.

MAMBARE RIVER SUBSIDY.—It is with great pleasure that we report having secured an additional Government subsidy for the "Queenscliffe" for carrying mails between this point and Samarai. It is expected that additional subsidies will be available for the same vessel for calling at adjacent islands.

MERCHANDISE.—The turnover during the year has increased nearly 100%, and when one bears in mind that practically all additional capital introduced during the year has been utilised in paying for the new vessel and the new buildings in Port Moresby, the result is extremely gratifying. It should be stated, however, that an additional 45,000 must be made available immediately at Port Moresby in order to purchase adequate stores to meet the increasing turnover and larger operations compelled by the advent of the "Papuan Chief." Applications will be received by the Secretary for an issue of 5,000 Ten per cent. Cumulative Preference Shares of £1 each, payable as heretofore, and preference will be given shareholders in the first instance.

OVERSEA BUYING.—With the Company's increased assets it has lately been possible to purchase overseas in the actual sources of supply, merchandise which heretofore the Company was forced to purchase locally. This has resulted in improved margins of profit, and it is expected that the advantages of this policy will be apparent in the 1925 figures. The Directors feel that they cannot emphasise too strongly developments in this connection.

DIVIDEND.—The Directors have pleasure in recommending payment of a dividend at the rate of 10% on all preference shares, and 5% on all ordinary shares for the said period ending December 31st, 1924, payable one month from date of Ordinary General Meeting, in proportion to the amounts paid up, and that the balance of such profits be carried to reserve.

COMPANY DIRECTORATE.—The present Board consists of the following: Messrs. W. J. W. Strong (Chairman), R. W. Martin, R. J. Fagan and Capt. A. S. Fitch, leaving one vacancy still to be filled. Mr. J. L. Brown, "Belvidere," Darlinghurst, Sydney, N.S.W., Grazier, has offered to fill the vacancy if elected, and he is eligible for election.

AUDITORS.—The Company's Auditors, Messrs. Bogan and Collard and Mr. E. A. James, offer themselves for re-election.

PERIOD JANUARY TO APRIL, 1925.—The Managing Director's monthly reports from the Territory continue to be extremely encouraging, and April Cash Sales are reported by radio to be a record in the history of the Company.

Dated this 9th day of May, 1925.

For the Board of Directors,

WILLIAM J. W. STRONG

Chairman.

STEAMSHIPS TRADING COMPANY LTD.

PORT MORESBY, PAPUA

Registered Office: PORT MORESBY, PAPUA

BALANCE SHEET as at 31st December, 1924

LIABILITIES.			ASSETS.		
	£	s. d.		£	s. d.
Nominal Capital—			Ships' Property at Cost, Less Depreciation ..	21,591	11 6
25,000 Preference Shares at £1 each	25,000	0 0	Leasehold Land and Buildings, Port Moresby and Branches, at Cost	5,316	6 1
35,000 Ordinary Shares at £1 each	35,000	0 0	Plant at Port Moresby and Branches, at Cost, Less Depreciation	498	10 0
	60,000	0 0	Goodwill, at Cost	10,237	18 2
Less Unallotted Shares	29,256	0 0	Boro Venture, at Cost	147	8 5
Issued Capital—			Stock on Hand	5,343	13 10
Preference .. £14,583 0 0			Copra on Hand and in Transit	1,767	11 2
Ordinary .. 22,161 0 0			Sundry Debtors, Prepaid Rents and Licences, Less Reserve for Bad Debts	7,611	15 5
	36,744	0 0	Cash on Hand at Port Moresby and Branches	46	16 0
Less Unpaid Calls	311	5 0	Preliminary Expenses £1,470 17 2		
			Less 20% Written Off	294	17 2
Bank of New South Wales—				3,176	0 0
Melbourne	6,268	14 11			
Port Moresby	2,404	13 3			
				8,613	10 2
Sundry Creditors	4,909	11 7			
Bills Payable	492	1 3			
				5,401	12 10
Profit and Loss Account	2,913	19 11			
Profit Earned Prior to Incorporation	357	12 8			
				3,271	12 7
	£53,719	10 7		£53,719	10 7

Profit and Loss Account for the Period from 30th September, 1923, to 31st December, 1924

<p>Dec. 31.</p> <p>To Stamps, Stationery, Interest, Exchange, Office and General Expenses, Post Money</p> <p>" Depreciation</p> <p>" Reserve for Bad Debts</p> <p>" Interest</p> <hr/> <p>" Balance, being Net Profit carried down ..</p> <hr/> <p>6,809 1 11</p> <p>Dec. 31.</p> <p>To 50% of Preliminary Expenses written off ..</p> <p>" Profit Earned Prior to Incorporation ..</p> <p>" Balance Carried Forward</p> <hr/> <p>£3,566 0 9</p>	<p>£ s. d.</p> <p>2,363 17 6</p> <p>394 18 9</p> <p>250 0 0</p> <p>183 16 0</p> <hr/> <p>3,392 12 5</p> <p>3,566 9 9</p> <hr/> <p>6,809 1 11</p>
<p>Dec. 31.</p> <p>By Profit on Trading, Freight, Copra, Sandal- wood, Commissions, etc.</p> <p>" Government Subsidy</p> <hr/> <p>By Net Profit brought down</p> <hr/> <p>£3,566 0 9</p>	<p>£ s. d.</p> <p>4,459 1 11</p> <p>2,500 0 0</p> <hr/> <p>6,959 1 11</p> <hr/> <p>3,566 0 9</p> <hr/> <p>£3,566 0 9</p>

W. J. W. STRONG,
Chairman of Directors

W. R. CHISHOLM,
Secretary.

AUDITOR'S CERTIFICATE

We have audited the Books and Accounts of the Steamships Trading Co., Ltd., kept at Sydney, and hereby certify that the above Balance Sheet is a true and correct statement of the affairs of the Company, and a true and correct view of the Company's affairs, as shown by such Books. The statements from Port Moresby incorporated in the above figures have been audited and reported upon by E. A. James, Esq., Auditor, of Port Moresby.

Revised: 9/4/2015

BOGAN & COLLARD,
R. D. Bogan, F.I.C.A.,
Auditor

was eventually abandoned there. (Mrs Rosalee Thacker today recalls playing in her rusting remains, as a small child.)

SAMARAI

Captain Fitch had long wanted to open Steamships’ first Branch, at Samarai. This lovely little island, just off the extreme eastern tip of the mainland, was known to many as the “Ceylon of the Pacific”. At this time it was the commercial and small-ships centre of Papua - though it was barely 59 acres in extent - and was the headquarters of the Eastern Division, where the Resident Magistrate and his staff were located.

“Samarai is naturally a gem,” Sir Hubert Murray once wrote, “and to attempt to beautify it would be a wasteful and ridiculous expense...” The traveller W.D. Pitcairn described it in 1891 as “a small but picturesque island...situated in China Strait...the loveliest and most romantic-looking harbour I have ever seen.”

Samarai had been a regular port of call for ships passing through China Strait from the latter years of the 19th century. In the early days, Samarai was the haunt of seafarers, pearlers, recruiters, miners, traders, gamblers, lawless adventurers, and scoundrels - it was right out of the pages of Somerset Maugham: “the rip-roaringest, goldarn best little island in the Pacific!” as one early visitor put it.

Though tiny, Samarai and district boasted a white population of around 230. Among them were missionaries, plantation owners, merchants, bankers, storekeepers, shell-divers, civil servants, typists, shop assistants, shipowners, seamen, boatbuilders, miners, traders, housewives, engineers, teachers, and carpenters. There were two hotels on the minute island, boarding-houses, schools, European and Native hospitals, and a branch of the Bank of NSW. The nearby Kwato Mission operated a most efficient shipyard.

The Papuan Government installed an electricity service, which came into operation on 30 May 1927, and a telephone system, to which all government, commercial and residential premises were connected. The Government also provided and maintained a wharf capable of accommodating overseas shipping - its varying condition was a constant source of complaints by the Samarai Chamber of Commerce over the years.

Business houses included large wholesale and retail stores operated by Burns Philp & Co, Whitten Bros. Ltd, A.H. Bunting, J.R. Clay & Co, and British New Guinea Development Co. There was an AWA (Amalgamated Wireless (Australasia) Ltd) station.

In 1926 Samarai was the registered home of Handley & Clay Ltd. The Company operated a considerable fleet of small craft out of Samarai - the auxiliary schooner *Sir Arthur*, the ketches *Lytton*, *Gloria*, *Boston*, *Bittern*, *Era*, *Rambler*, *Mugobo*, the auxiliary ketch *Varoe* and the launch, *Topsy*. The Company also owned a substantial steamer, SS *Ballengarra*, a twin-screw vessel of 224 tons gross. To service this fleet the Company established a slip and repair yard at Belesana, a few miles from Samarai.

Handley & Clay folded, but J.R. Clay took over several of the vessels and formed his own company. In August 1926, *Sir Arthur* was caught in a violent storm and was totally wrecked, on Varoe Bar. Captain Clay and the crew were rescued by *Varoe*, and in July 1930, Clay sold the Belesana Slip to George Stewart of Napa Napa, who now became the owner of the two

largest slips in Papua. Clay’s brother, Captain E.F. Clay, was a relieving skipper on several Steamships vessels.

Samarai was clearly a place where Steamships needed to be represented, but as can be imagined, suitable land was very hard to find on that crowded little island, and the established traders certainly did not want any more competition.

Thomas Craig, who arrived in Samarai in 1898 at the age of 16, saw the struggle that Steamships had to get established. Craig, who later worked for Steamships as an accountant, once said, “The main trouble, of course, was that the Company had chosen to edge in on the preserves of other powerful concerns in the district. However, during this lean period the Company relied on the copra trade, and that helped them to exist. But what really gave the Company the big lift was the employment of the *Queenschiffe* as a coastal trading vessel, with the mail contract...”

However, in December, Steamships succeeded in leasing a foreshore allotment opposite the Burns Philp store, and a contract was let to Munro Bros for the erection of a building 86 feet long by 36 feet wide, with floor and walls of concrete and iron, and an iron roof. It would be larger than Steamships’ main store in Port Moresby.

The new store was opened on Wednesday 18 May 1927, under the management of a Mr Jackson. He was soon replaced by a man who would figure very largely in the history of Steamships Trading Company Limited: Eric Vivian (Viv) Crisp.

Viv Crisp was a Tasmanian, born in October, 1895. He served with the 1st AIF in the Great War, at Gallipoli, Egypt, and France from 1915 to 1918, and came to Papua in 1924 for Houlder Bros. Ltd. He joined Steamships in 1926. A short, wiry man with a to work commanding eye, Crisp was a first-rate businessman. He was manager at Samarai until 1934. By 1930 he had increased the turnover from £300 per month to £4,000.

In August 1927, the Cosmopolitan Hotel was purchased by Captain Fitch (in his private capacity) and P.J. McDonald. This hotel, one of two on the island (the other was the Samarai Hotel) had been established by Laurie Henderson, who after the sale went fishing off the Papuan coast with a fleet of four cutters. G.A. Bayer - the captain of the Port Moresby cricket team who had presented Fitch with “a pair of beautiful pipes” - was appointed manager.

NEW VESSELS

The shipping side of Steamships’ business was expanding, and the establishment of the Samarai branch increased the need for another vessel. In August 1928, a contract was let to the W. Holmes shipyard, McMahon’s Point, Sydney, for the construction of a scow for the bar ports of the Papuan coast.

Captain Joliffe, a Sydney marine surveyor, supervised the work on behalf of Steamships. The craft was of singular design, setting the pattern for the long line of Steamships scows that would follow. As such, her details are of particular interest.

Specifications called for a ketch-rigged auxiliary scow of 20 tons nett, with a carrying capacity of 1,320 cubic feet. Captain Fitch announced she would be named, *H&S*. “This is certainly good news for planters and others,” commented *The Papuan Courier*, “for the better and more frequent the transport, the pleasanter and more prosperous does their work become.”

H&S was an unusual name for a small ship. However, Steamships had obtained a liquor licence in 1926, and was selling a wide variety of wines, beers and spirits from the Port Moresby store. In its advertising, Steamships featured “*H&S* Special Scotch Whisky, the product of Aberlour-Glenlivet Distillery, Scotland. Now procurable from Steamships, who are the sole agents and distributors in Papua for this famous brand. We have no hesitation in claiming this to be the finest whisky introduced into the Territory. 13/6d per decanter, or seven pounds ten shillings a case!”

So it appears that the new vessel was named in honour of a brand of Scotch, an astute move on the part of the canny Captain Fitch. Wherever she went, *H&S* would be a traveling advertising slogan.

H&S was launched in January 1929. Captain Fitch went down to Sydney in the *Montoro* with his friend and business associate, P.J. McDonald, to take delivery. A Papuan crew of five followed in the next steamer to man the new scow, led by a young man from Hanuabada called Pipi Gari. He was to be the first skipper of *H&S*. During the years to come, the smaller Steamships vessels would be mostly commanded by well-trained Papuans, a practice followed to recent times.

H&S left Sydney on 17 February under the command of Captain Fitch, with E. Vider, engineer. The time of the year was probably the worst that could have been chosen for the voyage, but Fitch was reluctant to keep the ship idle in Sydney, and decided to go. The voyage was to test the mettle of the new craft to the utmost, and abundantly demonstrate the suitability of this type of shallow-draught scow for the often harsh conditions of the Gulf of Papua.

Off Newcastle the compass was found to be out of order, and Fitch returned to Sydney, secured two new compasses, and resumed the voyage. During the run up the NSW coast, under sail, the weather was exceptionally heavy, and after leaving Port Stephens every harbour as far as Cape Moreton was closed to *H&S*.

Between Sandy Cape and Port Clinton, *H&S* encountered extreme cyclonic conditions, during which the large steamer *Arafura* got into serious difficulties. The big motor vessel *Coringa*, going to her assistance, passed within half a mile of *H&S*. *Coringa* was shipping heavy water and rolling violently and Fitch was pleased to be able later to report that although *H&S* was “exceptionally lively”, she did not take any seas aboard.

Off Sandy Cape the whole of *H&S* weather rigging parted through the force of the wild winds, but the mast held, and engineer Vider started the engine and the scow ran before the gale for 390 miles, finally taking the bar at Port Clinton, as the seas were becoming unmanageable for such a small craft.

They remained at Port Clinton for two days, for the gales to abate. The passage was then resumed, Fitch reporting that the final run across from Cairns was made under ideal conditions. The little scow reached Port Moresby on 12 March.

“The party was not sorry to arrive safely in Port,” *The Papuan Courier* reported, “although in spite of the exceptional weather, no very great discomfort was experienced...*H&S* has very neat lines, and is of a new and rather unique type. She is exceptionally heavy in the bilges, for carrying purposes, so that the draught, four feet one inch light or loaded, could be kept; at the same time her lines had to be kept good in order to preserve the speed which otherwise her shallow draught would detract from. Another feature is the double-strengthening of her

bottom for bar work. She is built of specially selected hardwoods, copper fastened throughout, and copper sheathed.

”The *H&S* is 50 feet long, 16 feet 4 inches beam, capacity 20 tons copra or 30 tons general cargo. She is fitted with a Cummins engine, full diesel type, burning crude oil, of 37.5 horse-power. Her economical cruising speed is approximately eight knots. She has a permanent sun awning covering 25 feet of the deck from aft. At present certain additions are being effected which were not convenient for her long sea voyage, and on the completion of these she will enter into coastal freighting, mainly in the Kanosia and Aroa River districts. This vessel appears a fine type of craft for our needs, and is another valuable addition to the Territory’s transport facilities.”

H&S was in service under Captain Pipi Gari by the end of March 1929. Steamships had made the first tentative move towards the operation of plantations in November 1928. The Company were the successful tenderers for the purchase of the whole of the output of copra from the Papuan Government’s Orangerie Bay plantation for the ensuing year. To service the contract, Steamships purchased another cutter *Vari Vari*, but she did not remain in the fleet for long. She was sold to Percy Hinds of Daru in February 1930.

Despite the introduction of the new tonnage, Captain Fitch soon found that Steamships’ little fleet was unable to keep up with demand. During July 1929, he wrote several letters to the Board in Melbourne, stressing the importance of another vessel for the N.E. coastal trade. The Board considered the matter at length. The main problem was finance. At length the Directors and a syndicate of several members agreed to subscribe the required funds.

Matters were so arranged, and on Tuesday 10 September, Steamships purchased the vessel *Nusa*, which was lying at Samarai. She was a vessel of some 80 tons, just under 90 feet in length, with a beam of 18 feet and a moderate draught, fitted with two 100 hp Kromhauht crude oil diesel engines, which gave her a cruising speed of about 10 knots. She was built throughout of teak, had a carrying capacity of 1,200 bags of copra, and provided accommodation for eight passengers.

Nusa was a ship with a romantic past. She had been built before the Great War in the Chinese-German naval shipyard at Tientsin for the government of German New Guinea. She was captured by the Australian expeditionary forces early in the Great War and used as a scouting vessel, and had been responsible for the capture of the German raider, *Komet*.

Although far from a new ship, *Nusa* had been constructed with scrupulous fidelity in the traditional German manner, and she was to give exemplary service to Steamships for many years, becoming almost as well-known as *Papuan Chief* along the coast of Papua.

Captain Fitch was still not satisfied. He prodded the Board into agreeing to the purchase of yet another vessel, the 55-feet auxiliary ketch *Vaiviri*, which as noted above had been constructed in 1924 to service oil company operations on the Vailala River. Steamships were agents for the ketch, which was soundly constructed and in excellent condition.

It was a perilous time to be investing in another vessel. The completely unexpected Great Depression would soon burst upon the Western world - and on Papua. But *Vaiviri* was duly purchased, and placed under the command of another Papuan skipper, Igua Kevau, of Elevala.

In June 1930, *Vaiviri* sank in a violent storm, resulting in the greatest loss of life in Papuan maritime history to that date.

CHAPTER THREE

THE VAIVIRI TRAGEDY

The auxiliary ketch, *Vaiviri*, 32 gross tons, sailed from Port Moresby for Kerema at 1 pm on 10 June 1930, under the command of Igua Kevau. On board as passengers were F.J. Berge, Resident Magistrate (who had conducted the inquiry into the suicide of Captain Beck of *Queenscliffe*, in June 1922), his wife, May, and their four young children, 19 Papuans, and a crew of six Papuans. *Vaiviri* also carried a full load of general cargo.

What followed was vividly recounted in a report by Leonard Murray, secretary to his uncle, Sir Hubert Murray, and captain of the Governor's official vessel, *Laurabada*, during her constant voyaging. Leonard Murray was a highly experienced seaman, with an intimate knowledge of the Papuan coast. He wrote:

“At nightfall the vessel was crossing Redscar Bay. Shortly after dark the unprecedented gale of 10th instant overtook the *Vaiviri*. She was soon running before it in a high and increasing sea, with thick rain and no visibility. There was no shelter to be had except at Yule Island, some hours ahead, and the conditions made it unsafe to try to enter there. The native master, Igua Kevau, decided on a compass course (which in my opinion would be approved by all seamen), slowed his engines to half speed, and ran before the gale towards his destination. He instructed his crew to see that the hatch covers and fastenings were thoroughly secure; to keep the vessel pumped dry below; to attend to any wants of the European passengers; and to report to him on the bridge every five minutes the conditions on deck and below.

“The *Vaiviri* behaved well, and gave no cause for anxiety. She shipped some water on deck, but got rid of it. The tempestuous conditions continued. Soon after daylight on 11th, Igua got a glimpse of the land, and found himself just where he wanted to be - off Silo, some three or four miles southward of the Cupola headland, and about eight miles from the entrance to Kerema.

“Very shortly afterwards one of the chains of the steering gear carried away. Igua called out to his crew that the chain had broken, and immediately a sea turned the *Vaiviri* completely over. She floated keel upwards for a few minutes, and then sank. The capsizing occurred so immediately that the vessel had no time to broach-to, broadside to the sea. She was just commencing to broach when she turned over.

“Igua thinks that the breaking of the chain caused the capsizing, and that, if he could have ‘nursed’ the vessel with the rudder as he had done throughout the night, he would have got her through. His opinion carries much weight, and is probably right. Mrs Berge, on the other hand, a lady not unused to travel in small vessels, is of opinion that the extraordinary

conditions were too much for the little *Vaiviri*, and that she would have gone in any case.

“After the capsizes Mrs Berge found herself in the sea and she was able to seize a tin for support. She saw her husband, who was unable to swim, trying to reach a piece of wreckage, but he failed, and floated face downwards. The eldest child, a girl aged three, came to the surface, and the mother was able to reach her. Igua Kevau came to the surface and called to other natives to look for Mr and Mrs Berge. He and one of his crew, Gari Dai, saw Mrs Berge and pushed the top of the hatch to her. Mrs Berge, with the child, held to this, and told Igua to look for her husband. Gari Dai stayed with Mrs Berge, while Igua swam about in the big breaking sea looking for Mr Berge, but without success.

“He returned, and the two natives then started to swim for land, pushing the small hatch cover to which Mrs Berge and her child were clinging. They tried to get ashore at three different points, but each time the tide carried them hopelessly out. At one time a big sea scattered them all and they came to the surface at different places. The two natives found Mrs Berge again, and then the hatch cover, and restored her to it; but the child could not be found.

“The struggle lasted about eight hours. They finally got ashore on the exposed coast at Aramiri Plantation, about 13 miles westward from where the *Vaiviri* foundered. Getting Mrs Berge safely through the surf breaking on the shore was a matter of great anxiety. Both boys were by this time thoroughly exhausted, but with resource and determination they managed it.

“Besides Mrs Berge and these two natives, eleven other natives reached the shore at different times and places. Mr Berge, the four children and thirteen natives were lost. Only one body has been washed ashore - that of the child who was with Mrs Berge on the hatch cover. Such are the facts of this awful disaster.”

On hearing of the tragedy, Sir Hubert Murray dispatched *Laurabada* to the scene, with Leonard in command. “I know the locality well,” he reported, “and know, too, in the conditions of tempest existing at the time, how very slender were the chances of any of those 32 unfortunates ever reaching the shore alive.

“After we took Mrs Berge and the five survivors of the *Vaiviri*’s crew on board the *Laurabada* at Kerema, I had the native Igua on the bridge with me and steamed over, or near, the place where the *Vaiviri* foundered. It is about 13 miles from where Mrs Berge and the two natives eventually got ashore.

“I said to Igua, ‘You must have thought that there was no hope; that it was the end of you, too?’...his words show that his only thought was how to save her. I was impressed by the nobility of his simple reply, ‘Oh, Taubada, I couldn’t think, only one thing, this Sinabada.’ He told me that Mrs Berge begged him not to leave her, and the only reassurance he could give her was, ‘Sinabada, if I die, you die too. If I get ashore, you get ashore.’

“I think that Igua Kevau and Gari Dai in devoting themselves to Mrs Berge in her almost hopeless plight, from the moment of the capsizes until they got her ashore some eight hours later, and in disregarding the considerable temptation to seize a piece of floating wreckage and do the best themselves, showed a sustained heroism of high quality...the behaviour of the master, Igua Kevau, from the moment the gale overtook them the night before...shows competency and devotion to duty as well. I know of nothing that he failed to do in the interests of the lives and property entrusted to his care.”

Little was said about the Papuans who also lost their lives, but in the Papua of 1930 the lives of Europeans were judged to be of much greater importance than those of “mere natives”. It has been said that whites in those days had scant regard for the trustworthiness and competence of Papuans, but Mr and Mrs Berge had readily boarded the little *Vaiviri* with their four children, knowing her to be under the command of a Papuan.

Fred Berge was a Resident Magistrate, the highest grade of field officer, and he was undoubtedly very well aware of the inherent dangers of travel in small craft in the often hostile seas of the Gulf of Papua, which over the long years have claimed so many vessels. He would not have allowed his family to travel on the ketch had he any doubts of the quality of her master.

When *Laurabada* arrived in Port Moresby with the survivors, there was a wave of acclaim for Igua Kevau and Gari Dai. Mrs May Berge told a reporter that she owed her life to the “heroic efforts” of Igua Kevau. She mourned the loss of her husband and children, particularly her eldest daughter, Pat, so cruelly snatched from her very hands by the remorseless sea.

Demands for official recognition of the two were made. Many letters were published in the pages of *The Papuan Courier* praising the behaviour of the brave Papuans, and the newspaper opened the *Vaiviri* Heroes Fund, to which residents were invited to contribute.

There was an immediate response. One donor said his contribution was “in appreciation of the exceedingly noble and courageous act of the two natives...such bravery deserves recognition of every white resident of Papua.” Another suggested that ebony staffs embedded with inscribed gold or silver shields should be purchased and presented to the heroes, so that “same might be preserved for generations in the families of these boys, and give the owners great pride.”

Some £73 were eventually contributed to the Heroes Fund. Captain Fitch made a personal donation of two pounds ten shillings, matched by a similar amount from the Company. “In giving this money we express the wish that it is a condition when the fund is completed the money is handed direct to the natives,” Fitch said. “We are not subscribing more to this Fund, as it is our intention to obtain a suitable inscribed pair of binoculars to present to the native Igua Kevau.”

In those days there was no provision in Papua for compensation for passengers lost at sea. Steamships did procure a very handsome pair of highest quality binoculars for Igua. Subscribers to the Fund finally decided to divide the money in the proportion 3/5 and 2/5 respectively, paid into Commonwealth Savings Bank accounts in the names of Igua Kevau and Gari Dai.

On the evening of 12 December 1930, Sir Hubert Murray handed over the Bank passports to Igua, and Gari’s father (Gari Dai was back at sea, on a voyage down the coast in another Steamships vessel) at an impressive ceremony at Hanuabada. The event was described in *The Papuan Courier* in a report that well illustrates the condescending attitude of most whites towards Papuans in those days.

“The presentations were made on the rising ground immediately in front of the village Institute, His Excellency standing at the foot of the Institute steps while a large concourse of people, including a sprinkling of Europeans, was gathered on the hillside above. The girls’

choir from the LMS station under Miss Milne sang the National Anthem on the arrival of His Excellency...

“H.E. address the gathering...first outlining the story of the wreck of the *Vaiviri* and the able manner in which the master and crew had handled the boat. ‘These two boys’, he continued, ‘were another kind. They were not afraid. They did not bother about their own lives, but only thought of saving Mrs Berge...”

“ ‘When the white people throughout the Territory heard this, they were very pleased and proud of the two New Guinea men who had been so brave and strong. So they all got together to collect some money to give to these two men...’

His Excellency then told the natives that it was the custom among white men, when someone did a very brave thing, to give them a medal...medals were better than money, he said, because not many people got these medals...”

Sir Hubert then shook hands with Igua Kevau and Gari’s father “and congratulated them personally.”

Garia Vagi, Chairman of the Hanuabada Village Council, replied to the Governor on behalf of the villagers, and continued: “You all Hanuabada people must in future, working on the boats, be more careful and respectful to those white people in the sea, and some of you are now employed as crews on the boats, and sometimes this happening will occur in the sea. Any of you must not seek his own life, but give away your life to the white people, and save them from the tempestuous seas, so this will make you a very good name like those two brave men Igua Kevau and Gari Dai...(and) this will make a good name to our Governor and Papua. And our Governor is very good to us all the time...all you people must bear this in mind for the future guidance...”

Sir Hubert Murray reported the circumstances of the *Vaiviri* tragedy to the Royal Humane Society in London. The Lloyd’s Silver Medal for saving life at sea was granted to Igua Kevau, and the Bronze medal to Gari Dai. These were prestigious awards, not lightly made. Sadly, Igua Kevau died in Hanuabada of pneumonia in May 1931, before the Medal could be presented to him.

Before Igua died, the Government Secretary, H.W. Champion, took the Silver Medal to Hanuabada to show it to him on his sickbed, but Igua was unconscious. The Medal was later presented to Igua’s widow by Sir Hubert Murray at a big formal ceremony. Gari Dai received his Medal to great applause.

“A surprise to everyone was the speech of the widow of the late Igua Kevau, who spoke clearly and with the slightest trace of nervousness,” the *Courier* reported.

In January 1932, a tablet was unveiled in the Port Moresby Church of England, inscribed:

“To the memory of Frederick James Berge, sometime Lieutenant 25th Battalion, Australian Imperial Force, and a Resident Magistrate of this Territory, who lost his life by the foundering of the vessel *Vaiviri* off Kerema on 11 June 1930, aged 43 years. Erected by his brother officers of the Public Service.”

Mrs May Berge died in Brisbane on 28 November 1940, aged 34 years.

CHAPTER FOUR

A NEW DIRECTION

In October 1931, the Chairman of Steamships Trading Company Limited, William J.W. Strong, died. Not long afterwards, R.J. Fagan, another Melbourne Director, passed on.

Until this time control of the Company had been divided, with the Chairman and Directors residing in Melbourne, and the Managing Director - Captain Fitch - in Port Moresby. Efficient control of the expanding operations of Steamships in a time of inadequate communications was obviously severely compromised by this odd arrangement, and the death of Strong allowed matters to be rationalised.

The Board meeting held in Melbourne on 29 October 1931, was attended by Captain Fitch and G.A. Clack. On the motion of Clack, Fitch was appointed Chairman of the Board. He was already Managing Director, so operational control of Steamships was thus transferred from Gloucester House, 396 Flinders Lane, Melbourne, to Port Moresby. Soon afterwards, Clack himself died.

Viv Crisp had been appointed an executive Director in September 1928. He and Fitch were close friends by this time, and Fitch transferred 1,014 ordinary shares to Crisp to qualify him for the directorship. A Power of Attorney was sealed in favour of Crisp, authorising him to act in the case of death, incapacity or absences of Captain Fitch. Percy McDonald had become a shareholder and was prepared to take a seat on the Board, but finally did not. (he eventually became one of the largest individual Steamships shareholders).

Llewellyn Tracey joined the staff of Steamships in 1929, and in April 1932, he too became an executive Director, and assistant company secretary (without remuneration). The bulk of Steamships shares were still held in Melbourne and Sydney at this time, and it was agreed that Annual General Meetings would continue to be held at 396 Flinders Lane.

Miss Elizabeth Mumford had been appointed Acting Secretary of Steamships in January 1926, on the modest salary of £12 per month. She now became Secretary, in charge of the Melbourne office, on an initial salary of £187 per annum. Elizabeth Mumford never married. She was to serve Steamships devotedly for a great many years, remaining in Melbourne throughout.

Captain Fitch, Viv Crisp and Llewellyn Tracey were to effectively run the operations of Steamships Trading Company from this time to the outbreak of the Pacific War, and beyond. Without this strong local control it is doubtful whether Steamships would have survived the onset of the Great Depression which began at the end of 1929, and continued into the 1930s.

Regular Directors’ meetings were held in Port Moresby, with Miss Mumford kept advised of decisions and developments. The well-known Port Moresby accountant, E.A. James, was appointed company auditor in Papua, while the Melbourne firm of F.W. Spry, Fookes & Co acted in that capacity in Melbourne. R.D. Bertie provided legal advice. The firm of Nelson & Robertson, 12 Spring Street, Sydney, was appointed Steamships’ purchasing agents in Australia.

THE GREAT DEPRESSION

The effects of the Great Depression on the fortunes of Steamships Trading Company (and Papua generally) were close to catastrophic, but the Company - and Papua - survived.

A few figures will illustrate the severity of the effects of the Depression on the economy of Papua, dependent as it was on the export of primary produce. In 1920, copra fetched 67 pounds 10 shillings per ton in London; this fell to £15 per ton in 1929-30, to £11 the following year, and less than £8 the year after - much below the cost of production. Smaller plantations began to close down, were sold off for ridiculous prices or, indeed, abandoned outright.

Despite tariff assistance from the Government, the price of rubber steadily declined, falling at one point to a ruinous one and a half pence per pound. Papuan rubber was under siege. Rubber acreage in Malaya and other countries was rapidly increasing, and it was feared that synthetics would soon replace the natural product. Prices paid for marine products - trochus, green snail, beche-de-mer, pearlshell - dropped below the cost of production, forcing a temporary suspension of all fishing activity.

The Papua New Guinea of today is keeping afloat largely on minerals exports, and foreign aid. There was no such easy way out for Papua in the 1930s. Gold was never the saviour for Papua that it was for the Mandated Territory, where returns from the great Morobe Goldfield and the dredging operations of Bulolo Gold Dredging Ltd cushioned the effects of the Depression. The annual grant to Papua from the Australian Government never exceeded a miserable £50,000, and was reduced to just £34,000 during the worst period of the Depression.

The only considerable mineral discovery in Papua had occurred in 1924, when New Guinea Copper Mines Ltd started large-scale operations in the Astrolabe Range, behind Port Moresby. By 1926, copper exports accounted for one-third of all exports, and New Guinea Copper Mines was by far the biggest concern in Papua. But in his 1926-27 Annual Report, Sir Hubert Murray lamented:

“Fate dealt us a heavy blow this year. The New Guinea Copper Mines, with their 100 white employees and their 1,000 native labourers, ceased operations... it is not to be wondered that their collapse had a bad effect upon the statistics of trade and revenue...”

THE IMPACT ON STEAMSHIPS

The effects of the Depression on Steamships were many. The Company was based entirely in Papua, unlike its principal competitor, Burns Philp, which had very extensive interests in the Mandated Territory, and other parts of the Pacific. The gold revenues of the Mandated Territory allowed it to ride through the Depression with comparative ease. Steamships’ fortunes, on the other hand, sank or swam with those of Papua itself.

The deplorable price of copra had a direct effect on all merchandise trade, as well as severely mauling profits on the buying of copra itself, which accounted for a substantial percentage of the Company’s business. The profits from the various Steamships vessels declined sharply, since copra was the principal cargo - in fact, a large loss was recorded on the *Veimauri* for 1930-31. The *Papuan Chief*’s revenue, too, suffered, and she had to undergo repairs and maintenance at a cost exceeding £1,000. Nusa lost almost a similar amount.

Steamships’ competitors in coastal shipping were equally affected. In 1932, the closing of many plantations with the consequent reduced volume of cargo and passengers offering on the coast forced the several ship operators to form a shipping pool, to avoid a freight war that would have been ruinous for all.

Equity in the pool was roughly in the proportions Steamships two-thirds, with Burns Philp & Co and J.R. Clay Ltd holding the balance between them. Three pool vessels were temporarily taken out of service, but efficiency improved to the extent that a profit of more than £1,600 was made in the first ten months of operation. By 1934 the effects of the Depression were wearing off, and the pool was discontinued in 1935.

But more stringent measures were necessary if Steamships was to prosper - or even survive. The salaries of all staff were cut by 20% during 1933 and 1934. Directors’ fees were cancelled. More significantly, the payment of dividends was suspended in 1929, funds being diverted instead into Company operations. “It is felt that the utmost caution is necessary to weather the present world difficulties,” Captain Fitch wrote in his Annual Report to the Shareholders, “and, naturally, every penny is necessary for the safety and protection of the Company as a whole and, with that in view, the Directors have placed the whole of the profits under the headings of various reserves.”

Steamships continued to show a profit for each year of trading during the worst of the Depression, although this fell to the risible sum of £4 in 1933, on a subscribed capital of £49,576!

But survive the Company did. It not only lived, it expanded into new fields. In 1927, Steamships had become managing agents for Acme Bakery, the largest in Port Moresby. Captain Fitch and P.J. McDonald were the main shareholders in Acme, and eventually Steamships bought them out and became sole owner. Another bakery was set up in Hanuabada, which also did well. Depression or not, people still had to eat bread.

Acme Bakery was fortunate in possessing an outstanding baker, who was also an expert chef. Muc Sing was a Cantonese, a rarity in Papua at that time. He had originally come to Port Moresby as cook on the *Papuan Chief*, before starting Acme Bakery for Fitch and McDonald. Muc Sing was a highly respected citizen of Port Moresby. He sold his bread for sixpence a loaf, from the back of an open Ford Model T truck in the town streets.

As has been noted, water was very scarce in Port Moresby. Although he was considered to be something of a genius in the art of creating a crisp loaf of bread, not even Muc Sing could bake without water. It is said that Steamships solved the problem by pumping water from the Hanuabada village well.

Gold was discovered on Misima island, and as a direct result the Samarai branch (which supplied much of the miners’ needs) had a record turnover in the last six months of 1934. In January 1935, Steamships began the construction of a store at Misima, and eventually established a branch there.

The long-established firm of Whitten Bros. became a victim of the Depression, and ceased to trade in Port Moresby. By the end of 1934, the only substantial trading companies left in Port Moresby were Steamships, and Burns Philp & Co. Both befitted from the misfortunes of Whitten Bros.

Despite the gloomy economic conditions, a contract was let to P.J. McDonald in February 1933, for the erection of a cordial factory. Reflecting the grim times, McDonald was paid only £40 for labour costs, with Steamships providing the materials. Later that month the Directors decided to take a tentative step into plantation operation. Captain Fitch purchased 50 one-pound shares in a new company, Ceiba Plantations Ltd, which were transferred to the Company. It was expected that this would lead to orders for native labour recruiting and profits from building operations, but this company failed to commence operations.

THE PLANTATIONS

As noted above, many copra plantations went to the wall during the Depression; sold off for nominal sums, or abandoned. Great bargains were to be had for those with faith in the future recovery of copra, and rubber. Captain Fitch was a true believer! He seized a splendid opportunity in March 1934. Steamships purchased one of the best plantations in Papua for the trifling amount of £900.

“The Company was extremely fortunate in acquiring, under particularly fine terms, the property known as Mamai Plantation,” Fitch reported to the shareholders, “situated about 90 miles from Samarai and consisting of 557 acres of fully grown coconuts, 160 acres of rubber, together with 200 cattle, two lorries, Manager’s house, rubber factory and machinery complete...some idea of its potential value may be gained by the fact that the original company spent £78,000 in producing same.

“The rubber on this plantation had been untapped for eight years. Upon the deal being completed, our Company immediately began tapping the rubber, with the result that approximately two tons of smoked sheet rubber was made in approximately one month. A Ceylon kiln drier was immediately built on the property and the copra (approximately 20-odd tons per month) was kiln dried, instead of smoked, as previously.

“The result, even in the few months of ownership by this Company, has been that the plantation is showing good returns, even under present prices...within six weeks of the deal, three times the amount paid for this plantation was offered to the Company for it, but it is far too big an asset for the future of this Company to be parted with at such a price.”

The total area of Mamai Plantation was 2,300 acres, so there was plenty of room for further plantings. Steamships was never again to acquire so grand a property for so insignificant a sum.

Having made this beginning, Fitch rapidly acquired more plantation properties. In August 1934, Steamships leased Angabunga Plantation, of almost 5,000 acres on the river of that name, for three years at a yearly rental of £100, payable quarterly in advance.

In February 1935, Steamships purchased the 2,283-acre copra and rubber plantation of Geoffrey Syme, known as New Guinea Rubber Estates, for £4,600. It had 625 acres under coconuts and 70 acres under rubber. The manager, C.N. Nicholson, stayed on in the employ of Steamships. Kemp River Rubber Estates was also purchased, from Papuan Rubber Estates Pty Ltd.

In July, Fitch acquired yet another plantation, Maira, on the Vailala River. This 673-acre property had been developed by the author Lewis Lett, and had been owned by James F. Puxley since 1926. It was fully planted with coconuts, and included a large manager’s residence, copra driers and other necessary equipment.

Puxley also owned a useful 35 tons gross auxiliary ketch which he named *Maira*, after his plantation. This had been built locally to his order the year before, and in February had been fitted with the latest model Petters Atomic four-cylinder full diesel engine, which gave her a useful turn of speed. Steamships acquired the vessel for the sum of £2,320, and placed her on the Samarai-Misima run under a Papuan master, to service the growing gold-mining community there.

Maira went into service immediately, and proved to be a staunch little craft. *Veimauri* had also been re-engined with a bigger Petters diesel of 85 hp. The cost was high, over £1,500, but the powerful engine gave the aging ketch a service speed of almost ten knots, making her for a time the fastest vessel on the coast.

Steamships also placed an order with Kwato Shipyard for three shelling luggers for delivery in three to four months. These would be employed out of Samarai, for the trochus, pearlshell and marine products industry had also revived. Steamships was now employing upwards of 130 men at Samarai, operating from cutters constructed at Kwato, each of between nine to 20 tons, crewed by between 12 and 20 men, fishing out of three to six dinghies per cutter. It was a rich trade.

THE ARCHBOLD EXPEDITION

It is appropriate here to describe the involvement of *Maira* and *Veimauri* in the second of the three exploratory expeditions of the famous American mammalogist, Richard Archbold, whose name will forever be associated with scientific exploration in Papua. He led three expeditions, in 1933-34 and 1936-37 in Papua, and in 1938-39 in Dutch New Guinea, his objective the scientific collecting of flora and fauna in remote regions on behalf of the American Museum of Natural History.

Archbold was independently wealthy, and at his own expense provided his expeditions with the finest equipment that money could buy. The First Expedition was in the nature of a warm-up, collecting at various locations in the mountainous country around Mt Albert Edward, and later along the upper reaches of the Binaturi and Oriomo Rivers, behind Daru.

Archbold returned to Papua in February 1936. The President of the American Museum, F. Trubee Davison, outlined the two main objectives of the Second Archbold Expedition in a press release:

“The first is to penetrate into one of the least-known regions on earth, namely, the mountainous and inaccessible interior...immediately north of the intersection of the Fly and Palmer Rivers, to collect birds, mammals and other natural history specimens. The second objective is to explore by air the vast area of thinly wooded plains in the Fly River region, an area of some 6,000 square miles about which virtually nothing is known.”

Archbold’s plans were centred around the use of a Fairchild 91, the world’s largest and fastest single-engined amphibian, of which only six were ever built - two were used by Pan American Airways on the Amazon River. This advanced - and expensive - all-metal aeroplane had a cruising speed of 158 mph carrying two pilots, eight passengers and 1,000 pounds of freight over a range of 750 miles.

To maintain contact with the outside world, Archbold commissioned the development of special receiving and transmitting wireless equipment. The plan was to ascend the Fly to the Palmer junction by small craft, construct a base where the wireless equipment would be installed, and send out field collecting parties into the unknown, supported and supplied by the Fairchild, which Archbold christened, *Kono*.

Archbold approached Steamships Trading Company for the charter of suitable vessels to transport the forward party up the Fly. The vessels selected were *Veimauri* and *Maira*.

On 6 February 1936, A.L. Rand, assistant leader of the expedition, arrived at Port Moresby accompanied by mammalogists L.J. Brass and G.H.H. Tate, and a fortnight later left in *Veimauri* for Daru and the Fly River, with supplies and 45 indentured labourers, to establish the base just below the Palmer junction, and build a landing ramp for *Kono*. They were joined there by Patrol Officer Michael Healy and six members of the Armed Constabulary, an official escort provided by the Papuan Government, for the expedition would be operating in uncontrolled country.

After delivering the scientists to the Palmer junction, *Veimauri* returned to Daru and Port Moresby, where *Maira* was preparing to transport the main party up the Fly. She was equipped by Archbold with radio telephone equipment for the task. Richard Archbold in the meantime was examining the country in *Kono* in a series of flights with his co-pilot Russel Rogers (Archbold, too, was an experienced aviator), during which the first landing was made at the Palmer base.

By this time *Maira* was on her way up the Fly with Brass, Tate, 54 native carriers and collectors and supplies for four months. During the ascent, Archbold watched her progress from the air, reporting by wireless to Port Moresby. There was intense public interest in the expedition, and *The Papuan Courier* reported on 8 May:

“*Maira*, which is transporting the Archbold Expedition party together with all stores and native labourers from Daru to the Upper Fly, reported by radio telephone yesterday morning to Daru that she had just passed Everill Junction, and all was well. We understand it is the intention for *Maira* to take the party as far as the Palmer Junction, from where they will proceed to the headwaters of the river on foot. The advance camp is being kept in supplies by aerial transport from the base camp at Daru.”

Maira reached the Palmer base on 13 May. The first phase of the expedition was thus successfully completed. After discharging her passengers and freight, the ketch began the return journey, her progress once again watched from the air. On 22 May, *The Papuan Courier* told readers that “the Archbold Expedition’s ‘plane saw the *Maira* yesterday morning returning down the Fly River. It is anticipated she arrived at Daru yesterday afternoon, and will come straight on to Port.”

This did not end *Maira*’s involvement with the expedition. Rogers and his companions followed in the footsteps of Charles Karius and Ivan Champion during their great North-West patrol of 1926-28, to Mt Mabion, deep in almost totally unknown country, where a forward base was established. Success was just within Richard Archbold’s grasp.

But the Second Archbold Expedition came to an abrupt end in June, when the *Kono* sank during a violent storm at Port Moresby, and was a total loss. Richard Archbold was forced to withdraw his field parties from the Upper Fly, vowing he would later return and complete his work. Archbold had been allowed to bring in *Kono* duty free on the understanding that

she would be re-exported to America after the expedition was concluded. To avoid the payment of Customs duty, *Kono* was now towed out to sea and sunk in deep water.

On 8 August 1936, the Mt Mabion party reached Kiunga, the rough base on the Fly-Everill Junction which had been established in 1935 by the Oroville Expedition led by the American geologist and prospector, J. Ward Williams. *Maira* was again chartered to bring the expedition members out, but on her way up the Fly she suffered a broken crank-shaft, and the party had to transfer to the J.R. Clay craft, *Ronald S*, which had been chartered by the Ward Williams party, on their way to re-open the Kiunga base on the second phase of their prospecting expedition.

Steamships sent an engineering party up the Fly to repair *Maira*. This concluded Steamships’ involvement in the Second Archbold Expedition, but the Company was agent in Papua for Richard Archbold during his third - and completely successful - expedition of 1938-39, which is best remembered today for the discovery of the great Baliem, or Grand Valley in central Dutch New Guinea, which became famous as “Shangri-La”, during the Pacific War.

The Archbold Expedition was highly significant for Steamships in that this was the first occasion in which Company vessels navigated the upper reaches of the mighty Fly River and visited the little station of Kiunga. It would not be the last!

NEW DEVELOPMENTS

By this time, mid-1935, the deleterious effects of the Great Depression were fading, and Captain Fitch continued to loosen the purse-strings. Steamships Trading Company was then employing 36 whites and 354 Papuans. (Among them was Nao Boge, who joined Steamships in 1929, and spent the rest of his life with the Company. He was initially employed as an office-boy and messenger at Head Office.) The Company purchased Fitch’s Port Moresby residence on allotment 5, section 23, Granville West, for £800, to be used as the official residence for the Managing Director, then and in the future.

Steamships expanded its foreign ships agency business, handling the steamers of the Matson Line, of America, and the vessels of the KPM - Royal Dutch Packet - Line. The work involved the loading and unloading of cargo from visiting foreign vessels, and led to Steamships developing a considerable expertise in stevedoring.

In July 1935, a new Motor and Engineering Workshop was established at Port Moresby. *The Papuan Courier* praised the initiative. “It is a welcome innovation in the Territory, which permits work to be done which motor vehicle owners formerly were obliged to send South. The shops, however, are principally occupied by the Company’s own work. The Company owns and operates several coastal vessels, a fleet of motor cars and lorries and a number of timber mills, all of which run different kinds of motor engines that require constant attention.”

A contract was let to P.J. McDonald for a new store building adjoining the main store in Port Road (which after the Pacific War was renamed Champion Parade). This opened for business in July 1934. The new premises were used by the Drapery, Mercery and Fancy Goods Departments, and were in the charge of manager J.M. Lonergan. The whole of the building and the shop fittings were constructed of local timber, mostly from Steamships own sawmills.

Fitch had taken the Company into yet another field of endeavour. As noted in Chapter One.

Fitch had been interested in the timber business in Tasmania, and he looked for opportunities in Papua. He became involved in the sawmilling operation controlled by Charles McKinnon, at Port Romilly, in a rather messy way.

Port Romilly Sawmills Ltd got into difficulties in 1931, and went into liquidation. Protracted legal proceedings followed. Fitch acted as voluntary liquidator, and in January 1932, a suit was brought by Port Romilly Sawmills against him, claiming Fitch had wrongfully retained the sum of £1,049 as commission. Fitch counter-claimed in an amount of £1,290.

The cases were heard by Justice R.T. Gore in the Central Court, and ground on for weeks. Judgment was given for Fitch's counter-claim, Judge Gore finding that "just and proper work official to the Company was done by the defendant, and was unconnected with the voluntary liquidation."

In May 1932, Fitch and Port Romilly Sawmills fought another court battle, but after the dust had finally settled, Steamships ended up as a half-owner of a large timber concern. John Downs had acquired the Port Romilly interests, and in January 1935, Steamships purchased from Downs all his rights and interests in what he called Delta Saw Mills at Port Romilly and Kikori for £2,000.

A company was formed called Sawmillers & Traders Ltd. with a nominal capital of 10,000 one-pound shares, in which Steamships and Charles McKinnon were equal shareholders. Captain Fitch was appointed Managing Director. McKinnon became the manager, a position he held for a number of years.

Although so heavily involved in business matters, Captain Fitch retained his interest in civic affairs. He was an enthusiastic member of the Papua Club, where most of the senior figures in the administrative, commercial and religious life of Port Moresby regularly foregathered. He encouraged his staff to play cricket (he was senior vice-president of the Port Moresby Cricket Club), football and tennis, and he himself became a keen motorist.

The first motor cars began to arrive in Port Moresby at the end of the Great War. They were mostly American makes. Port Moresby saw its first new Austin car in August 1932, when BNG Trading Company imported a 12 horse-power six-cylinder open tourer, for Dr Walter Strong, the Chief Medical Officer and at the time Acting Administrator. "A very nice-looking machine, which displays the perfection of British workmanship in fittings and finish," said a *Papuan Courier* reporter, approvingly.

In September 1933, P.J. McDonald, accompanied by his friend, Captain Fitch, drove his Ford Roadster the greatest distance any motor vehicle had so far penetrated inland in Central Division. (A letter of appreciation of this feat from the Ford Motor Company in America indicates that McDonald was accompanied by E.J. Frame of BNGD Co and Les Sadler, not Fitch. However, the contemporary report in *The Papuan Courier* definitely identifies Fitch as McDonald's companion.) The two drove from Moresby to a spot several miles past Itikinumu Plantation, on the Sogeri plateau, to Ilolo, where McDonald had taken up land. The distance travelled was 35 miles.

The trip to Sogeri and back is an easy, pleasant drive today. In 1933, it took two days! McDonald and Fitch left on Saturday morning, and commenced the return journey on Sunday afternoon. The road was very rough, and about a mile beyond Rouna Falls heavy rain

bogged the Austin for the night. The journey was completed on Monday morning. It is said that the Ford just beat the Papuan Government's new Morris truck for the honour of being the first to drive to Itikinumu.

By 1936, Steamships' cash reserve position had been so seriously depleted by these many acquisitions that it was obvious that considerably more capital was urgently required. As noted above, no dividends had been paid to shareholders since 1929. A notice of an Extraordinary General meeting to be held on 7 May at Port Moresby was sent to all shareholders. Shareholders were asked to accept a payment of five shillings per share in full settlement of all dividends accruing to 30 June 1936. Preference shareholders were asked to accept future dividends of 7% instead of the 10% that had applied up to 1929.

In an accompanying letter, Captain Fitch noted that, although primary produce was beginning to fetch much more favourable prices, the Directors still felt that the Company was "labouring under a severe handicap" by having to satisfy 10% preference shareholders. "It would make much better progress, for all concerned, if such shares were reduced to 7% with the right to participate with ordinary shareholders up to 10%," wrote Fitch.

These measures were accepted by shareholders, and their confidence in the future of Steamships Trading Company was shown by the fact that there was a full subscription to an issue of 20,189 new preference shares at an eight-shilling premium, and 25,635 ordinary shares at a ten-shilling premium. Many of the shareholders were Papuan residents. This was surely a remarkable vote of confidence in Captain Fitch and his Board. A profit of £16,364 was made on subscribed capital of £70,000 in 1936, and dividend payments were resumed.

In fact, in November 1937, the Company declared a dividend of 10% on both preferential and ordinary shares for the year ended 30 January. Steamships also registered an increase in its nominal capital to a quarter of a million pounds, divided into 50,000 preference and 200,000 ordinary shares.

A cashed-up Fitch was thus encouraged to continue his programme of expansion and diversification. Contractor George Lupson was engaged to build a new extension of the Steamships main store on Port Road. "The building now makes a very fine store," the *Courier* reported, "having a total depth of about 120 feet, and when all the fittings and decorations are completed, will present a very attractive appearance."

The expansion programme created a lot of legal work for Steamships, and in September 1937, W.B. Molloy was appointed company solicitor on a retainer of £100 per annum, to handle it. Brian Molloy, from Victoria, was a graduate of Sydney University. Before commencing private practice from offices in Douglas Street, Port Moresby, he had been in turn an actor, gold miner and rubber planter.

RUBBER

Molloy retained his interest in rubber, and in 1935 he had accompanied Captain Fitch on a search for suitable rubber-growing country in the Kasiabadina district, between the Vanapa River and Galley Reach. In February and April 1937, two companies were incorporated to develop plantations in the area: Mariboi Rubber Estates, with a nominal capital of £50,000, and Rubberlands Ltd, capital £20,000.

Both companies had their registered offices at the office of W.B. Molloy. Steamships were the Managing Agents for the two rubber plantations, and the Company was also a substantial

shareholder. Fitch was appointed Managing Director of Mariboi, while Viv Crisp and Brian Molloy became Directors of Rubberlands.

Captain Fitch maintained a lively interest in the progress of the new plantations. With Crisp, Molloy and plantation inspector Allan Willis, he visited them in September 1937, to examine progress. He reported the nurseries “in splendid order, with some 70,000 plants growing.” 200 acres had been cleared on Mariboi, and 50 acres on Rubberlands. It was hoped that actual planting could begin by the end of the year.

The two estates would be serviced by Steamships’ own vessels. A wharf was therefore constructed at the entrance to Kasebedena Creek, where a substantial store and depot was erected. More native labour was engaged.

MORE NEW VESSELS

Another result of the expansion of Steamships’ interests was the establishment of a Branch Register of Members at 396 Flinders Lane, Melbourne. Elizabeth Mumford was appointed Local Authority for the purpose of keeping an Australian Register of shareholders, and signing and transferring the scrip of the Company in Melbourne. F.L. Smyth of 413 Collins St, Melbourne, was appointed Local Director. (It will be recalled that Frederick Smyth had owned *Queenscliffe* in the formative years of Steamships Trading Company.)

The first Steamships apprentice was indentured at this time. He was William Hector Nicholson, “to learn the trade and occupation of Motor Engineering and General Engineering work.”

The *Papuan Chief* was due to be slipped for annual overhaul and survey on George Stewart’s Napa Napa slip. Stewart had recently completed the construction at his own expense of a road to Port Moresby which circuited the harbour for a distance of over 15 miles. Napa Napa was becoming a regular little settlement. The new Napa Napa slip had a 125-feet carriage, and could accept vessels up to 400 tons dead weight. The Samarai slip could handle vessels to 150 tons, on a 90-feet carriage.

Stewart fell ill, and the slipping of the Chief was delayed. The maritime authorities granted permission for her to do another voyage to Samarai and back, while Stewart recovered. Then *Veimauri* was slipped for annual survey and overhaul. She was out of service for several months, and when Captain Fitch got the bill, he found that the overhaul cost more than the vessel’s book worth.

These incidents confirmed Captain Fitch’s growing belief that Steamships needed its own slipping and repair facilities, for he was already contemplating the construction of new vessels.

The story goes that Captain Fitch was on leave in Sydney and met one of his staff, Sidney Gordon Dunlop Muddell, in a hotel bar. Muddell was an experienced slipmaster, and during their conversation Fitch asked Muddell if he could build a slip for Steamships.

In May 1937, Muddell began work on a slip and associated workshop on a site on the foreshore of Paga Hill. The slip was designed to take vessels of up to 300 tons. Work progressed with great rapidity. Tens of thousands of pounds of rock were removed from Paga Hill, and used to form a large breakwater.

Steamships’ Slipway and Engineering Works were completed in late 1937. It was entirely appropriate that the first vessel to be taken up on the new slip was the *Papuan Chief*, in January 1938. (During the construction of the slip one of Steamships’ most senior employees, J.P. Keane, passed away.)

The new slip was completed in good time, for early in 1937, Captain Fitch had commissioned the construction of a new vessel from White’s Shipyard in Balmain, Sydney, with the engine to be installed by Neptune Engineering Works. She was to be christened *Chinsurah*, after a village on the Hoogli River where Captain Fitch had worked as a pilot, before commencing the Steamships adventure.

Chinsurah was launched on 10 September. Captain L. Kingdon, a highly experienced master mariner who had joined Steamships the year before, was sent down with a crew of four Papuans, to bring the new craft back. *Chinsurah* arrived in Port Moresby in November 1937. Said a report in *The Papuan Courier*:

“They left Sydney on 24 October, the voyage to Port being completed in 13 days one hour. Strong north-east winds and head seas were experienced for eight days, after which a light south-east trade wind was maintained until arrival here. The vessel did six and a half knots at sea, and Captain Kingdon expects her to do over seven knots in smooth water.

“The *Chinsurah* is an auxiliary schooner, her dimensions being, length 50 feet, beam 16 feet, draught six feet, and will carry about 300 bags of copra. She is engined with a 50 hp Skandia full diesel.

“Captain Kingdon has spent nearly a lifetime in the Pacific, and this is the 17th new vessel he has delivered to Pacific ports from Australia, New Zealand and China. The *Chinsurah*’s cargo from Sydney included an 18-feet launch, which Captain Kingdon brought up for his own use; fitted with a two and a half horse-power Chapman Pup engine, she attains a speed of about seven knots with a consumption of something like 50 miles to the gallon.”

The Steamships fleet had been increased by the purchase of the 15-ton auxiliary ketch, *Enua*, from J. Annan, but this was balanced by the sale of the faithful old *Veimauri* to George Stewart of Napa Napa, for the sum of £6,055. The new Petter engine, propellor and shafting were removed from *Veimauri*, prior to the sale. The engine was later fitted to another Steamships acquisition, the auxiliary ketch, *Rasputin*.

Captain Fitch had gone into the shelling business on his own account, and was the owner of two small cutters, *Jessie* and *Wotan*, operating out of Samarai. Fitch sold the shelling cutters to Steamships in February 1938, payment being made by 625 one-pound fully paid ordinary Steamships shares, such shares ranking for dividend as from the first day of July 1937. In the Company minutes, the Directors noted that in allowing the shares to rank for dividend from that date, “full consideration” of this fact had been given in arriving at the purchase price.

Viv Crisp had now relocated to Port Moresby, and his private residence on allotments 9 and 10, section 9, Samarai, was purchased by Steamships for 1,000 fully paid one-pound shares. The house became the residence of managers of the Samarai branch.

This was not the end of Captain Fitch’s ship-buying spree. While *Chinsurah* was still under construction, he announced that Steamships had also commissioned another, larger craft from White’s yard, to be named *Panther*. She was to be an auxiliary ketch of 55 tons, 60 feet overall with a beam of 16.5 feet and a loaded draft of five feet. She would be fitted with an

80 hp Skandia full diesel engine, and would be provided with long hatches to permit the easy loading of timber from Steamships’ Port Romilly sawmills, and of iron pipes for the oil companies. *Panther’s* keel was laid down in September 1937, with delivery to be made in early 1938.

THE MOVE INTO HOTELS

In mid-1937, Fitch commissioned George Lupson to construct new offices above the original concrete store building. Staff moved into their offices in February 1938. *The Papuan Courier* reported:

“The offices have been built over the entire area of the concrete store and are very light, airy and spacious. In addition to a large public office, there are a number of partitioned offices for various departments, while in the front corners are two large private offices, one of which is occupied by the Managing Director, Capt. A.S. Fitch. The whole of the fittings are locally made, including some excellent office desks, and Mr. Geo. Lupson, who carried out both the building and fittings, is to be congratulated on a fine job. Steamships’ business, which entirely outgrew its original office accommodation, should now have office room for further expansion.”

Captain Fitch celebrated the new year with another purchase, which moved Steamships into a completely new field of endeavour (in which it remains to the present day): hotel ownership. The Board agreed to purchase the Cosmopolitan Hotel, Samarai, from Fitch and his partner, Percy McDonald, as a going concern on a walk in, walk out basis, for 7,500 fully paid ordinary shares of one pound each.

It was a good deal for Steamships. The increased activity at Samarai had created a housing shortage, and the Company now was able to accommodate its single staff members at its own Hotel at a charge of 12 pounds 10 shillings per month each, for board and lodging. Not much profit was realised from the accommodation or dining-room, but bar profits were considerable!

DEATH OF SIR HUBERT MURRAY

In September 1938, the staff of Steamships Trading Company held their first formal Ball, in the Institute Hall. “Practically the whole of Port Moresby and district were invited, well over 200 people” wrote a *Papuan Courier* reporter. “The Hall was very tastefully and originally decorated in the Steamships colours of blue and gold, the effect being pleasingly artistic without being glaringly frivolous. Much time was obviously spent by the staff in these decorations, and many original touches were noticed, such as a novel release of balloons above the dancers’ heads.

“Of no little interest were two ships’ models, of the *Papuan Chief* and *H&S*, both made by members of staff. Dancing commenced at nine and officially ended at 2.30 am, but many went on for an hour and a half later. The Spot Dance was won by Mr and Mrs Gerald Smith. Supper was served at midnight, and flagging spirits were boosted at 2 am with hot sausages.

“The unanimous opinion is it was a brilliant success from every point of view. Residents were charmed to hear that the STC staff intend to make this an annual event. The organisation of a dance on this scale may sound a simple affair, but in Moresby it is not, and the staff committee, with G.M. Cadden as the Hon. Sec., are to be congratulated.

Guy Montague Cadden was an old Papua hand, who had followed many occupations before joining Steamships staff, in 1934 (he was to become a Director in later years, as we shall see).

Perhaps the most significant result of this first Steamships Ball was a reconciliation between Captain Fitch and the august Lieutenant-Governor of Papua, Sir Hubert Murray. Fitch had been estranged from Sir Hubert ever since the episode of the infamous 1920 telegram to the King, seeking Murray’s removal. As noted previously, since that time the white residents of Papua had come to an appreciation of the true quality of their Lieutenant-Governor, by this time famous throughout the colonial world as a wise and enlightened administrator. Fitch earnestly desired to heal the breach, but Murray was an ailing old man now, barely a year away from death, and he shunned almost all social occasions. But at Captain Fitch’s direction, an invitation to attend the Ball was sent to Sir Hubert.

Probably no one was more surprised than Fitch when the Lieutenant-Governor not only accepted the invitation, but remained at the Ball for over an hour. He was formally received by Captain Fitch, who later told Viv Crisp - now Steamships’ General Manager - that it was “the proudest moment of my life.”

Sir Hubert Murray left Port Moresby in *Laurabada* on 20 February 1940, on what would be his final tour of inspection. He was tired and ill, and in a last letter to his daughter, written on 15 February, he wrote, “I feel inclined to curse God, and die.”

The official yacht was, as usual, commanded by Leonard Murray. After leaving Abau,



Sir Hubert Murray

Photo: Courtesy James Sinclair

Laurabada encountered a violent storm, and over Sir Hubert's protests, Leonard Murray decided to sail directly for Samarai, for the old man was suffering constant pain and Leonard feared for his life.

What followed is outlined in Francis West's biography of Murray. On reaching Samarai, the Resident Magistrate sent down men to carry the sick Lieutenant-Governor to a rickshaw, used as hospital transport. Sir Hubert typically refused this and climbed to the yacht's rail. He took the hand of G.E. Aumuller, the Burns Philp manager at Samarai and an old friend, who helped him to the wharf. "These chaps want to carry me," he told Aumuller. "They may when I am dead, but not before."

Sir Hubert was taken to the European Hospital, where he died in his sleep, on 27 February. His body lay in state in the Catholic Church until it was flown back to Port Moresby in a Royal Australian Air Force flying-boat. He was buried in the European Cemetery at Badihagwa, (near Hanuabada) with due ceremony. He had been a Governor for the longest period in British colonial history.

Sir Hubert would have been most touched by the tribute paid him by the Motu people. After 40 days of mourning, with watch fires kept constantly burning on the bare brown hills surrounding Port Moresby, there was a great gathering at Tanobada, where a village councillor spoke his epitaph:

"But who is like him in Papua? There is none. There never will be one like him. He came among us and saw our lives. Sometimes when he was younger, he hunted and fished with us. He knew us in all our ways. Sometimes when his work was done, he met us on the roads. As we came home from our gardens he greeted us. Now we have lost him, for he is dead. We shall not know his friendly ways again. There were Governors here before him, but we know nothing of them. Our fathers have not told us of them. There has been only one Governor in our time. He was the best of men; our children and their children will talk of him. He promised us all, 'I will not leave you. I will die in Papua'. His words were the words of a true man, for his body lies in our ground."

There were many expressions of grief and appreciation of the life and work of Sir Hubert Murray in the weeks following his death. Many letters were written and published in *The Papuan Courier*, the newspaper which in earlier times had so often opposed Murray's policies.

One of the most glowing of the tributes was penned by Captain Algernon Sydney Fitch.

CHAPTER FIVE

THE MYSTERY OF THE PANTHER

The new auxiliary ketch, *Panther*, built for Steamships in Wilson's Yard, Sydney, left for Port Moresby on 2 April 1938, under the command of Captain L. Kingdon. She arrived on 11 April, after a record run. She had finally been fitted with a Petters diesel engine of 85 hp, and was in every respect a very impressive craft.

Panther was placed on the western run under Captain Kingdon, making her initial voyage to Daru, on 27 April. Her movements were regularly listed in the "Shipping News" columns in *The Papuan Courier* until mid-July, and then all mention of her ceased. She still appeared in Steamships' advertisements as being part of the Company fleet until 23 June 1939, when she was abruptly removed from the fleet list. No explanation was given.

There is no mention of the ketch in surviving Company records - including the Board minutes and Annual Reports - and no reports of her disposal are to be found in contemporary newspapers and journals. *Panther* certainly was not lost at sea, and it can only be presumed that for some unknown reason, Steamships sold her at some time in 1938 or early 1939.

Steamships acquired several vessels at around this time. The auxiliary ketch *Rasputin*, 25 tons, had joined the fleet in August 1939, and the small auxiliary ketch *Palma*, 15 tons, in September.

Captain Fitch had had his eye on the shapely little *Palma* for some time. The ketch first appeared in Port Moresby in August 1936, chartered from her home port, Townsville, by the Papuan Oil Development Co. for use in Western Papua. She was skippered by Captain R. Keyes and a crew of two.

Palma returned to Townsville after the charter, but Fitch had been so impressed by the appearance and performance of the little ketch that when he heard she was on the market, he purchased her for Steamships. The price paid is not known. Steamships also owned the ketch *Nancy Lee*, and another with the curious name *295*, for a brief period. Both were sold in 1939.

The last pre-war addition to the Steamships fleet was the large auxiliary ketch *Malvin*, 35 tons, which was purchased early in 1940. Again, no other details are available. The Second World War had recently begun, and *Malvin* was placed on the western coastal run, under the command of Papuan skipper, Frank Rei.

By this time the flagship of the Steamships fleet, the *Papuan Chief*, was no more.

On 27 August 1939, just before the outbreak of war, the faithful steamer ran onto an uncharted reef off Gadaisu, Orangerie Bay, whilst on her regular scheduled contract voyage from Samarai to Port Moresby. She had been recently slipped and had received an extensive overhaul, but she was ageing, and showing it. Fifteen hard years of voyaging the harsh coasts of Papua had left their mark; she was no longer the immaculate little steamer of earlier days.

The traveler, John W. Vandercook, made a voyage on the *Papuan Chief* in 1938, and was not impressed. He wrote in a book published that year:

“The rusted decks were covered with black dust, the worn paint of the housings were smeared everywhere with soot, the solid iron rails, the grubby canvas hatch cover, everything once touched blackened and greased the hands. Our cabin was exactly six feet square. Its door-less narrow doorway gave on a deck hardly five paces from end to end, and so narrow you could stretch an arm from wall to rail. At the rear of the cabin were two wooden bunks, the lower too close to the upper, and the upper too close to the ceiling. They were plank-hard, spring-less, and provided with only thin straw mattresses covered with a sheet that had seen use since its last washing, and an anaemic pillow filled, by the feel of it, with metallic discards from the engine-room...a grimy, wretched, battered little ship...”

Captain Andersen managed to back the *Papuan Chief* off the reef on the high tide, and beach her. The old steamer was carefully examined, and Andersen concluded that she could continue her voyage, after temporary repairs. She made very little water, but after leaving Aroma, traveling outside the reef, a powerful south-east wind and heavy seas were encountered. The ship rolled and pitched, and the portion of the hull damaged by contact with the reef opened. Some time before reaching the Wolverine Passage the *Papuan Chief* started to take water alarmingly.

Captain Andersen called for all possible speed and the *Papuan Chief* was able to make the Passage, but again Andersen was forced to beach her, at Wainapuna. He had kept Port Moresby advised by radio, and a shipwright was dispatched by a Guinea Airways seaplane to examine the vessel. His report was gloomy. The *Papuan Chief* was beyond salvation.

The *Nusa*, under Captain Swanson, was also on her way from Samarai to Port Moresby. She picked up the passengers, cargo and mails from the *Papuan Chief* and brought them to Port. Captain Fitch approached George Stewart of Napa Napa, who agreed to attempt to salve the *Papuan Chief* for a fee of £1,000, on the understanding of “no cure, no pay”. However, after long discussion and a close study of the shipwright’s report, it was eventually decided to abandon the *Papuan Chief* to the underwriters as a total loss. *Nusa* then took over the running of the *Papuan Chief*’s itinerary.

“The loss of the *Papuan Chief* will be regretted by many people besides her owners,” said a *Papuan Courier* editorial, “for she had maintained a service along the coast for a great many years, and her regular calls at outstation ports were something looked forward to. Her master, too, to whom we offer sympathy at this unfortunate incident, was a friend to everyone along this long coastline, and that he will no longer be seen on the bridge of the *Papuan Chief* will be regretted by many.”

Captain Andersen retired from the sea for the last time, but there seemed to be life yet in the old steamer. Burns Philp & Co were the agents in Papua for the underwriters, and they engaged Stewart to see whatever salvage was possible. Stewart succeeded remarkably. He got the *Papuan Chief* off the rocks at Wainapuna and sufficiently patched her to enable her to

make Port Moresby, where she lay at anchor.

The underwriters then sold the *Papuan Chief* to the highest bidder - Steamships Trading Company! Fitch announced that the *Papuan Chief* would be slipped and repaired when an opportunity offered and would then re-enter the coastal service. In the meantime, *Nusa* would carry on, with the assistance of the recently purchased *Rasputin* and *Palma*.

Nusa maintained the contract service until the outbreak of the Pacific War, but the *Papuan Chief* never resumed her voyaging. She was a small steamer, a class of vessel that had been almost totally eclipsed by the more efficient motor vessel, and repairing her would have been a waste of money. In October 1940, Steamships sold the *Papuan Chief* to a Japanese company, Nanyo Boeki Kaisha of Tokyo, for 1,200 cases of sardines, 500 cases of salmon and 100,000 yards of Nine Dragon calico! The mortgage held by the Bank of NSW was released prior to the signing of the bill of sale.

The goods were brought in on the Japanese vessel *Yashima Maru*, together with a Japanese crew for the *Papuan Chief*. There was a sad report in *The Papuan Courier* on 15 November 1940, headed “The Passing of the *Papuan Chief*:

“On Tuesday last we saw for the last time the familiar figure of the *Papuan Chief* steaming out of Port Moresby. She had been sold to Japanese buyers and they had sent a crew to take her away. Many of us were interested in her nationality; having been sold to aliens she could no longer be a British ship and she could not be a Japanese ship with Japanese papers, for there is no Consul or other official here to grant those papers.

“Just as she left the wharf she flew a large, new and clean Japanese ensign, so those on board apparently had no doubt about her nationality. Her new name was not disclosed on her papers, but we have been informed that she will be the *Kapi Maru*.

“The old *P.C.* broke down near the reef entrances and had to anchor at Walter Bay until repairs had been effected. On Wednesday she sailed away to the East. For the benefit of those who did not know the *Papuan Chief* we can recount that travelling in her was the closest thing to living in a lift that we have known. The engines were aft and the passengers forward, and when she had cargo and found a bit of sea, the passengers would go up and down.

“Despite all this, many on the coast will miss the old *Papuan Chief*.”

It was an ignominious end for a gallant little ship. Few of the watchers who saw her depart thought she had much chance of reaching Japan, but on 10 January 1941, Steamships received a cable, advising that the *Papuan Chief* had arrived safely at Yokohama.

What her ultimate fate was is not known. She had been purchased for her scrap value, and doubtless she was broken up. The Japanese would launch their surprise attack on Pearl Harbour in December of that year, and Japanese forces would burst out of the home islands and engulf the Pacific in violent war. Perhaps scrap metal from the *Papuan Chief* fashioned a small part of the Japanese arsenal?

CHAPTER SIX

PRELUDE TO WAR

Despite the crushing loss of the *Papuan Chief*, Steamships performed well in the last few years running up to the outbreak of war. Net profit for the year ended 30 June 1938, amounted to £17,401. With £4,931 brought forward, a total of £22,332 was available for distribution. £8,000 were set aside for renewal and maintenance of vessels, £10,301 paid to shareholders in a dividend of 10%, and £4,032 were carried forward.

During the year, capital was increased by the issue of 35,924 shares at a premium of 10%. Paid-up capital now stood at £110,863. The new funds paid for *Chinsurah* and *Panther*, and the construction of the Slipway (it is interesting to note that total Directors' fees for the year amounted to just £78! Clearly, Steamships did not believe in pampering its Directors).

Results for the following year were slightly ahead, with a net profit of £17,995. A dividend of 8% was paid. Capital was again increased, by the issue of 27,750 shares.

On the outbreak of the Second World War, therefore, the affairs of Steamships were in a satisfactory state. The worst effects of the Great Depression had been thrown off, and the Company had continued its steady growth and diversification. Its fortunes were still being directed by Captain Fitch, Viv Crisp and Llewellyn Tracey.

Fitch's wife, Jessie, and their daughter were now living permanently in Sydney, although they made occasional visits to Port Moresby. Fitch spent several months in Sydney with his family, in late 1937, returning to Papua in February 1938.

During this - and every other of Fitch's absences from Port Moresby - Viv Crisp ran the Company. He was building up immense management experience, which would stand him in good stead later on. Crisp himself took brief southern leave in January 1939. He travelled to Sydney to be married, returning with his bride, Ruby, at the end of February. When Guy Cadden, then manager of the Samarai branch, took leave in January 1939, Crisp took over as manager there, during Cadden's absence.

Ever since arriving in Port Moresby, Fitch had been acquiring allotments of land in strategic positions and in February 1939, allotment 1, section 20, Granville West was secured. Fitch announced that Steamships would construct a new bulk store on the site, at the foot of Musgrave Street. This store was 90 feet long and 50 feet wide, and was used to accommodate the increasing volume of Steamships' imports, mainly from Europe and Asia. Merchandising and plantation investments were looming ever larger in Steamships' world. In consequence, staff numbers, too, were increasing and an old residence owned by Fitch on allotment 16,

section 2, Granville West, was purchased by Steamships for £400. The house was demolished, and new staff quarters erected on the block.

Steamships opened a Millinery Department. “We have a large supply of hoods, which can be made up to any style or design required, by a competent milliner,” the Company advertised. Steamships had also increased its range of agencies and activities.

THE AIR AGE

In early 1938 the Company was “mail contractors to the Commonwealth and Papuan Governments and London Missionary Society. Managing Agents Coral Sea Insurance Co Ltd, Acme Bakery, Rubberlands Ltd, Tropical Products Ltd, Mariboi (Papua) Estates Ltd. Agents for Hisiu Plantations, Papua Rubber Estate Pty Ltd, Vacuum Oil Co Pty Ltd, KPM Line, Bankers & Traders Insurance Co Ltd, and Mandated Airlines Ltd.”

Mandated Airlines Ltd had been formed by W.R. Carpenter & Co in September 1936, as a direct competitor to the big Guinea Airways Ltd, hitherto the principal aviation company in the Mandated Territory.

The Air Age had at last caught up with Papua. Pioneer aviators Ray Parer, Charles Pratt, Lionel Shoppee, G.I. Thompson, Orm Denny, Kevin Parer, “Skip” Moody, and Les Holden had been making occasional flights between Wau, on the Morobe Goldfield, and Port Moresby from January 1928; the first official airmail flight on this route was made on 30 September 1932, by pilot Frank Drayton in a Guinea Airways Junkers F/13. Two months later, Drayton became the second aviator to be killed in New Guinea, his Guinea Airways DH60 Moth crashing into Little Wau Creek; passenger Lewis Harper also perished.

Guinea Airways dominated the Goldfields-Port Moresby route for several years. They had the right aircraft - all-metal Junkers W34 monoplanes - and skilled and experienced pilots. But Carpenter’s were hot on their heels. They imported a pair of little three-passenger DH83 Fox Moth biplanes in January 1933, flown by pilots R.O. (Dick) Mant and Colin Ferguson.

From this small beginning, the Carpenter’s air service rapidly developed into a serious competitor to Guinea Airways. As noted above, Carpenter’s formed a new company to handle the aerial transport side of their large and varied interests.

Mandated Airlines Ltd (MAL) came into being in 1936. More and bigger aeroplanes were purchased, and MAL commenced regular flights to Port Moresby. Gradually small aerodromes were built in many parts of Papua. Captain Fitch and his colleagues used MAL air transport as much as possible when visiting Company branches and outstations, and Steamships became the MAL agents.

Guinea Airways always remained the dominant air transport company, but Carpenter’s made a giant leap over their competitors in 1938, when a new Carpenter’s company, W.R. Carpenter Airlines, commenced the first subsidised Australia-New Guinea Airmail Service, initially employing three DH86B “Express” four-motor ten-passenger biplane airliners, constructed in England. They were abysmally slow by today’s standards - cruising at 140 mph - but they reduced the travelling time from Sydney to Port Moresby from five days to less than one.

Steamships held the agency for Papua. Captain Fitch now invariably traveled by air to

Sydney and Melbourne for the Annual General Meetings of Steamships Trading Company.

PLANTATIONS

The Company’s involvement with plantations continued to increase with the purchase of Doini Island Plantation from John Gusth Nelsson and Mrs Elsie Edgell, (formerly, Elsie Bunting). She was the daughter of the famous Robert Frederick Whitten of Samarai, one of the two Whitten Brothers who formed the shipping and trading company, Whitten Bros. Ltd, previously mentioned.

Elsie married R.H. Bunting, brother of Arthur Bunting, pioneer Samarai trader and planter. Bunting was a member of the Legislative Council, serving from 1924 until his death at the early age of 64, in January 1939. Robert Bunting died in April 1937, and Elsie later married Tony Edgell, of Manus Island. After Arthur Bunting’s death, the firm of A.H. Bunting Ltd was formed, to carry on his many business interests at Samarai and elsewhere, with a nominal capital of £30,000.

Arthur Bunting started Doini Plantation in partnership with the equally renowned Nelsson, who died in August 1939 at the age of 74. John Gusth Nelsson, planter and trader, had also been a member of the Legislative Council of Papua for many years, from 1914 to shortly before his death, and was universally admired and respected. It was said that Bunting and Nelsson “were like brothers”. R.W. Robson once commented, “the close attachment between the two men was almost romantic.” Both men were substantial Steamships shareholders.

Doini Plantation was one of the oldest and best in the Samarai district. Nelsson died before the sale to Steamships could be completed, and Mrs Edgell was not prepared to run the plantation on her own. She sold to Steamships for £4,000 cash and 6,000 fully-paid shares. Steamships also acquired Vaiviri Plantation, a copra property of 350 acres situated on the Vailala River. This was purchased from the widow of the founder, Donald MacDonald.

The final plantation purchase made by the Company before the outbreak of war was of Puni Puni, a coconut plantation of 600 acres established by Robert Talbot, on the east coast. At the time of purchase - July 1939 - 475 acres were planted, 300 acres with coconut palms 15 years previously, and the balance nine years later. Steamships was now second only to British New Guinea Development Company as a plantation operator in Papua.

Steamships came to an agreement with Koke Bagu Pty Ltd in June 1939, to collect copra from the coconut area of the Kemp Welch Estate. In October, the Company transferred 3,000 acres of land to Mariboi Rubber Estates in consideration of 3,000 Mariboi shares of one pound each, fully paid. Two agricultural leases were acquired in January 1940, on the right bank of the Kikori River, totalling 77 acres.

BURNS PHILP

Steamships’ great competitor, Burns Philp & Co, stole a march on the Company in the shipping field, with the introduction of a new coaster, *Lakatoi*, in 1938. She operated mainly on the New Guinea side, but in November came to Port Moresby to be slipped for her yearly overhaul, on the Steamships Slip. Despite the Company’s prominence in shipping, Burns Philp had no repair or maintenance facilities of its own in New Guinea (W.R. Carpenter & Co had a slip and maintenance yard, in Rabaul).

Lakatoi was a motor vessel of 341 gross tons, built at the Taikoo Dockyard, Hong Kong.

(It is interesting to note here that Taikoo Dockyard was owned by the great Swire company, with which Steamships’ fortunes were to be closely linked - see later. Taikoo Dockyard opened in 1908. “Taikoo” was the Chinese name for Swire, and loosely translated meant “Great and Ancient.” The Company took the name in the 1860s. It remains the only other official name for Swire.)

The new vessel was 132 feet long with a beam of 26 feet, drawing a little over nine feet. She was, said a *Papuan Courier* correspondent, “a fine ship with excellent accommodation for passengers and one large hold, capable of carrying 2,000 bags of copra. The six two-berth cabins are large and very well fitted, as also is the dining saloon on the main deck. Equipment includes a freezing unit for the supply of ice water at all times, by simply turning a tap. There is a large refrigerator for the saloon, and a four-ton refrigerating room for freezer cargo.”

The *Lakatoi* was more than a match for the tired old *Papuan Chief*. Captain Fitch, an experienced master mariner, of course realised this. But for the outbreak of war, there is little doubt that he would have bullied his Board into accepting the need for a new vessel of *Lakatoi’s* class. But the loss of the *Papuan Chief*, the war, and the increased cost of ship construction overtook his plans.

Lakatoi was taken over by the United States Army Small Ships section during the Pacific War. She was sunk off New Caledonia, in 1943.

Steamships continued to act as agents in Papua for several foreign shipping lines, including Bank Line, whose fast copra vessels regularly visited Papua. The Company still retained the agency for the KPM Line. The modern motor vessel *Maetsuycker* provided a popular service, calling at Saigon, Singapore, Batavia, Samarang, Sourabaya, Port Moresby, Samarai, Salamaua, Rabaul, Auckland, Wellington, Sydney and return to Saigon via Port Moresby and Java ports. Another KPM ship, *Tasman*, followed a similar route, but calling also at Port Vila and Noumea.

At the beginning of 1939, Steamships Merchandising division had expanded considerably. An advertisement on 9 January noted that the Drapery department featured “excellent quality leather suitcases, moderately priced,” and men’s Assam Silk dressing-gowns, “beautifully embroidered, heavy quality, in all sizes and moderately priced. Carved camphorwood boxes, beautifully carved. Men’s white canvas shoes, composition rubber and leather soles. Ladies’ Silk Sunshades, just opened up.”

The Hardware department offered “Pall Mall glassware; cocktail glasses, liqueur glasses, whisky nobblers, tumblers and water jugs to match. Folding Card Tables, strongly made. For all your Housing Requirements - Steamships Trading Co!”

The Company’s range of agencies had likewise increased. Steamships were sole distributing agents for Papua of Harrington’s Photographic Supplies, Philips Radio Sets, Sherwin Williams Paints, Whiteley’s House of Lords Scotch whisky, B.A.L.M. Paints & Preservatives, Johnson’s Outboard Motors, Wunderlich “Durabestos” products, Diamond T motor trucks, Humbolt’s Old East India Sherry and Privateer Port, Sawmillers & Traders Ltd, Michelin Tyres and Tubes, Beck’s Lager, and Mercedes-Benz diesel lorries and diesel engines.

In June 1939, Charles McKinnon decided to retire. He relinquished the management of Sawmillers & Traders, and came in to Moresby from Port Romilly on the *Papuan Chief*.

He spent some time visiting friends in Papua and New Guinea before traveling to join his wife and family in Sydney. Steamships then purchased the controlling interest in Sawmillers & Traders, for £1,500 cash, and 1,500 one-pound, fully paid Steamships shares.

THE EUROPEAN WAR

The outbreak of the Second World War had little initial affect on Papua, or Steamships Trading Company. A few young men hastened off to joined the Armed Forces, but life proceeded much as normal throughout 1940 and most of 1941, although shortages of many essential and luxury goods gradually became apparent. During this time the War was being fought in faraway Europe, and the Japanese menace, though apparent, was still remote from Papua. But Japan had millions of men under arms, an Air Force of superb (and totally unsuspected) quality, and a powerful Navy. Many experienced observers thought it was only a matter of time before Japan launched a wave of Pacific conquests.

That war in Europe was coming was not doubted by most astute observers, but although the Japanese had been openly waging war against China for years, the British were thought to be invincible in Far East Asia and the Pacific. The British were complacent, never doubting the superiority of their forces, confident in the might of the Royal Navy (the world’s largest), and the “impregnable” fortress of Singapore. Australia basked in the aura of British invincibility.

Papua and New Guinea were almost completely without defences. Under the terms of the Mandate, the Australian Government had undertaken not to build fortifications or station permanent forces in the Mandated Territory, or raise bodies of indigenous soldiers. Papua, however, was an Australian Territory, not subject to the supervision of the League of Nations, as was the Mandated Territory. She was free to raise defences in Papua - but did very little.

In the early stages of the Second World War, virtually all of Australia’s trained forces were overseas, in support of the British and French armies. The situation of Britain and France was absolutely desperate, and Papua was given a very low priority.

Late in 1937, a small detachment of the Royal Australian Navy arrived in Port Moresby, to make a preliminary survey of the approaches to the harbour. The report was carefully studied in Canberra. The European situation went from bad to worse during 1938, and the Australian Government belatedly concluded that a defence base should be established in Port Moresby - just in case.

In January 1939, a construction party was sent to erect temporary barracks at Konedobu for Defence personnel scheduled to arrive on 24 March. “We hear that the first matters being considered are the installation of a battery of six-inch guns, probably on the top of Paga Hill, and the laying down of an air base,” *The Papuan Courier* told its readers. A new road was begun from Chalmers Crescent to the top of Paga Hill, for the purpose of transporting materials to the site of the battery.

Major K.D. Chambers duly arrived with a subordinate officer and 38 men of 13th Heavy Battery, Royal Australian Artillery, to assume command of Port Moresby defences. Militiamen of 126th Heavy Battery (M) arrived in September to assist. A small RAAF unit flew in. After the declaration of war, a company of the 49th Battalion, Australian Military Forces, was sent to Port Moresby. These units were clearly inadequate to defend Papua against an invader. Existing defence plans called for the waging of guerilla warfare against any

invader in support of regular troops, to be carried out by Administration officers and the men of the Armed Constabulary (or Royal Papuan Constabulary, as it became in August 1939).

These plans were discarded after war was declared. On 1 June 1940, the raising of the Papuan Infantry Battalion began. Most of the initial recruits were drawn from the Royal Papuan Constabulary.

The situation in Port Moresby was calm enough for Steamships to hold its second Annual Ball, just a fortnight after war was declared. Many members of the defence forces attended by invitation. Said a *Papuan Courier* reporter:

“General opinion of all who attended is that it surpassed the brilliant effort of last year. The Hall was decorated in the Company's colours, blue and gold. Around the walls were features, drums, saxophones, cornets, trombones, violins and jazz band. All credit is due to Doug Spence for his originality and ideas. He and his band of workers are to be congratulated on the results of their efforts, and only splendid teamwork could have provided such an excellent evening. The supper, which was catered for by the Catholic Womens’ Guild, left nothing to be desired...”

Port Moresby welcomed the Defence men with open arms. On 24 November 1939, there was a cricket match between teams from Steamships and the RAAF, on the Oval, on a hot, sunny day. The match was arranged by the Port Moresby Cricket Club, of which Captain Fitch was senior vice-president. The RAAF team was led by Captain Beaumont. Steamships' side was under O.D. Schafer, the main store manager. A report of the match appeared in the *Courier*:

“When the grueling sun fastened onto them, the situation was most abject. Bert Meyers, Bernie Miller, Johnny Stopp, Vince Foley, Charlie Kennedy, Jack McKenna, Bob Mustard, Ted Roberts, Bill Gordon for Steamships. Steamships started well, and finished on the nose. Skipper Schafer sent Stopp in to do the talking. Noel Hides is a decent stick. The RAAF boys won...”

News of the scuttling of the German pocket battleship, *Graf Spee*, off the mouth of the River Plate was received with jubilation in Port. People wondered if the Fuhrer's name should not be changed from “Adolf Hitler” to “Adolf Scuttler”.

OIL

The search for oil had been proceeding, on and off, in Papua since the initial discovery in 1911. Many oil companies joined in the search over the long years, with indifferent success, among them Oriomo Oil Co, Cape Vogel Oil Co, Oil Search Ltd, Papuan Oil Development Co (associated with the giant Shell Co), Island Exploration Co, Papuan Apinaipi Petroleum Co Ltd, and New Guinea Oil Co.

The Vailala Oil Field was declared in 1912, and the Commonwealth Government sent a famous petroleum geologist, Dr Arthur Wade, to “investigate the geological features of the oil-bearing features in Papua and to report any conclusions...as to the methods of development which...should be adopted.”

Investigation of the Vailala field continued during and after the Great War under the direction of Dr Wade, who was officially styled “Director of Oil Fields”. A total of nine dry

bores were eventually drilled.

The War emphasised the vital importance of oil in the modern world, and in 1919 agreement was reached between the Australian and British Governments and the giant Anglo-Persian Oil Company (APOC), to take over the search for oil in Papua. APOC teams carried out a geological expedition from 1920 to 1922. The British pulled out of the agreement at the end of 1921, and APOC continued its work, funded by grants from Australia. A bore was started at Popo, which reached a depth of 1,380 feet by the end of July 1922. Drilling was suspended in mid-1926 but another Popo bore was spudded in August 1927.

Another APOC geological expedition was mounted between 1927 and 1929, which extended into the Mandated Territory. Late in 1938, the most famous company of them all came into being, Australasian Petroleum Company (APC), formed by three equal shareholders - Anglo-Iranian Oil Co (formerly Anglo-Persian Oil Co and later known as British Petroleum Company) ,Vacuum Oil Co, and the small Sydney concern, Oil Search Ltd.

Steamships had a continuing involvement with the oil companies, its vessels often being chartered to deliver special equipment to oil company camps and workings situated far up Papuan rivers. A typical contract with Papuan Apinaipi Petroleum called for Steamships to deliver 250 tons of machinery, plant and goods from ship's slings, Port Moresby, to Oiapu Beach. It will be recalled that the Steamships auxiliary ketch *Vaiviri*, so tragically lost in 1930, had originally been constructed for New Guinea Oil Co, in October 1924. *Vaiviri* was delivered from Sydney to the Vailala River where New Guinea Oil Co was then working, by a Steamships master and crew.

APC established a community at Konedobu, and in 1940 what was generally called the “APC Village” at Badili, Port Moresby. Port Moresby residents were often invited to APC social functions, generally held at the Institute Hall. Captain Fitch and Viv Crisp often attended.

Despite the gradually worsening supply position, Steamships was still able to make money. For the year ended 30 June 1940, the Company made a profit of £19,051, on a paid-up capital of £143,579 (nominal capital was increased to a quarter of a million pounds this year). This allowed the 8% dividend to be maintained. The result demonstrated the shrewdness of Captain Fitch's decision to diversify the operations of Steamships.

Steamships now had four main sources of income: shipping and transport, general trading, rubber and coconut plantations, and hotel keeping as a side-line. With the coming of war, the price of copra slumped drastically, and stocks at Port Moresby were written down to just three pounds five shillings per ton. Rubber, however, was a vital wartime commodity, and prices soared. What Steamships lost on copra, it gained from rubber.

Six months later, the copra situation had worsened. Captain Fitch wrote to shareholders, telling them the Board had decided to reduce the interim dividend to 7%. Although general trade had been “quite satisfactory” for the past six months, notwithstanding the many restrictions on imports, “shipping, shelling and copra plantations are of course distinctly affected by the world situation, and little improvement can be expected until the cessation of the present hostilities, therefore these factors have been carefully considered by the Board, and in view of unsold products (shell and copra in store) it is deemed advisable to be

conservative as regards payment of interim dividend.

“The Board, however, have great pleasure in announcing that its equity in new rubber plantations...is developing in a most satisfactory manner, and should have a large influence on the Company’s prosperity...”

THE HOTEL IMPERIAL

It is a measure of Captain Fitch’s quality as a risk-taker that even in this time of war he was prepared to further expand Steamships’ operations. In February 1941, an item appeared in *The Papuan Courier*:

“Another landmark goes to make way for a new hotel, the building which for so many years housed Whitten’s, and more recently occupied as a store by Percy Hinds Ltd. Whitten’s Corner will never look the same, and we suppose it will not be long before anyone talking of Whitten’s Corner will be met with a glassy stare, yet to a generation of old-timers it is a term that will never be forgotten.

“The site is being cleared to make way for the erection of the new Papua Hotel, which when completed will be the leading hostelry in the town. It has been specially designed for the tropics, with particular attention to ventilation by means of louvres and wide overhanging eaves. There will be dining room accommodation for over 100 people, and a Grill Room, independent of the dining room. The Lounge will be much larger than anything previously seen in Port, while the bar counter will be 52 feet long. The guest accommodation will be for 40 persons in 25 bedrooms of generous size. The new premises are being built to the order of the Port Moresby Freezing Co Ltd, and will replace the present Papua Hotel.”

The Papua Hotel began its life as a crude inn for miners during the 1909 Lakekamu gold rush. It was later purchased by Tom Ryan, who developed it into what he claimed to be the finest hotel in Papua.

This was not, perhaps, saying very much. In 1921, the American hookworm specialist, Dr S.M. Lambert, stayed in the hotel, and in his book, *A Doctor in Paradise*, said that Ryan’s customers drank excessively, to drown the taste of Ryan’s food. The flimsy bedroom walls “let in the breezes, bats and mosquitoes. If elephants could fly, they would have made it, too...the holes breathed the very breadth of scandal, for you could hear every whisper and wonder who was paired off with whom.” Lambert was not the first - or the last - to complain about the old Papua Hotel!

In 1928, Ryan sold the hotel and his other business interests to the Burns Philp subsidiary, Port Moresby Freezing Company. Burns Philp also purchased the equally run-down Hotel Moresby, giving the Company a monopoly of the hotel business in the town. In 1938, Burns Philp commenced the construction of a modern replacement for the Hotel Moresby, which was opened in February 1939. G.A. Bayer was manager - it will be recalled that Bayer had previously managed the Cosmopolitan for Captain Fitch and P.J. McDonald.

Whitten’s Store, next to the Papua Hotel on the corner of Musgrave and Douglas Streets, was founded by pioneers William and Robert Whitten, who came to what was then British New Guinea in about 1887. They were reputed to be the first Europeans to set foot in the Trobriand Islands. They established a large and profitable trading and agency business at Samarai, and later opened the Port Moresby branch. Both brothers served on the Legislative Council, and were among the most widely respected men in Papua. As noted previously, in

1934 the Port Moresby store became a victim of the Depression, when Percy Hinds took it over.

Burns Philp was Steamships’ principal competitor in Port Moresby, and Captain Fitch was determined to challenge their hotel monopoly. In February 1941, the Papuan Government offered for public tender the 99-year lease of the block of land known as the School site, at the south-west corner of Musgrave and Hunter Streets, where the European School was located (it had been opened by Sir Hubert Murray, in 1925).

By 1941 the site was deemed too valuable to be retained for school use. There was a crying need for more commercial land in Port Moresby, and so it was put up for tender. A building covenant of £5,000 was placed on the block, with the successful tenderer also required to relocate the European School to its original site, in Hunter Street.

Captain Fitch and the Board decided to tender for the lease, and if successful, construct a fine new hotel thereon. The Steamships bid, £2,500, was accepted, and Fitch announced that the Company would erect a hotel (to be called the Granville) on the site at an estimated cost of £12,000, a large sum at that time. The project would be subject to the approval of the Port Moresby Licensing Board, the passing of the plans and specifications by the Building Board, and the issue of a permit by the Commonwealth Government to expend the necessary funds.

On the outbreak of war, many restrictions had been introduced in Papua. Certain key installations and localities in Port Moresby were declared “prohibited places”, closed to the public. Registration of aliens began, Air Restriction orders were gazetted controlling the operation of civil aircraft into specified aerodromes, air raid precautions were promulgated, and some property was compulsorily taken over for Defence purposes. In Australia, the Commonwealth Government introduced the National Security (Financial) Regulations, which were extended to Papua as an Australian Territory. A permit had to be obtained for the expenditure of funds on capital works.

Predictably, Burns Philp vigorously opposed the granting of a permit to their competitor, Steamships. The Company had considerable clout in Canberra. It had for many years been the official mail contractor for Papua and other Pacific territories, and had a large and varied spread of interests throughout the region. Burns Philp’s financial resources completely dwarfed those of Steamships Trading Company.

Burns Philp protested to Canberra, pointing out that it already owned the new Hotel Moresby in Port Moresby, and was in the process of replacing the old Papua Hotel, at considerable cost. A third hotel would seriously depreciate the value of these hotels.

Canberra heeded the Burns Philp complaint, and refused to issue the necessary permit to enable Steamships to erect what the Company now planned to call the Hotel Imperial. There was an immediate reaction in Port Moresby.

Burns Philp was little loved by most white residents of Papua, who had long resented what they considered to be the overpowering influence of the Big Firm over their daily lives. Many residents, and members of various civic bodies, signed petitions, urging the authorities to reconsider the issue of a permit. Competition was essential, to “control rising costs and a monopoly of interests”. The town urgently needed more accommodation to cater for its fast-growing population, swollen with incoming Defence personnel.

“At present there appears to be a deadlock,” said a *Pacific Islands Monthly* commentator. “The Commonwealth authority will not agree that there is a need for a new hotel in Port Moresby, and STC on its part declines to purchase the block referred to and thus make valuable revenue available to the Administration, unless it is permitted to erect the hotel.”

Finally, Canberra buckled to public pressure and the required permit was issued to Steamships. On 22 April 1941, a tender for preliminary work for the erection of Hotel Imperial submitted by McDonald & Schou Ltd, Contractors (a new company formed by Percy McDonald) was accepted, in the amount of £7,290. The pouring of heavy concrete foundations soon began.

Steamships was not required to relocate the European School, the Government deciding it would itself undertake this. The Company did construct a modern two-story building for the Sisters of Our Lady of the Sacred Heart, who operated a school for Papuan children on a site facing Ela Beach. It cost £1,624, and was officially opened in April 1941, by the Acting Lieutenant-Governor, H.W. Champion.

Steamships’ other hotel, the Cosmopolitan at Samarai, was doing well. As in Port Moresby, the residents of the tiny island were pleased to offer hospitality to the young men of the Armed Forces who visited their town. A typical instance occurred in March 1941, with the visit to Samarai of an RAN destroyer.

“The Cosmopolitan Hotel was the scene of a very bright party on the evening of 13 March,” said a correspondent in *The Papuan Courier*. “The occasion was the visit of a naval party, and the officers and men were invited along to enjoy themselves, and they did, in a big way! They rolled out the barrel, skipped and frolicked until midnight, when a spot of community singing was enjoyed. A tasty supper of mince pies and ‘hot dogs’ was enjoyed. Later on, the party went into the baths to cool off, before returning to the ship.”

The Cosmopolitan was then being most capably managed by Mr and Mrs Reg Eginton, who were very popular in the town. They were due for southern leave, and in October 1941, Mr and Mrs J. Hickson arrived to take over. On his return to Papua, Reg Eginton was to take up the position of manager of the new Hotel Imperial, Port Moresby, but of course the outbreak of the Pacific War spoiled this plan.

Burns Philp lost out, too. Their splendid new Papua Hotel was completed in November 1941, just in time to be taken over by the Army for the remainder of the war. It was to suffer very considerable wear and tear.

In April, one of the two original Steamship’s employees, W.J. Kirby, died at the age of 60. Walter John Kirby had originally come to Papua to work for British New Guinea Development Company. He left them to join Steamships, but soon returned, remaining with BNGD Co until 1934, when he once more became an employee of Steamships.

Walter Kirby was well known and respected in Port Moresby, and his funeral was attended by many old residents, including the Administrator, Leonard Murray. Captain Fitch was there, with Viv Crisp, Llewellyn Tracey and senior Steamships staff members. Kirby left a widow in Port Moresby, and a brother and sister resident in London, to mourn his loss.

Captain Fitch was involved in a serious motor accident in August 1941. He was forced to go to Australia for a brief period, for urgent medical attention to his damaged shoulder.

The Pacific War was almost upon Papua, but life still continued much as it had in the days of peace. In a material sense, the most obvious result of the European war was a rapid decline in the availability of most luxury goods.

Particularly mourned by old-timers was the shortage of good Scotch whisky. Scotch was still being distilled in Scotland, but most of it went to quench the thirst of Americans, and the Armed Forces. In September, Port Moresby at last got its first reticulated water supply, but that was small consolation to the many whisky drinkers of the town.

There was general rejoicing when Steamships announced that a shipment of Whiteley’s Scotch had been secured. “We guarantee that every bottle of Whiteley’s House of Lords Scotch stocked by us passed through the blockade direct from Scotland,” said a Company advertisement, “and is the same brand of Whisky as supplied to the House of Lords, London, for over 30 years.”

Steamships’ staff loyally backed the many patriotic activities that began after the outbreak of war. The Papuan War Fund was strongly supported. Many leading citizens, including Captain Fitch, Viv Crisp and Llewellyn Tracey, made arrangements for continuing monthly payments to be made from their personal accounts to the Fund. Ladies of the town knitted socks and pullovers, made cakes and biscuits and held raffles to raise cash for the cause. A “Lakatoi Lottery” was run.

The Papuan Overseas Comfort Fund was formed. In August 1941, the Fund held a Popular Girl Competition. Every major business in town nominated a girl: the Steamships nominee was staff member Miss Pat Sinclair. The Company ran a fervent full-page ad in *The Papuan Courier*:

“Those now overseas need your help! Our job is to give them all we have! Record your vote at Steamships. Yesterday has gone, tomorrow has yet to come! Vote today! V for Victory!”

Votes cost three pence each. Unhappily, the Pacific War was to intervene before Port Moresby residents could learn who was, indeed, the Most Popular Girl.

A meeting was held under the chairmanship of Viv Crisp to form a Port Moresby sub-branch of the Returned Soldiers & Sailors Imperial League of Australia. Crisp was elected President.

Town residents were somewhat concerned at the large influx of young members of the Forces, who had little to do in their spare time. The Papuan Comforts Club was established, which held regular functions at the Institute Hall. “A very small band of voluntary workers are doing their bit,” *The Papuan Courier* reported. “A free Canteen is open daily for Army, Air Force and Navy personnel. This occupies part of the Institute Hall. Morning and afternoon tea is on tap, games such as badminton, draughts, Chinese checkers and table tennis are played and enjoyed by up to 1,000 visiting members a month.

“Every three weeks a social evening is provided for from 200 to 300 men...the Club is governed by a Committee of townspeople...”

The last months of 1941 rushed by. The war situation daily deteriorated, but life had to go on. At the end of November, with Pearl Harbour just days away, Steamships was still running its customary full-page advertisement in the Courier.

At this momentous time the Company fleet consisted of *Rasputin*, *Chinsurah*, *Palma*, *Malvin*, *Maira*, *H&S*, and *Nusa*. There were Steamships branches and establishments at

Samarai, Misima, Yule Island, Hanuabada, Koki, Ela Beach, Sivitoi, Korobosea and Duga Duga, as well as many small trade stores. Steamships' plantations were Maira, Doini, Mamai, Vaiviri, Puni Puni and New Guinea Rubber Estate.

The Company were managing agents for Coral Sea Insurance Co Ltd, The Acme Bakery, Rubberlands Ltd, Mariboi (Papua) Estates Ltd, Sawmillers & Traders and Kerema Rubber Co. The principal agencies held were for Koke Bagu Pty Ltd, Vacuum Oil Co Pty Ltd, Bankers & Traders Insurance Co Ltd, Royal Packet Navigation Co, Philips Radio Sets, and Castlemaine Perkins Ltd. The Company still held the distributing agencies previously listed.

The last days of peace ended, and the thunderbolt of war was hurled at Papua.

PART 1

THE PACIFIC WAR

CHAPTER SEVEN

THE ONSLAUGHT

On 7 December 1941, in a devastating surprise attack, Japanese warplanes raided Pearl Harbour, severely crippling the U.S. Pacific Fleet. War had been raging in Europe for two years past, but as we have seen, life in Papua had not been greatly affected. All this was about to change, with horrible swiftness.

Following the Pearl Harbour attack, the forces of Imperial Japan burst from the home islands in an irresistible onrush. For six months they raged throughout South-East Asia, brushing aside all opposition with almost contemptuous ease. The day after Pearl Harbour, Japanese bombers assaulted Hong Kong, Guam, Midway and Wake Islands, and many targets in the Philippines. On 10 December, Japanese bombers sank the powerful British battleships, *Prince of Wales* and *Repulse*, a feat that shocked the British public, who (like the American people) had been fed the fable that the Royal Navy was invincible, that Japanese soldiers were almost comical - pint-sized, short-sighted, buck-teethed, armed with inferior weapons, no match for well-trained, superbly equipped white troops.

Worse was to follow. By the end of December, the Japanese had landed in North Borneo, Malaya and the Philippines. They rapidly advanced to within 30 miles of Manila. Hong Kong had fallen, and Wake Island. In January 1942, the Japanese broke through British defences in Central Malaya and captured Tarakan. Burma was invaded from Thailand. In February, elite Japanese troops parachuted into Sumatra. Bombers attacked targets in Java. Bali was invaded.

The British still deluded themselves that Fortress Singapore was impregnable, but Singapore fell, on 15 January. Singapore was the symbol of British power in the East, and its capture was a savage blow to the British. And to Australia, which had totally accepted British assurance that Singapore would hold out. All at once Australia was swept by a terrible fear of the all-conquering Japanese.

The fall of Singapore and the humbling of British power in Asia had another momentous effect. It was from this time that Australia began to look to the Americans for salvation. The link between Australia and the Mother Country that had held, strong and true, for 150 years was severely strained.

The Japanese onslaught continued. Their forces landed in Portuguese Timor. The situation in the Philippines was so desperate that the commanding general, the vainglorious General Douglas MacArthur, was ordered to leave and take up the position of Commander-in-Chief of Allied Forces in Australia. An Allied fleet was destroyed in the Battle of the Java Sea.

The Dutch East Indies Government capitulated. General King surrendered Bataan, and on 6 May, General Wainwright surrendered Corregidor, and all US forces in the Philippines.

On 1 April, Japanese troops landed in Dutch New Guinea. The British evacuated all their forces from Central Burma. The Japanese appeared invincible, and Western confidence had by now turned to something close to panic.

Then came the first Japanese reverses, the Coral Sea battle, and the Battle of Midway. The Japanese had failed to sink any American aircraft carriers during the Pearl Harbour raid. Now American dive-bombers destroyed four of the big Japanese fleet carriers - the new queens of sea warfare - that could not be replaced in time of war. They lost, too, many of their superbly trained young naval pilots, with their Zero fighters - at that time the most formidable fighter aircraft in South East Asia, more than a match for the best the Americans and British then possessed.

From Midway on, the Japanese were forced onto the defensive. They were still to win many battles, but the only real chance of ultimate Japanese victory had lain in a quick defeat of the Americans before they could harness their giant economy to full-scale war production. This the Japanese had failed to do, and their ultimate defeat was inevitable.

THE WAR IN PAPUA AND NEW GUINEA

The Pacific War was also fought in Papua and New Guinea. The New Guinea campaign was relatively minor in the overall scheme of the Second World War, but it nevertheless involved substantial Japanese forces. And it was during the New Guinea campaign that the hitherto unbeaten Japanese land forces were stopped for the first time, in the Kokoda Track fighting.

As in the larger theatre of the Pacific War, the initial Japanese advance in New Guinea was swift and deadly. The Australian forces opposing the enemy were pitifully weak. As we saw in the preceding chapter, almost all of Australia's limited first-line forces were overseas, in the Middle East and Europe. In the Mandated Territory some 2,200 soldiers of 2/22nd Battalion of 8th Division AIF and 1st Independent Company faced the invaders, based mainly at Rabaul but with small detachments scattered throughout the New Guinea islands, the Solomons and the New Hebrides. There were also very small detachments of poorly armed units of NGVR - New Guinea Volunteer Rifles - plus a few Wirraway fighters and Lockheed Hudson bombers of the Royal Australian Air Force - totally outclassed by the Japanese warplanes.

The initial blow was delivered on the Mandated Territory. On 4 January 1942, Japanese bombers raided Rabaul. More raids rapidly followed. All but three of the defending RAAF fighters were quickly shot down. On 23 January the powerful Japanese South Sea Force landed at Rabaul. The Australian defenders fought bravely but were easily thrown back, survivors escaping into the interior and along the west coast.

Some 400 servicemen and civilians ultimately escaped from New Britain, most of them in small ships. The rest were trapped in Rabaul. Over 160 were murdered by Japanese troops at Tol Plantation. In June, some 850 servicemen and 180 civilians were herded aboard the Japanese ship, *Montevideo Maru*, bound for Japan. The unmarked vessel was sunk off Luzon by an American submarine, and all of the prisoners perished.

The Japanese developed Rabaul into their principal stronghold in the New Guinea region, and there they remained until the end of the war. Kavieng, invaded on 23 January, became the secondary base.

THE EVACUATIONS

During 1941, the Germans went from success to success in the European war, and the Japanese became increasingly belligerent. The Japanese threat was certainly recognised in Papua. Planning for a possible evacuation of Port Moresby had begun as early as 13 September 1939, when Sir Hubert Murray made an Order in Executive Council, providing for the evacuation of the town by non-combatants (males and females under 18 or over 60) on a voluntary basis in the event of war. But as recently as 19 November 1941, the Australian War Cabinet had decided that evacuation was “not necessary on military grounds”, although voluntary evacuation should be “encouraged”.

The Pearl Harbour attack forced a dramatic change of mind. It was now obvious to the most optimistic observer that New Guinea must also come under attack. The presence of white women and children would severely hamper military operations, quite apart from the humanitarian aspect. But even at this grave time the authorities were loath to force an evacuation. The Government Secretary, H.W. Champion, asked the Chief Police Officer to interview white women in Port Moresby, to ask each if she would be prepared voluntarily to evacuate, with any children, if suitable transport became available. Over 200 indicated they would.

The Administrator, Leonard Murray, cabled the Prime Minister's Department, suggesting that the W.R. Carpenter Airlines DH86 airliners be conscripted to assist in the evacuation of white women and children from the Mandated Territory. The Naval Officer in Charge, Lieutenant-Commander Monteith, requested the vessel *Katoomba* be made available for the evacuation of the women and children to Cairns. But no decision to evacuate was made. Instead, the women were told to hold themselves in readiness to depart at 24 hours notice.

But as noted above, the Japanese onslaught was so swift and unstoppable that the War Cabinet was jolted into action. On 13 December, Leonard Murray received a cable. Cabinet had ordered that “women and children other than missionaries who may wish to remain and nurses are to be compulsorily evacuated from Papua and New Guinea...arrangements transport to Australia will be made in collaboration with naval, air and civil aviation authorities and contemplate use available aircraft and vessels.”

The story of the great evacuation is too long to tell in detail here. Suffice to say it was a triumph of organisation, skill and courage. Planning was intricate and completely successful. All over Papua and the Mandated Territory, in towns, isolated settlements, mining camps, plantations and Administration outstations, distraught women hastily packed a few personal belongings, and with their tearful children left their homes for what seemed a fearful and uncertain future. Each was allowed just 30 pounds weight of baggage, plus 15 pounds for each child. Sad farewells were exchanged with husbands and fathers.

Women and children from New Britain, New Ireland and Bougainville were concentrated at Rabaul, and conveyed to Australia by ship. Those from New Guinea mainland centres were flown to Lae and on to Port Moresby, where the Papuan evacuees were also concentrated. They were sent south by sea and air.

Wives and children of Steamships' staff were of course also included in the evacuations. Virtually all the white women and children of Papua and the Mandated Territory went, apart from a number of brave missionaries and nurses, who elected to remain. The situation was so desperate that the authorities allowed few exceptions.

The evacuation was virtually completed by 29 December 1941 - just days before the first Japanese attack. The exact number of women and children thus snatched from the very jaws of the Japanese has been disputed. The official estimate was 178 from Papua, and 554 from the Mandated Territory. However, on 2 January 1942, Administrator Leonard Murray publicly thanked the many persons in Port Moresby who had assisted in the great task - including Steamships' staff - and announced that 258 women and 126 children from Port Moresby, and 25 women and 18 children from Samarai had been evacuated by sea. A further 58 women and 28 children from Moresby and 45 women and 52 children from other places were flown out. A total of 678 women and children from Mandated Territory centres were evacuated through Port Moresby. Whatever the true number, the town was a veritable bedlam during the operation.

Port Moresby had been designated headquarters of Eighth Military District, covering Papua and New Guinea, under Brigadier B.M. Morris. Two days after the fall of Rabaul, Brigadier Morris was ordered by War Cabinet to call up for military service all able-bodied, white, male British subjects in Papua and the Mandated Territory aged between 18 and 45. All over-age or unfit men were to be evacuated.

Steamships, of course, was vitally affected by this order, as were Burns Philp and the other businesses in town. Trading continued until the last possible moment - strictly for cash! - but, inevitably, as all able-bodied staff were called up for military service, businesses were forced to close.

The first intimation that the Army was in control came when Fitch and Crisp were sitting in the Steamships main office, discussing what they could do. They were interrupted by a young Army private armed with a pair of pliers. He leaned across the table and picked up the telephone. "We want this," he said. He snipped the wires and walked off with the phone. Within a few days the Army had commandeered office chairs and tables, typewriters, ledgers, stools, filing cabinets, and everything else they could lay their hands on.

Captain Fitch and Viv Crisp were over military age. They left Port Moresby by ship on 19 February. Fitch's friend, P.J. McDonald, was also well over military age but he refused to leave Papua, and was eventually commissioned at age 52 as a lieutenant in the Army. His bamboo-walled, grass-roofed house at Ilolo Plantation was soon to become the advanced Australian military headquarters during the Kokoda campaign.

The objective of the Japanese was the capture of Australia (although some recent analysts hold that this intention has never been convincingly proved). To do this, they had first to capture Port Moresby. This they would undoubtedly have done, had they pressed on as they originally intended, for their advance had been so paralyzing that Port Moresby, with its almost non-existent defences, would certainly have fallen. But the Americans had quickly rallied from the Pearl Harbour attack, and the unexpected appearance of powerful US carrier forces in the South-West Pacific caused the Japanese to postpone their planned sea-borne Port Moresby operation, to consolidate their Rabaul and Kavieng bases. The Coral Sea disaster forced the Japanese to abandon the Port Moresby operation.

This respite allowed the Allies to make some preparation for what was to come. Australia sent reinforcements to Port Moresby. The first of what would become a mighty host of American soldiers arrived, and a massive US build-up of their land, air and sea forces began in Australia. In March, General Sir Thomas Blamey returned from the Middle East and was appointed Commander-in-Chief of Australian and Allied forces, under General MacArthur.

THE LOOTING

Before all this came about, the Japanese launched a series of air attacks on Port Moresby from their Rabaul base. The first, at 3 am on 3 February, caused little material damage, although one soldier was killed. Two days later another raid was made. Both the Steamships main store and the Burns Philp stores were heavily damaged, as well as many other buildings and installations. Three RAAF Catalina flying-boats were destroyed at anchor in the harbour, and morale in Port Moresby abruptly collapsed.

What followed was an undoubted blot on Australia's proud military record. Australia's Regular Army was very small, and only Militia units were available for the defence of Papua. As we have seen, the only forces in Port Moresby - apart from a small unit of 13th Heavy Battery, Royal Australian Artillery with two six-inch coastal guns and a RAAF unit with several Catalina flying-boats - were the 49th Battalion of Militia, and the 39th and 53rd Battalions, who had arrived in a convoy just weeks before, on 3 January 1942 - in all, around 1,000 young, inadequately trained, equipped and led soldiers, most still in their teens.

The 53rd Battalion had been hastily formed on 1 November 1941. Originally raised for service in Darwin, it comprised men from 18 Militia Brigades, who were not told where they were going, had not been given final leave, and who had received very little basic weapons instruction. The 39th Battalion was raised in Victoria in October 1941, from elements of the 3rd and 4th Infantry Divisions and the 2nd Cavalry Division. They, too, were poorly trained, but at least were under an experienced commander.

It is hardly surprising that these young soldiers panicked. The Japanese had slashed through all opposition with contemptuous ease. Frightening rumours of an imminent Japanese attack on the town were flying. Two days after the second raid, convinced that the end was coming, the young militiamen began to loot Port Moresby. Stores were broken into, business premises ravaged, the homes of the residents who had been evacuated entered, and personal possessions taken. What was not taken was wantonly destroyed.

When Bishop Philip Strong entered St John's Church to take a service, he found that not even the church had escaped the attention of the looters. Furniture was smashed or missing, prayer books and Bibles torn to shreds, even the memorial plaques from the walls had been torn out.

There had been forewarning. Lawlessness was evident in Port Moresby over the Christmas-New Year period, and the town police were kept busy. A *Papuan Courier* report noted that "on the evening of New Year's Eve, several brawls occurred in the hotels, and at the Hotel Moresby no little damage was done. At some time during the night of December 24th-25th, Steamships Trading Company's store in Port Road was broken into, and a quantity of silk goods and cash stolen, amounting to about £40. On Tuesday night a plate glass window valued at over £30 in the front of Steamships' main store was broken. Several arrests have been made."

Tom Grahamslaw, the well-known ex-Chief Collector of Customs, was in Port Moresby at the time. He died in 1973 after a lifetime in PNG (he joined the Papuan Public Service as a cadet clerk in 1916), and left a memoir from which the quotations below are made, by permission of his nephew, Derek Baldwin.

When the Japanese attacked Pearl Harbour, Tom Grahamslaw was Collector of Customs, Shipping Master and Postmaster at Samarai. After the European women and children were

evacuated, a handful of Administration officials and civilian residents remained at Samarai for a short time. “I had an extremely busy time as the representative of the Royal Australian Navy in my capacity as Admiralty Reporting Officer,” Grahamslaw recalled. “Each day coastal ships from the neighbouring Mandated Territory of New Guinea, as well as Papuan coastal vessels, arrived at Samarai en route to sanctuary in Australia...

“On 27 January 1942, I received advice that all able-bodied Europeans in the Territory under 45 years of age were to be called up for military service. And I was instructed that, thereafter, all ships were to be routed to Port Moresby, so the Army could enroll the men on board.

“Civil administration was suspended on 14 February 1942. Then followed an instruction from Army HQ, Port Moresby, for the remaining civilians at Samarai, who were mainly officials, to proceed to Port Moresby. We set off on the Administration vessel, *Elevala*...”

In Port Moresby, Grahamslaw joined the Army, subsequently becoming an ANGAU (Australian New Guinea Administrative Unit) District Officer and finally Regional Commander of Southern Region, ANGAU. Before joining up, Grahamslaw walked around the town, so familiar to him from the old days. He recalled:

“I wandered around the town in my civilian garb. It was very noticeable that morale amongst the troops was at a very low ebb...I was frequently asked by soldiers for advice as to the best way to get to Daru, en route to Thursday Island, when the Japs landed. Many of these troops were untrained lads of 19 or so. Their equipment was inadequate and their officers, particularly the junior ones, were inexperienced and lacked control over the men. It was no wonder the men were disorderly and undisciplined.

“Port Moresby was deserted at night because of enemy bombings, for the troops slept in the bush, returning the following morning. With this sort of example, it was not surprising that there was also a general exodus of native labourers after the first air raid. The civilian population had been evacuated to Australia, leaving their household possessions behind. Looting was rife...this attitude, no doubt, was due to the widespread feeling that the Japs would soon invade the place.”

It was not only the young militia soldiers who took part in the looting. Grahamslaw continues:

“For the first few days after my arrival in Port Moresby I stayed with Arthur Wardrop, in the cottage on Port Road immediately above the power-house...at sundown each evening, Wardrop and I would sit on the verandah and watch RAAF men trudging into town from the Marine Base, each of them carrying a large empty sack. An hour or so later we would see them staggering back to the Marine Base with laden sacks of goods looted from civilian homes. These goods were subsequently flown to Townsville in RAAF Sunderland flying-boats, which otherwise would have been returning empty.

“Rivalry between RAAF and military looters was pretty keen, but I would say that, overall, the Air Force chaps were more successful, because they had a more reliable method of transporting the stuff to Australia...

“Following the suspension of civil administration, law and order amongst the native people was quickly disintegrating. Practically all the natives employed in Port Moresby deserted after the first enemy bombing, and coastal ships were stranded because of the desertion of their crews....soon there was a feeling abroad that now the Government had gone, the people

could do as they pleased. Reports of inter-tribal fighting and killings began to trickle in to Port Moresby...”

Brigadier Morris blamed the Administrator, Leonard Murray, for this total breakdown in law and order - surely a surprising conclusion, given that the perpetrators were mainly soldiers under his overall command. On 6 February, the War Cabinet approved the suspension of civil government in Papua. This came into effect at noon on 14 February. The justly embittered Leonard Murray left Port Moresby by RAAF flying-boat the following day. Papua was now under martial law.

Leonard Murray rightly demanded an official investigation into the circumstances surrounding the suspension of civil administration. The Commonwealth Government agreed, and appointed a prominent Q.C., J.V. Barry, to undertake it.

In his eventual report, Barry also apportioned much blame to Murray, finding that he had failed to make adequate provision for the guidance and protection of the Papuan people - apparently ignoring the fact that most of Murray’s officers had been drafted into the Army. But he was scathing in his criticism of the military authorities who had sent the 53rd and 39th Battalions to Port Moresby. One can gain some understanding of the reasons for the breakdown in discipline that led to the disgraceful sacking of Port Moresby from his comments on 53rd Battalion:

“Making every allowance for the state of affairs existing in Australia at the time of the outbreak of the Japanese war, the condition that manifested itself immediately after the arrival of the convoy calls for severe censure of the persons responsible for the loading of the troops’ camp equipment. The troops were of the average age of eighteen and a half years and had received no proper training. They were in the charge of inexperienced officers, who appear to have had little or no control over them. They were inadequately equipped in every way; in particular, they were without much of the equipment necessary to give them any reasonable prospect of maintaining health in an area such as Port Moresby.

“In the general state of unpreparedness, that may have been inevitable, but no excuse is apparent...for the gross carelessness and incompetence which resulted in the stowing of camp equipment at the bottom of the holds, so that when the troops disembarked, there were no facilities to enable them to be fed and encamped.”

Barry noted that between 5 February and the departure of the Administrator, looting undoubtedly occurred in Port Moresby. But the major stores - Steamships Trading Company, Burns Philp & Co and the others - were sacked only after bombs had blown out all the windows, giving the buildings a derelict appearance.

After the second raid, said Barry, “it is undoubted that the theft and destruction of civilian property was general and extensive...it must be borne in mind that there was a general belief in Port Moresby, which all the knowledge then available suggested to be well-founded, that the enemy would attack and invade Port Moresby. If such an attack and invasion had been undertaken by the enemy at that stage, it could have had only one outcome...the general feeling was, therefore, that civilian property would either be destroyed by air attack or bombardment, or fall into the hands of the enemy. Under such circumstances, it is not surprising that respect for private property...diminished to such an extent as no longer to act as a restraining influence.”



Bombing of the Burns Philp vessel, Macdhui. Port Moresby, 19 June 1942.

Photo: James Sinclair collection

Not only Port Moresby suffered. In Samarai it was thought that the Japanese would arrive at any moment, and after the evacuations the business houses, stores and hotels - including those of Steamships - were prematurely burned to the ground, to deny their use to the enemy. All labourers fled. Coastal vessels were commandeered. Samarai was declared a war zone, and the few remaining citizens were instructed to remain within a 30-mile zone, or, preferably, leave the Territory.

It is but fair to note that in the Kokoda Track fighting of August 1942, the young militiamen who had behaved so badly during the looting of Port Moresby performed magnificently, particularly 39th Battalion at Isurava, where they covered themselves with glory, stopping the Japanese advance for the first time in the war. The men of 59th Battalion also performed most valiantly.

The Japanese continued to launch the occasional air raid on Port Moresby. On 19 June 1942, the Burns Philp vessel *Macdhui*, which had been providing the only regular and reliable transport service between Australia and Papua, was sunk in the harbour by Japanese bombers. Ten crew members were killed. Captain J. Campbell was severely wounded by shrapnel, but survived. He later told a newspaper reporter:

“We had unloaded most of our cargo, and anchored in the stream. The alarm was sounded, and at 9.45 am about 18 Japanese planes came at us...near misses lifted the ship out of the water and dropped it back again...the last Japanese bomb struck the bridge, cut through three steel decks and exploded in the saloon, killing the ship's doctor and two stewards...next day the Japanese came at us again. They made two direct hits on No 3 hold, setting the ship on fire. Another direct hit wiped out a gun crew of five men. The next one got us on the bridge, and I was thrown to the deck below...”

Macdhui burned, and was a total loss. The remains of her shattered hull are still visible. The loss of this famous little Burns Philp cargo liner was keenly felt, for she was well known both to residents of Papua and the Mandated Territory.

CHAPTER EIGHT

STEAMSHIPS IN AUSTRALIA

On 18 February 1942, the day before he left Port Moresby with Viv Crisp, Captain Fitch received a report of a fresh outbreak of looting of the Port Moresby stores. In his diary he wrote, despairingly, “I prefer not to see it. There is no protection, and it is the rape of a peaceful town. I feel very depressed to see the results of twenty-two years’ effort wrecked, not by the enemy, but by our own troops.”

Captain Fitch instructed C. Brewer, a young Steamships employee, to go to Mariboi Rubber Estate, to care for the Steamships plantations in the Kanosia district. Papuan shipmaster Frank Rei was told to look after any Steamships vessels not taken over by the Army.

These measures proved futile, for Steamships lost everything. On the eve of his departure Captain Fitch was served with General Impressment Order No. 97267 dated 1 February 1942, signed by Major Harold Dickson, ADDS 8th Military District. This in effect covered the takeover by the military authorities of Steamships’ entire assets (including ships and plantations) in Papua, for wartime use. These were not arbitrarily seized; a War Damage Commission had already been established and payment for the assets would eventually be made, but the Japanese were coming, the need was desperate, and there was no appeal against the decision (similar orders were of course served on other business houses in Port Moresby).

One vital action taken at this time by Fitch, Crisp and Tracey was probably responsible for the survival and eventual resurrection of Steamships Trading Company. The three men grabbed, willy-nilly, all Company records they could lay their hands on, and hastily threw them into big wooden packing-cases.

What to do with the cases was the problem. There were no safe storage places in Port Moresby at that frantic time, but the scow *H&S* was alongside the Company wharf, the last of the firm’s small craft to be taken over by the Army. The cases, weighing in the vicinity of two tons, were temporarily loaded on board the little scow, and were later taken to Sydney in one of the last evacuation ships to leave Port Moresby.

Fitch and Crisp arrived in Sydney on 28 February. R.W. Robson wrote in the *Pacific Islands Monthly* that Fitch’s “face was grey and lined, his shoulders sagged. He and his friend and co-director, E.V. Crisp, were two very weary men. They had been driven out by bureaucrats and military autocrats, leaving behind the wreck of a great organisation - a large establishment in Port Moresby, many stores, a dozen plantations, workshops, countless trading stations, a sawmill, a fleet of coastal ships. Helpless, they had seen £60,000 worth of their merchandise abandoned to military looters...”

Robson was over-stating things. A state of national emergency existed in Port Moresby; at the time it appeared all too likely that the Japanese would soon be in possession of the town. “Bureaucrats” had nothing to do with the compulsory evacuations, which were entirely in the hands of the military.

On 2 March, Captain Fitch and Viv Crisp opened an office at the premises of Steamships’ Sydney agents, Nelson & Robertson Pty Ltd, at 12 Spring Street. A supply of Steamships’ letterhead stationery had been brought out with the Company records from Port Moresby, and for the remaining war years, all correspondence on the letterhead was stamped, TEMPORARY WAR ADDRESS. The Steamships current account at the Melbourne branch of the Bank of NSW was transferred to the Sydney branch, and was the only account used for the duration.

Weary or not, both Fitch and Crisp were determined to safeguard the interests of Steamships Trading Company. Llewellyn Tracey and Noel Hides had also been evacuated, and the four men laboured mightily to get the Company records in order, reconcile accounts, and prepare claims on the authorities for the Steamships assets. Captain Fitch began what would become a veritable blizzard of correspondence, badgering the War Damage Commission and the different branches of the Department of Defence for prompt settlement of Steamships’ rightful claims.

Captain Fitch opened his barrage immediately, and at first got nowhere. In this time of national emergency the authorities were swamped with imperative demands from all sides, and it is understandable that they did not look upon Steamships’ grievances with the same urgency as did Captain Fitch.

Just a week after arriving in Sydney, Fitch wrote to J.R. Halligan, Assistant Secretary, Department of External Territories:

“We, Steamships Trading Co Ltd of Papua, have arrived in Australia, and have made efforts to obtain necessary information as to what authority and address of same that we should apply to that we may lodge our documents relative to stores, ships, lorries etc supplied under General Impressment Order No. 97267...

“We have already tried various military offices which in turn passed us on to the Military Office, Palais Royal, Showground, Sydney. The Finance Officer there has frankly told us he knows nothing about the matter, and suggests probably Melbourne....”

Halligan replied almost immediately (he was a very efficient public servant), noting that as the impressment order had been issued by an officer of 8th Military District, Fitch should communicate with the Secretary, Department of the Army, Victoria Barracks, Melbourne.

The Secretary, in turn, told Fitch to forward his claims to the Commandant, 8th Military District, Port Moresby! Fitch wasn’t very impressed, as this was where he had started his enquiries. The Secretary, F.R. Sinclair, continued:

“As particulars of impressment may take some time to obtain from Port Moresby under present conditions, and as no information at all is held at these HQ in regard to stores etc impressed from your company, it is probable some delay may occur in effecting settlement.”

The Secretary, however, himself took the matter in hand, requesting urgent advice from Port

Moresby. On 22 March, the Lieutenant-Colonel in Charge, 8th Military District, replied. The Steamships fleet had indeed been taken over. *Rasputin*, *H&S*, *Palma* and *Nusa* were currently engaged in transporting personnel, equipment and supplies to military outstations, with captains and crews supplied by the Papuan Administrative Unit.

Chinsurab, *Maira*, *Malvin* and *Euna* were laid up, awaiting general repairs and overhaul (on Steamships’ own Slip!). When back in commission, they, too, would be put to military work. The book value of the Steamships fleet at the time of takeover was £21,137.

AUSTRALIAN NEW GUINEA ADMINISTRATIVE UNIT

After the suspension of civil government in the Territories in February 1942, a military administration had been created with the raising of the New Guinea Administrative Unit and the Papuan Administrative Unit, which on 10 April 1942, were combined as the Australian New Guinea Administrative Unit - ANGAU - with Headquarters in Port Moresby.

The former operational commander of 8th Military District, Brigadier B.M. Morris, was appointed General Officer Commanding ANGAU. In March 1943, Brigadier D.M. Cleland was appointed Deputy Adjutant and Quartermaster-General of ANGAU, under General Morris (he was - as we shall see - after the war to become the longest-serving Administrator of Papua New Guinea).

Most of the initial members of ANGAU were drawn from the ranks of the pre-war field services of Papua and the Mandated Territory - patrol officers, assistant district officers, assistant resident magistrates, district officers, resident magistrates - augmented by non-government men with New Guinea experience, and later by selected men from the Armed Forces.

ANGAU had three main functions: operational, administrative and production. In their operational role, ANGAU officers were responsible for the recruitment and management of native labour for a myriad military tasks, including carrying, and road and airstrip construction. They made reconnaissance patrols to obtain military intelligence, and with the native police of the Royal Papuan Constabulary and New Guinea Police Force, and the native soldiers of Pacific Islands Regiment and the New Guinea Infantry Battalions, did a lot of fighting. They suffered heavy casualties.

ANGAU also carried on as best it could the normal administration of those parts of Papua and the Mandated Territory not under Japanese control. In its production role, ANGAU was charged with direct responsibility for securing the maximum production from impressed plantations of rubber and copra and other tropical products essential to the war effort. It continued in this role until June 1943, when the Australian New Guinea Production Control Board was set up, largely as a result of pressure from plantation owners anxious to resume the management of their impressed plantations. The Board was responsible to the Minister for External Territories, not the Army, but Brigadier Cleland was its chairman, and in effect ANGAU continued to be closely involved with plantations throughout the Pacific War.

WAR DAMAGE CLAIM

On 20 May 1942, Fitch received confirmation that the Steamships Slip and Workshop were being used by the RAAF and the ANGAU Marine Section for the maintenance of the coastal vessels take over from Steamships, and other owners.

The Steamships Workshop was very fully equipped, as the list supplied by Captain Fitch to the authorities to support the Company's compensation claim shows.

“The book value of the slipway, workshops and plant is £13,182. The buildings, including woodworking building, timber shed, office, machine shop, blacksmiths' shop, are valued at £2,120. Plant - two wharves, two 62-foot slipway cradles, electric windlasses, word-working plant comprising circular saw, bench bandsaw machine, planing machine, tools, benches, shafting, pulleys, motors; engineering plant - lathe, complete with tools and chucks, hacksaw machine, shaping machine, drilling machine, plate-cutting machine, electric welding plant, oxy-welding plant, compressed air rock-drilling plant complete with drills, one powered screwing machine, electric riveting machine, shafting, pulleys, belting etc.

“One wood steaming plant, one 20-ton crane, two three-ton and four five-ton lifting jacks, tramlines and trucks, wire ropes, manila ropes, trestles, chairs, scaffolding, typewriter, desk, office safe, filing cabinets, blacksmith's forge, electric blower complete with all tools...excavations, concrete sills and reclamations...”

The book value of stocks on hand at the Slipway amounted to another £1,946, actual cost. Most of the money expended was represented by loans on which Steamships were paying interest of 5%. Fitch suggested that an amount of £40 per week be paid as rental for the use of the Slipway and plant by the Army and ANGAU. He concluded:

“We request that this matter be attended to as soon as possible, in view of the fact that at present the Company, due to evacuation, is faced with all outgoings and nothing coming in to meet obligations of interest and insurance, etc...”

There was no response, and in July, Captain Fitch went to Canberra and had a meeting with Halligan. Halligan was no doubt anxious to get the Steamships matter settled. It was but one of innumerable problems created by the exigencies of the war, but Fitch was pressing for action.

Halligan sent a telegram to S. Elliott-Smith, the ex-Resident Magistrate who had been in charge of the Papuan Administrative Unit on its formation. “Please make enquiries, and furnish me with information to pass to Fitch,” he concluded.

Meanwhile, Viv Crisp wrote to the Minister for the Army, asking for an interview to discuss the compulsory evacuation and takeover of Steamships' property by the military authorities. The Minister's private secretary, J.R. Gibbons, replied on 15 July, advising that the Minister “will be pleased to afford you an opportunity to state your case when he is next in Sydney. This, however, is somewhat indefinite, but you will be further advised.”

The weeks sped by, and the volume of letters from Fitch and Crisp multiplied. By August 1942, Fitch, Crisp and Tracey had completed the detailed preparation of Steamships' initial war damage claim. This was under two heads: £34,484, against the War Damage Commission for property, plant, machinery and stocks destroyed by Japanese bombers; and £68,955, against Department of the Army for damage and losses by looting, and the takeover of plant, ships, motor vehicles and stock. The claim was forwarded to the District Finance Officer, New Guinea Force, on 14 October.

Steamships' financial situation was now tight. To keep the Company afloat while awaiting payment of war damage, Fitch arranged for a loan of £18,250 from Coral Sea Insurance Company. He again pestered the long-suffering J.R. Halligan, who sent yet another telegram to the Secretary, Department of the Army:

“Steamships Trading Co are again pressing for information regarding their claim against the Army in Port Moresby. Please give details.”

The settlement of the matter was now of “considerable urgency”, Halligan wrote. The Steamships problem was taking up far too much of his time.

Despite everything, company business was carried on in as normal a fashion as could be managed. The 19th Annual General Meeting of Shareholders was held at the Board Room, Temple Court, 422 Collins St, Melbourne, on 1 November 1942. For the year ended 30 June 1942, the net profit amounted to £14,221, and a final dividend of 7% was paid.

The picture was a lot different in November 1943. There had of course been no trading during the year, and a net profit of just £915 was realised.

“All of the Company's assets are, at the present time, under negotiations as regards impressment or occupation by the Army and the subject of claims against the War Damage Commission,” Fitch wrote in his *Report to Shareholders*. “During the whole of the period under review, your Directors were continually in contact with the Claims Section of the Army, also the War Damage Commission....”

Fitch's and Crisp's persistence finally paid off. An interim payment of £17,000 was made, followed soon afterwards by a further £20,000. In the end, Steamships accepted a little under £160,000 in full and final settlement of all claims.

The next issue taken up by Captain Fitch was the question of the Steamships rubber and coconut plantations. As noted above, these were part of the assets compulsorily taken over after the suspension of civil administration. On 25 April 1942, the then Brigadier Morris issued the *Industries Control Order No 4*, by which the Army assumed control of all plantations, all alienated Crown land including both freehold and leasehold, and all products of production. Plantations were placed under the control of military officers, appointed by ANGAU and directed by the Army. From the date of the issue of *Order No 4* owners ceased to exercise any rights to their properties, or to the rubber and copra urgently required for the war effort.

In March 1942, the Pacific Islands Association was formed in Sydney, to fight for the rights of all who had been compulsorily evacuated from Papua and the Mandated Territory. The first president, R.A. Laws, soon resigned because of ill-health. He was replaced by the vice-president, E.A. James (Steamships' accountant in Port Moresby), who took up the cudgels with a will.

During the rest of the year, the Association sent many deputations to Ministers concerned with various aspects of members' concerns, including Frank Forde, Arthur Fadden and Percy Spender, and to the Adelaide barrister, H.G. Alderman.

Alderman had been appointed by the Federal Government to “adjust” and finalise all accounts owed by the military authorities in respect of goods and chattels impressed and taken over by the military authorities, and the payment of rent for plantations and other assets. Alderman was cordially detested by most of the evacuees, who accused him of “chiselling down” their claims for war damage compensation.

Alderman refused to consider as legitimate war damage any claims for looting by members

of the Armed Forces. The Association fought this issue bitterly as far as the Prime Minister's Office, but lost. James was advised that Alderman's decision "had the approval of the Federal Government" (the decision was later reversed and looting claims were admitted).

The plight of many of the evacuees was very real. They had been compulsorily removed from Papua and New Guinea at extremely short notice and forced to abandon their homes and properties, usually without the chance to arrange their financial affairs. They were left in the dark by the authorities, and were given no indication of when they might be expected to be allowed to return. Their cause was taken up by R.W. Robson in *Pacific Islands Monthly*:

"The Government declines to give any indication of its intentions. Throughout the whole of this sorry business, it has betrayed nothing but indecision, vacillation and a determination not to commit itself. Many of the men who are grievously embarrassed by the Government's secrecy in this matter were pioneers in the Territory. They have lost everything they had..."

By early 1943, it was obvious that military control of plantations was not working. Few of the Army men placed in charge had any experience of plantation operation, and production plummeted. Rubber, in particular, was an absolutely vital element in the waging of modern war. If the plantations were to be efficiently run, experienced planters would clearly have to be allowed to return from Australia and again take over management. The Minister for External Territories agreed to this, in principle, early in 1943.

Captain Fitch had already drawn the attention of the military authorities to the urgent need for proper maintenance of rubber plantations. On 15 July 1942, he had written to the Officer Commanding ANGAU:

"We point out to you that the Army has taken full control of Rubberlands Ltd, whose plantation is situated at Kanosia, and that special attention is imperative at once to the weeding and removal of secondary growth, as otherwise there is a danger of fire destroying this property during the next three months.

"It has been our custom to establish fire-breaks at this season, and as we believe our manager has been removed and not replaced, under the circumstances we must hold the Army responsible for any damage due to fire which might result through the neglect to keep the plantation clean.

"This rubber is nearly five years old, and may well prove of the greatest help to Australia in the near future. We are aware that at the time of writing cover crop is climbing trees, and apart from fire will kill same if not immediately attended to."

Fitch sent a similar letter in respect of Mariboi Rubber Estate.

The Association had long since decided to take up the matter of the return of planter members to Papua. This would be an expensive campaign. Members had contributed nearly £500 to the Association, and most of this had already been expended on travel, publicity, costs of meetings, and office expenses.

Over 100 members attended the annual meeting held in Sydney on 9 June 1943. President Jimmy James warned members that the Association probably would be compelled to engage legal assistance in their fight for members' rights, and more funds "would be very necessary."

Captain Fitch immediately announced that Steamships would donate £20 to the fund, and that he, personally, would donate a further £10, as would his fellow Director, Viv Crisp. S.R.

Young, treasurer of the New Guinea Evacuated Miners' Association, said that his members were in favour of donating all their funds, about £200, "to assist the good work that was being done."

Early in 1943 the Federal Government decided to allow a limited number of Papuan planters to return to their properties. By this time the prosecution of the war had moved to the Mandated Territory, and no New Guinea planters would at this stage be considered. Applications to return were considered by three members of the Production Control Board: the Chairman, Brigadier D.M. Cleland, W. Kirkhope, a retired accountant, and E.J. Frame, who now held a major's commission in ANGAU.

Those selected were required to make application to the Secretary, Department of External Territories, setting out names, lengths of former residence in Papua, age, properties in which interested, and capacity in which applicants would be engaged.

All plantation produce would have to be sold to the Board at a price to be set by the Minister. Plantations would be handed back to their owners or their representatives as from 1 July 1943. Selected owners would be invited to return prior to that date to look over their properties and make arrangements for their takeover.

There was considerable discussion among Association members. Captain Fitch said that there were many matters to be cleared up between planters and those administering the scheme, before the operation of the plantations became practical. For instance, the planters might go back, put equipment in order and produce rubber and copra, but there appeared to be no indication as to when and how the produce would be picked up, and how and when it would be paid for.

All experienced planters knew that efficient transport of stores and produce was a vital element in running a successful plantation. All transport was now under Government control. Could they depend on transport, or would stores "be dumped somewhere in the district, and the planter have to bear the cost of going and picking them up?" Fitch asked. Produce should be paid for when the planter advised that it was ready for shipment, otherwise there would inevitably be confusion, and loss.

Others pointed out that most planters would require financial assistance to get their properties back into efficient production after military neglect, until they were getting some return for their produce. Would this be forthcoming? T.L. Sefton, who had represented the Papuan planters in initial discussions with Cleland, Kirkhope and Frame, advised that this question was being "further discussed" in Canberra, advice which did not sit well with the sceptical members. "One can take nothing for granted when dealing with Governments and Boards" was Captain Fitch's comment.

There was "serious confusion" regarding the power of the Production Control Board to control plantation staffs, both European and native. It appeared that owners would not have the right to engage or dismiss their white employees, and that the Board also reserved to itself the control of native labourers.

Nevertheless, there were few present at the meeting who would not have jumped at the chance to go back. In the end, 16 planters were given permits to return to Papua, among them Captain Fitch and Viv Crisp. Another 57 planters, managers and overseers who had joined ANGAU were granted leave without pay, to enable them to work as civilians under their former employers.

The Board decided to pay planters one shilling and five pence per pound for rubber, on the plantation. Copra would be paid for at 15 pounds ten shillings a ton, FOB at nearest port to the plantation. It was a sufficient inducement and would at least allow plantations to be operated profitably.

Captain Fitch and Viv Crisp were informed of their selection, and a hasty meeting of the Steamships Board was called. The minutes recorded the action taken:

“Consideration was given to difficulties connected with the re-establishment in the Territory, and the absolute necessity for representatives being on the spot to guard the interests of the Company. There are no banking facilities in Papua, and all financial arrangements must be made before leaving Australia.

“Arrangements regarding clothing, equipment and stores would have to be made, and in view of losses suffered by members of the Company through compulsory evacuation during February 1942 and the complete cessation of all business, it is recognised that some financial action would have to be taken in order that members of the Company returning to Papua would be prepared, in all ways, for the difficult tasks ahead. Resolved that an advance of salaries should be made up to 30 June 1943, or as near that date as practicable.”

This latter provision proved a trifle premature, for the only Steamships members allowed back in the early stages were the three Directors - Captain Fitch, Viv Crisp and Llewellyn Tracey. Fitch and Crisp returned to Port Moresby in June 1943, Tracey a little later.

CHAPTER NINE

THE RETURN

The Papuan Courier ceased publication on Friday, 23 January 1942. In the absence of any contemporary record, the experiences of Fitch, Crisp and Tracey in the aftermath of their return can best be told in Captain Fitch’s own words, in his *Report to Shareholders* for the 12 months ending 31 July 1944.

“The Company’s Main Store is occupied by the Production Control Board, who run a business there similar in nature to the Company’s, prior to the Military taking over. Other stores of the Company are similarly occupied, selling to the natives at considerable profit. The Company’s Slip is occupied by the Navy, and does considerable work. The Company’s Wharf is used by the Military, also all the Company’s Merchandise bulk store buildings and three Produce stores are being used to full capacity. Associated companies owning Mills etc are occupied by the Army. No rents or other monies have been paid, or liability admitted...

“During the past six months, two plantations owned by the Company at the eastern end have been worked by the Army and produce taken off them; but no account of same has been given...

“Small vessels, formerly owned by the Company, are the principal means of communication with plantations. The control of such vessels by the Army tends to make management of plantations difficult. Prices of stores and foodstuffs have increased, in many cases, over one hundred percent, which has mitigated against the higher market value of produce.

“Natives for work on plantations are now the monopoly of the Military Administration and the costs of supplying same are greatly in excess of previous costs...”

Steamships was receiving £18 per ton for copra which was then sold in Sydney for more than £30 per ton. Copra from Ceylon was being imported by the Commonwealth Government for £38 per ton. “Needless to say,” wrote Fitch, “the correct value of copra would have done much to rehabilitate the companies engaged in the copra industry.”

Fitch was now in a position to focus what R.W. Robson called “a cold and unwavering eye upon the official guardians of his property.” It was not an easy task. Port Moresby evolved into a vast military encampment during 1943-1945, and the position of the few civilians who had been permitted to return was not easy, lost as they were in a sea of uniforms.

Despite formidable difficulties, lack of finance and material shortages of every conceivable kind, Fitch and his colleagues achieved a great deal during the period of military

administration. Provisional civil administration was restored to Papua on 30 October 1945, although it was 24 June 1946 before the last occupied parts of New Guinea were removed from military control.

Fitch described the events of 1943-1946 in his 1946 address to shareholders. 1944-45, he said, had been a time “of both difficulties and remarkable activity. The year commenced with only the speaker and two other Directors living in a mess at Port Moresby, with a folding table alongside bed stretchers, which comprised Head Office and staff. This had been so for the previous two years; in other words, since July 1943, all property of the Steamships Trading Company Limited being either destroyed or occupied by the Forces, other than the plantations. These we took over in 1943 and proceeded to man, inspect and commence production, all stores in trade being conducted by a Production Control Board, and produce taken by them as a contra against goods supplied.

“Such was the position until November 1945. We then obtained possession of our main store and office, and with the help of some old hand natives, we proceeded to make temporary repairs and fittings, both office and store being completely gutted and many windows, etc, missing. This being completed, a certain amount of stores were obtained and retail trade started back where the Company was twenty years ago, the three Directors being the salesmen, bookkeepers, etc.

“During November 1945, negotiations were completed for the taking over of the Production Control Board stores in Port Moresby, on a 50-50 basis, with Burns Philp & Co Ltd, the latter starting business some weeks later.

“February was another advance, when the Port Romilly Timber Mills were taken over by the Company as Managing Agents, this company, as you know, being financially interested in same, and the business again started off cutting and milling timber. At the present time the Mills are working to full capacity.

“Slip Block and Workshop: Our old workshops, apart from the Slip, were completely bombed out on 3rd January 1942, and the ground thereon is now being out to other purposes. Also, at our Slipyard, Paga Point, the workshop here was destroyed. However, the Navy erected large workshops with a considerable amount of plant inside. After several months of negotiations, these have now been taken over, together with our own Slip, the Company having to purchase the whole of the Navy improvements before it could get possession of same.

“Possession was entered into on 9 September 1946, and already we are in operation with regard to vessels on the Slip. Engineers and shipwrights are waiting in Sydney for transport, and I have no doubt that same will be in full swing within a few weeks. The whole of the plant, as before mentioned, has been purchased outright, and at the same time priority has been given to vessels needing repair work owned by the Navy, Administration or Shipping Board. Our previous Slipmaster is again in charge, together with the Principal Engineer.”

[The Navy had in fact installed so much sophisticated equipment that Steamships regained a Slip and workshops far superior to those of pre-war. The Company was now able to tackle major overhauls and repairs to vessels, well beyond its previous capacity.]

“Samarai Branch: During March, staff was appointed to our Samarai Branch, 247 miles south-east of Port Moresby. As the whole of Samarai had been levelled to the ground, we had

to makeshift with steel huts, all previous stores and offices having gone without a trace. At the present time we are in full business there, with a turnover larger than pre-war. Business is somewhat difficult, as transport is infrequent, and there being no bank or direct means of sending overseas cables.” [The Samarai branch was re-opened under manager James Smith Legge and accountant James Vallins Knight.]

“Generally, it has been a very serious effort to house staff, seven of our staff houses in Port Moresby having been destroyed by enemy action. These, at the present time, are being rebuilt as fast as we can fell and mill the timber. The Mills are situated 240 miles west of Port Moresby.

“Coastal Shipping: This has been nationalised, and as far as Papua is concerned the Company acts as Managing Agents for the Shipping Board for half the tonnage, and Burns Philp the other half. Great difficulty is being experienced in supplying outer shallow port plantations, due to the unsuitability of the few ships supplied at present on the coast, among which are nothing of the necessary small shallow-draft type vessel which previously had been designed and built for each particular bar or port that it was meant to serve.

“The result at the present time is that many plantations are over two months without having received stores or food. The Company itself has been refused a permit to run a small shallow-draft vessel which would have relieved the situation, and under such conditions it is hard to see how difficulties can be overcome unless Canberra quickly acts in supplying vessels capable of doing these ports. Lack of knowledge of the conditions has much to do with this set-back to the planting industry.”

Most of the Steamships coastal fleet had been swallowed up by the war, only the faithful *Chinsurah* remaining, although for the present she remained under Army control. One of the Shipping Board vessels managed by Steamships was the *Doma*, a fine steel motorship of 219 gross tons, 120 feet in length and with a beam of 22 feet 7 inches. She was powered by two Ruston Hornsby 204 hp diesel engines, and was placed on the Samarai to Daru run, almost 1,000 miles of coastline. *Doma* made the run every five weeks, although her draft was too deep to allow her entry to many of the plantation ports and trading stations along the route.

A very few civilian staff began returning, including Slipmaster Sidney Muddell, and store manager Doug Spence. The Papuan shipmasters Pipi Gari and Frank Rei rejoined the Company, as did Nao Boge, the original “office boy” who had joined in 1927. But the difficulties of travel between Australia and Papua New Guinea were still so great that many old staff members who would have liked to return to Steamships were forced to wait.

The load on the three Steamships Directors - Captain Fitch, Viv Crisp and Llewellyn Tracey - was somewhat lessened on 7 June 1945, when the Company’s veteran Plantation Inspector, L.A. Willis, was appointed a Director. As noted previously, Allan Willis had first come to Papua in 1919, and his wide knowledge of Papua and Papuans was to prove of great value to his fellow Directors in the challenging years ahead.

Despite the myriad difficulties that hampered Steamships’ operations, a profit of £7,340 was realised in 1944, which rose sharply to £16,892 the following year, and £32,014 in 1946, proof of the success of Captain Fitch and his team in getting the machinery of Steamships running smoothly again, even in time of war.

LABOR'S NEW DEAL

The question of the administration of Papua and the Mandated Territory after the end of the Pacific War was being endlessly discussed in Canberra during 1944 and 1945. A remarkable think-tank, the Directorate of Research and Civil Affairs, had been established by the Army under the enigmatic Lieutenant-Colonel A.A. Conlon, to study the problem and make recommendations to the Minister for External Territories on a new post-war policy. The Directorate was staffed by men with an intimate knowledge of the Territories, most with decided, even controversial, ideas on the direction the new administration should follow.

In 1944, Edward John Ward had been appointed Minister of Transport and External Territories in the Federal Labor Government. A doctrinaire Labor man, poorly educated, Eddie Ward was one of the most turbulent figures ever engaged in Australian politics, even being accused (and cleared) at one time of corruption. But it was during his time as Minister that great and progressive changes in the administration of the Territories were introduced, based on ideas developed in the main by the Directorate of Research. The thrust of Directorate recommendations was enthusiastically adopted by Ward and his colleagues.

A Bill to establish a Provisional Civil Administration in Papua and part of New Guinea came before Federal Parliament in July 1945. During the second reading, Ward made clear what was to come in a celebrated and much quoted statement:

“This Government is not satisfied that sufficient interest has been taken in the Territories prior to the Japanese invasion or that adequate funds had been provided for their development and the advancement of the native inhabitants...advancement can be achieved only by providing facilities for better health, better education and for a greater participation by the natives in the wealth of their country, and eventually in its government.”

Ward himself had little personal knowledge of or interest in the Territories of Papua and New Guinea. He only made one visit of inspection during his time as Minister, in 1944, when he insisted on wading ashore from a small boat at one island stop instead of being carried on the shoulders of natives, as was then customary. He was widely ridiculed for this politically-motivated decision.

The planting community of Papua in particular were much concerned by the implications of Ward's statement. Captain Fitch warned his shareholders:

“No set policy has been proclaimed by the Commonwealth Government in respect to this Territory other than intimation through the Press of Australia, of a new order consisting of a general increase in native labour wages, also a more serious rise in the cost of an increased ration, etc, for same.

“We understand that some form of Provisional Civil Government is to be installed at a later date, and until some more general statement is made your Directors cannot pierce the future.”

Nevertheless, the Board decided to maintain the dividends of 7% on preferential shares and 5% on ordinary that had been paid in 1943 and 1944.

“Your Directors, in recommending the above-mentioned dividends, have done so after much thought with regard to the future unsettled times,” Fitch said, “and the fact that much rehabilitation will have to take place within the Company.”

The Commonwealth Government invited applications for the new post of Administrator of a combined Territory of Papua and New Guinea. A salary of £2,000 per annum plus an entertainment allowance of £500 was offered, an inducement sufficient to attract a large number of applications. The headquarters of the new Administration would be at Port Moresby, the only major town in the Territories that had escaped wartime destruction.

Many old Territorians fervently hoped that Leonard Murray would be re-appointed Administrator. It was widely felt that Murray had been shamefully treated by the Australian Government, and made the scapegoat for the disgraceful looting and breakdown of discipline in Port Moresby in February 1942. But it was not to be. The post was instead offered to Colonel Jack Keith Murray, who was at the time Chief Instructor of the School of Civil Affairs, Canberra, set up in February 1945, to train officers for the future administration of the Territories.

Colonel Murray was not a military man, although he had always been keenly interested in Defence issues and in 1940 had been appointed Lieutenant-Colonel in charge of 25th (Darling Downs) Battalion, AMF. Before the war he had been Principal of the Queensland Agricultural College, Gatton, and Professor of Agriculture at the University of Queensland.

A short, stiff gentleman of the old school, formal in manner and reserved in speech, J.K. Murray faced the almost impossible task of putting Labor's policy into operation in a country that had been wracked by war, with most of its senior white residents from pre-war times fiercely opposed to what they considered to be socialistic new measures, convinced that Labor was pro-native, and anti-white enterprise.

Murray was an academic, not a politician. An honourable man, incapable of deceit, Murray had few friends in Port Moresby, particularly after Labor's new policy began to bite hard, soon after he took up his position.

Colonel Murray arrived in Port Moresby with a small staff on 25 October 1945. The brave new era was about to open.

PART 3

FROM WAR TO INDEPENDENCE

CHAPTER TEN

REHABILITATION

That Ward's new era had indeed begun was dramatically demonstrated immediately following the resumption of civil administration. When the war ended there were approximately 35,000 native labourers throughout PNG under contract to ANGAU. Some had been away from their homes for over three years.

The Australian Labor Party was in power in Australia and Labor had a deeply ingrained hatred of the indentured labour system used throughout PNG - particularly on plantations - regarding indenture as little better than licenced slavery. The Administration was abruptly ordered to cancel all labour contracts, which was done between October 1945 and early 1946.

The result was chaos. Plantation workers and others left their places of employment and in Papua crowded into Port Moresby seeking transport back to their villages, but the contracts of boat crews had been cancelled also. Domestic workers walked off the job, as did store assistants, drivers, stevedores, and office workers. Steamships was hit harder than the other trading houses, for it also ran plantations and small ships, and thus suffered threefold.

“Confusion and unhappiness in PNG,” said the *Pacific Islands Monthly*. “Industry is paralysed by a lack of labour and transport...there are no small ships to carry on the usual coastal work, the result of another of the plans of Ward...no private owner can run vessels of more than 25 tons along the coast, and no privately owned vessel under 25 tons can carry any cargo or passengers except its own...”

Captain Fitch was enraged by the cancellation of the contracts, which had a particularly savage affect on Mariboi Rubber Estates. He contacted the management of BNGD Co's plantation division, and the Board of Koitaki, suggesting that they join with Steamships in an action against the Commonwealth Government for resulting damage to the plantations. The other two companies politely declined, deeming Fitch's proposal “impractical”.

Fitch produced a written opinion from the eminent barrister, D.M. Selby, supporting his proposal, but in vain. Steamships was not prepared to go it alone, and the matter was allowed to lapse.

Some semblance of normalcy was restored and labour contracts were resumed with the passing of the new *Native Labour Ordinance 1946*, but this compounded the unhappiness of white employers. The new legislation laid down conditions of employment, ration scales and payment well in excess of pre-war standards, and convinced many that the Federal Labor Government was trying to force private businessmen out of PNG.

It was an unfortunate beginning for the Administrator, J.K. Murray, who was merely obeying instructions from Canberra. It would be years before Murray and the new policies of the Administration began to be grudgingly accepted.

STAFF RETURN

One of Captain Fitch's main concerns on the resumption of civil administration was the restoration of Steamships' staff position. Understandably, the military authorities were loath to allow civilians to return whilst hostilities were still under way, and it was not until the end of the war was in sight that they relaxed their rigid stand.

As we have seen, a number of planters and assistants had been permitted to return to Papua, but it was not until 1946 that civilians in general were allowed to go back. The first arrivals were Administration officers, and a few of their wives and children.

Pre-war residents began to clamour for the right to return and resume their old lives. The position was complicated by the fact that the Burns Philp vessels that had provided the subsidised pre-war shipping service were still under the control of the Army, and were merely diverted into Port Moresby occasionally, during voyages to other South-West Pacific military destinations.

Qantas Empire Airways had begun a once-weekly air service between Australia, Port Moresby and Lae on 2 April 1945, employing converted Douglas C47 military freighters, but these took only 21 passengers and very limited baggage. The only practical way that pre-war residents could return with their household effects was by ship.

Early in 1946, the Department of External Territories began to push for a better shipping service for the Territory of Papua and New Guinea (henceforth, Papua New Guinea, or PNG), for the situation was becoming critical.

On 26 February 1946, the Government Secretary, Port Moresby, wrote to the Secretary, Department of External Territories: "It is stated with emphasis that the need for the introduction of shipping services between the Territory and Australian ports is urgent. The position at the moment is acute, and unless relief is speedily forthcoming, it will become desperate."

When civil administration was resumed, there was of course an extreme shortage of goods and supplies in PNG for civilians. A large stock of European and native rations had been taken over from the Army on the cessation of military control, but these supplies were rapidly running out. The authorities were anxious to speedily free themselves from the problems associated with the rationing of civilians, and encourage private enterprise to take over - which Captain Fitch and his Steamships staff (and the other trading houses) were only too anxious to do.

At a conference held on 15 February, it was agreed that the time had come for the Commonwealth Directorate of Shipping to establish a regular service between Australia and the Territories. Burns Philp & Co were requested to act as co-ordinating agents for the Directorate of Shipping.

Those wishing to return were required to first obtain Permits, and this, too, caused a great deal of distress. J.R. Halligan of External Territories set forth the official requirements in a letter to the Directorate of Shipping:

"All persons desirous of entering the Territory must obtain a permit to do so...Permits are issued by this Department. Under existing conditions, the issue is restricted to Administration officials and their families, former residents and to other persons whose presence in the Territory is necessary in connection with general rehabilitation and reconstruction.

"Consequently, all persons to whom Permits have been issued are seeking passages, and have good and proper reason to go. It is extremely difficult to formulate any equitable scheme of priorities to the allocation of passages. The issue of permits is at the rate of approximately 100 a week and this will continue for some little time to come."

Many ex-residents were forced to wait, while their applications for permits were processed. The first large number of pre-war residents to return were passengers on the small liner, *Ormiston*, which sailed from Sydney on 27 March 1946, for Port Moresby, Samarai, Lae and Rabaul. It was, said an article in the *Pacific Islands Monthly*, a "red-letter day in the history of the Australian Territories." The 160 passengers were mostly Territorians returning to what was left of their homes after four years of war.

"The sailing of *Ormiston* was surrounded by confusion that was almost incredible yet typical of the conditions that are ruling the Territories," said the *Pacific Islands Monthly*. "The ship is officially a transport under the control of the Services. All of the departments and instrumentalities interested in sharing control of *Ormiston* - Australian Army, Australian Navy, Shipping Control Board, owners of the ship AUSN Company, Department of External Territories, PNG Administration, Burns Philp & Co as responsible for most of the cargo - among the lot of them they staged as pretty a dogfight as the Sydney waterfront has ever seen..."

The confusion was over the question of where the *Ormiston* would go. The Army wanted all passengers to be offloaded at Port Moresby, with those bound for the other ports finding their own way there. It took the personal intervention of the Minister, E.J. Ward, to resolve the issue. He ruled that the ship would also deliver passengers to Samarai and Lae.

Among those returning were Guy Cadden, R.J. Paul, C.W. Dihm, A. Whitbourne, and Mr and Mrs H.J. Lockrey and their two children. A little later, Leslie Arthur Drewe returned. Drewe was one of the oldest servants of Steamships Trading Company, having joined in the late 1920s. (Leslie Drew died in July 1951. The sum of one thousand pounds was paid by the Company to his widow, who was living in Sydney. The payment acknowledged Drewe's "years of long service and devotion" to the Company.)

The returning passengers were shocked and distressed at their first sight of Port Moresby. The trim little town of pre-war had vanished, submerged beneath a sprawling mass of ugly, flimsy military buildings of every kind. It now covered a vast area, far greater than before, and was littered on every hand by huge piles of the debris of war - abandoned vehicles, machinery and equipment: rusty, rotting and mostly useless.

They quickly discovered that private accommodation was almost non-existent. Many of the newcomers were forced to stay at the re-opened Hotel Moresby, or in empty military barracks. Food supplies were erratic and expensive, electricity and telephones constantly failing, water supplies unreliable. Very few refrigerators were available, and very, very few motor vehicles. There was even a grave shortage of tools of all descriptions, which made the task of rehabilitation all that much more difficult.

The arrival of *Ormiston* signalled the beginning of the end of official control of the Australia-PNG service. There were some 400 people awaiting transport by September 1946. The supply situation in Port Moresby was becoming so critical that it was raised in Federal Parliament. Food was running short, and everyone was suffering, one Member claimed.

As a result, a special sailing of the big liner *Canberra* was authorised. The Burns Philp vessels *Montoro*, *Malaita* and *Muliana* resumed sailings under Shipping Board control, with large quantities of general cargo as well as passengers.

Then another problem arose. The Chief Collector of Customs reported that cargo for Port Moresby must not exceed 2,000 tons per vessel, for unloading facilities and storage were entirely unable to cope with any greater tonnages. Even that figure could only be accommodated if local importers agreed to take delivery of bulk lines direct from ships' slings.

The position really did not ease until 1 May 1948, when the Burns Philp vessels reverted to the control of their owners. Burns Philp was then able to resume scheduled sailings, as of yore.

TRADING RESUMES

As old Steamships staff continued to trickle back, Captain Fitch and his team worked hard to rehabilitate the main store and offices, so severely damaged by Japanese bombs and the wear and tear of looting and military occupation. One staff member recalled, years later:

“Mr Crisp spent days searching for something to type, work and sit on, and finally begged a typewriter and a couple of Army mess tables and forms.

“Nobody in those days will ever forget the picture of Captain Fitch carrying rolls of notes and a haversack crammed with office details, climbing the steps to the office at the end of each day's business.

“Some of the old ledger keepers, who, before the war, were mounted high over the ledger keeper's stool over the ten-pound books returned, also. But their work as they knew it, had almost gone. Ledger keepers were by this time part of a lost era, and their cumbersome books were soon going to be replaced by slick accounting machines and oiled filing systems...”

Fitch was a bluff, hardworking and demanding employer, but he inspired intense loyalty in his subordinates, who knew he would treat them fairly.

BEER!

Despite all obstacles, Steamships was soon doing a very large trade. The biggest problem for Steamships, and for Burns Philp & Co, was obtaining stock for their stores. Australia was recovering from the effects of war, and there was a shortage of almost every consumer item. Deliveries of goods and supplies from Australia were at first severely limited in both variety and quantity, and imports from the East had yet to begin in any quantity. Even the essentials of life were in short supply, particularly one cherished item - beer, deemed by the mostly male residents of Port Moresby to be the most essential of all!

The fuss over beer may seem trivial now, but it was very heated then. All liquor licences had been suspended throughout Papua and the Mandated Territory on 11 February 1942, under the *National Security (External Territories) Regulations*. Acknowledging that Australians

everywhere loved their beer, E.J. Ward fixed 15 December 1945, as the date of termination of the suspension of publican's licences. Storekeeper's and other classes of licences would remain suspended.

J.J. Kennedy, Comptroller-General, Department of Trade & Customs, Canberra, sought advice from J.R. Halligan of External Territories. Were the Port Moresby hotels to be allowed to re-open? If so, would they be able to sell beer, wine and spirits to civilians as well as troops? What was the present civilian population?

Halligan confirmed that the hotels would be allowed to re-open once civil administration had been re-established. Hotels in other parts of PNG would be permitted to re-open “as soon as practicable.” For the moment, civilians would be allowed to purchase liquor on at least the same basis as that applicable to officers of the Forces. It was expected that on the resumption of civil administration, the population of Port Moresby would be “about 400, practically all males.”

Burns Philp & Co were the only hotel proprietors in Port Moresby. They had already re-opened the Hotel Moresby and would soon have the Papua Hotel refurbished and ready for opening. Steamships were in no position to resume construction of their planned Imperial Hotel and, lacking the financial resources of Burns Philp, had no immediate intention of doing so.

In January 1946, Burns Philp were granted permission to import 3,400 gallons of beer per month, for sale to civilians through their Port Moresby hotels.

Steamships had held Storekeeper's Trading Licences in respect of Port Moresby, Samarai and Misima, and a Hotel Keeper's Licence at Samarai, when the Pacific War began. Immediately following the termination of the suspensions, Nelson & Robertson Pty Ltd applied on behalf of their principals, Steamships Trading Company, for permission to export beer to Port Moresby. The application was refused, on the grounds that beer could only be distributed through licenced hotels and Steamships did not own one.

This decision placed Steamships at a severe commercial disadvantage, for outstation residents tended to buy their supplies, including liquor, from the same source. If Steamships could not supply beer, buyers would look elsewhere. Captain Fitch wrote to the Comptroller-General:

“There are very few civilians actually in Port Moresby at the present time. Civilians generally are plantation managers, assistants and others scattered along the 1,200 mile coastline, to cater for which we are the only store operating at present. In fact, we are at present taking over Production Control Board stores to enable us to supply all private interests in the Territory.

“As it is our business to keep outside people supplied with their monthly stores etc, it naturally follows we are the only people who can allocate the beer fairly to them. Many of these clients do not get coastal boats for weeks at a time, and it would be impossible for them to use the hotels...”

Fitch sent a copy of this letter to J.R. Halligan, who wrote to the Comptroller-General:

“The statement by Steamships Trading Company in regard to the spread of white population and the commencements of its storekeeping business to supplying the needs of the population is correct, and this Department supports the application on behalf of the Company for permission to export beer.”

The Comptroller-General was still apprehensive that allowing beer to be sold to areas outside Port Moresby might lead to the development of a beer “black market”, because of the general liquor shortage in Australia. However, all licence restrictions were removed as from 25 January 1946, and on 8 May it was decided to grant permits to allow Burns Philp’s Sydney office to export 3,640 gallons of beer per month to Port Moresby, Nelson & Robertson to export 640 gallons a month to Steamships, and the big Sydney grocery firm, McIlwraiths, to export 80 gallons.

Captain Fitch considered the Steamships allocation to be grossly inadequate, in view of that granted to his chief competitor, Burns Philp. The squabble was not yet over. And it was one thing to approve the export of beer, quite another to obtain supply. As anyone who was in PNG in the early post-war period knows, Australian beer was almost as scarce as gold. If one was lucky, a case or two would be grudgingly doled out by the big stores to good customers at Christmas time or other special occasions. Most beer available in PNG at that time was imported from Britain, Europe or America - and a pretty dreadful lot of brews they generally were!

On 20 August 1946, Captain Fitch wrote to T.P. Byrne, acting Chief Collector of Customs, Port Moresby. Fitch had just returned from a visit to Australia:

“We hold four licences and we have a very large trade from Daru through Samarai and islands to the N.E. coast of Papua, and although I arrived back here on 15th of last month, today not one bottle of beer have we had.

“On behalf of the Commonwealth Government we run a motor vessel, *Doma*, which does the round trip from Samarai to Daru, say 1,000 miles, every five weeks. All our outstations, country companies and men and the various plantations are dependent on us for their monthly quota, and it is a great hardship that these country people should be helpless in the means of obtaining beer, which after all is the sole thing that they have to cheer themselves, a drink at sundown.

“On the other hand, next door to us is Burns Philp in Port Moresby, where they hand out as told me by their manager and also by observation, 50 dozen a day. Of course their price for selling this beer, being a hotel, is two and six a bottle, whereas with us similar beer is sold at 21 shillings a dozen...

“The quota is not fair and we are suffering greatly by the fact that many of our country clients are dealing with our opposition, Burns Philp, for the simple reason that they are able to supply them with all their necessary quota of beer. All our own plantation managers and assistants, and we have 12 of our own, have had no drinks for six weeks. The 80 cases, our quota, is insufficient even for our town trade...”

The civilian population of Papua was now estimated to be 1,073, of whom about 500 were living in Port Moresby. There were also still some 262 Defence personnel in the town, although they were rapidly being repatriated. Steamships’ case was again upheld by the authorities, and the beer quota was substantially increased.

CAPTAIN FITCH RETIRES

By mid-1946, Captain Fitch was thoroughly exhausted. He had thrown himself with a passion into the rehabilitation of Steamships, but he knew he had barely scratched the surface. There was still a huge amount to be accomplished. He was almost 66 years old, and

he glumly accepted that the task was beyond him. The time had come for him to make way for a younger man, and retire.

He made his true feelings plain in a letter tabled at a meeting of the Board of Mariboi Rubber, held in Sydney on 25 September 1946. Viv Crisp was in the Chair. Captain Fitch wrote that he was tendering his resignation partly because of ill health, but principally because of “a general distaste to the present conditions of government in the Territory.” In other words, he could not stomach the new Labor policies - and he did not have to.

Captain Fitch chaired his last meeting of the Steamships Board in Port Moresby, on 3 October 1946. He informed the meeting that on medical advice he was resigning as Managing Director, as from 1 November 1946. He moved that Eric Vivian Crisp be appointed as his successor.

Fitch’s resignation was received with sincere regret. Nobody doubted that but for his work in the early days of the Company and during the Pacific War period, Steamships would have foundered.

Viv Crisp was duly appointed Chairman and Managing Director. His first motion was that “in view of his long and sterling services to Steamships Trading Company, Captain Fitch be granted a pension of £250 per annum.” The Company purchased an annuity in favour of Captain Fitch from the National Mutual Insurance Co.

Fitch intended to make a clean break and spend the rest of his days in Sydney. He held a substantial number of fully-paid shares in companies associated with Steamships, and these he transferred to the Company at ruling prices.

The share parcel consisted of: 21,294 deferred shares of one shilling each, and 1,000 ordinary shares of five shillings each, in Kerema Rubber Plantations Ltd; 1,000 shares of five shillings each in Cocoalands Ltd; 4,321 one-pound shares in Coral Sea Insurance Co Ltd; 14,022 five-shilling shares in Mariboi Rubber Ltd, and 15,478 five-shilling shares in Rubberland Ltd. In addition, Steamships purchased Captain Fitch’s Port Moresby residence on lease no. 726, portion 4e3, Old Koki Road, for £450.

Captain Fitch retired to his home, “Quarter Deck”, in Kirribilli, Sydney, where he remained for the rest of his life. He retained a lively interest in the affairs of Steamships, but over the following years gradually transferred his Company shares in small parcels to family members and friends. He bought and sold other shares on the Sydney Stock Exchange, travelled widely, and joined both the Royal Sydney Yacht Squadron and the Royal Automobile Club.

Early in 1950, Fitch left Sydney on a world tour with his wife, Jessie. Sadly, she died in London, on 22 August. In August 1951, he married again, to Cecilia Josephine Smith, nee McKenzie, an ex-Territorian. She, too, was a divorcee, with a child. She and Fitch never had children of their own.

Fitch made a last visit to Papua, with Cecilia, in June 1971, during which he again met Pipi Gari, Steamships’ first Papuan skipper, an old man himself now, living in retirement in Hanuabada. Captain Algernon Sydney Fitch, Master Mariner, died in Sydney in June 1972, at the ripe age of 91. His estate was valued for probate at \$271,177.

The Steamships financial controller, Henry James Lockrey, was appointed a Director as from 1 November 1943, to replace Captain Fitch on the Board.

CHAPTER ELEVEN

CRISP TAKES CHARGE

Although the war damage payments received by Steamships amounted to a considerable sum (payments were not finalised until well into 1947), they were not sufficient to fully cover the very high costs of rehabilitation of the Company. In September 1946, the Board resolved to issue 50,000 ordinary shares of one pound each. These were quickly subscribed. An overdraft of up to £20,000 was arranged with the Bank of NSW, against securities held by the Bank.

1946 was a year of turmoil in PNG generally. Not only were the trading companies and other business houses struggling to resume normal operations, but also the Administration. The year began with unprecedented demonstrations by public servants, revolting against new service conditions, and particularly the appointment of certain relatively junior officers to senior positions in the Public Service.

“Officers allege they were tricked into returning to the Territory by a Circular promising them better jobs, but they are now forgotten,” said an article in the *Pacific Islands Monthly*. “The fact that old and tried senior officers of the Territories Services associated themselves with this criticism shows how deep is the sense of injustice under which they are labouring. Such a thing has never happened before in the history of the Territory.”

The appointments were, of course, a deliberate move by the Labor Government to implement the new Ward policies. It was deemed to be essential to get rid of the old ways, and embrace the new. Ward said in a statement:

“One of my greatest difficulties has been the apparent disapproval of the policy of the Commonwealth Government by a minority of the former members of the old Civil Service, who were anxious to have the pre-war set-up restored, and were always singing the praises of the private commercial interests which previously had a strangle-hold on the Territory. This noisy minority in my opinion is out to embarrass the Government under all circumstances it can do so. I have nothing but the very highest praise for the splendid co-operation of the great bulk of those members of the former Civil Service who have returned to duty.”

Commented the *Pacific Islands Montly*:

“We have long suspected there is a struggle going on behind the scenes between the Socialist Minister, who is trying to keep individualism and private enterprise out of the Territories, and the responsible and experienced senior officers who know there is no future for the Territories unless private enterprise is admitted, and encouraged.”

The problems of the Administration were not fully resolved until the Labor Government lost

power and was replaced by the Menzies-Fadden Government, in 1949. A discussion of these developments is outside the scope of this book. It is sufficient to say that Steamships, and the other business houses, tried to remain aloof from politics and the internal problems of the Administration. Captain Fitch, in announcing the net profit of £32,015 for the year ended 31 July 1946, and the payment of dividends at the rate of 7% and 5% respectively for preference and ordinary shares, noted:

“Your Directors, in recommending the above-mentioned dividend, have done so after due consideration has been given to the extremely unsettled times, and pending more definite policy as regards the future of the Territory.”

CLEARING THE DECK

Viv Crisp was an astute businessman. His long years with Steamships had given him a clear and unambiguous picture of what needed to be done. After taking over from his friend, Captain Fitch, he moved cautiously, kept Steamships clear of involvement in the politics of the Territory, maintained a correct relationship with the senior officers of the Administration, and concentrated on restoring the fortunes of his Company, which he did with conspicuous success.

Like all the private employers, Steamships had difficulty in recruiting new staff, essential for reconstruction. Grim reports in Australian newspapers of bloodshed and hardships endured by servicemen during the Pacific War did not make Papua New Guinea a very attractive place for prospective employees in 1946.

Crisp recognised that the strength of Steamships lay in its staff. The old pre-war staff policies were no longer good enough for the new era. With an eye to the future, Crisp took immediate steps to secure apprentices. Fred Stephen Richie was apprenticed to learn the trade of Fitter and Turner in February 1947, and William Arnold Wright entered a similar apprenticeship, in April. Stuart Ross Murray began to learn the trade of Fitting and Machining in January 1948. Anthony John Jefford became an apprentice Shipwright in February 1948, and William Charles Arthur Wyatt an apprentice Fitter and Turner, in April.

The hard work of Steamships’ staff was recognised in August, when the Board resolved to pay a bonus to all staff (except for plantation staff) equal to eight and one-third percent of salary earned during the year. Plantation staff were paid a bonus based on copra and rubber production. Bonus payments to staff were continued throughout Crisp’s period in office. A Long Service-Compassionate Fund was also begun with an initial amount of £3,000, soon doubled.

As a further encouragement to long-serving staff members, a Staff Retirement Fund was created in 1949. It applied to all staff members continuously employed by the Company. Those serving in excess of 25 years would be paid a cash bonus on retirement equal to two years’ salary, those serving for 20 years but not exceeding 25 years, 18 months salary; for 15 years but not exceeding 20 years, one year’s salary.

Staff employed prior to the war, and who left either through compulsory evacuation or through enrolment in the Armed Forces, were entitled to include the period from 30 June 1940, to 30 June 1946, as years of service with the Company.

The interests of the Directors were also addressed. The fees Steamships paid its Directors (all Company executives) were low, a total of £492 for the year ended 31 July 1949, and

meetings during the post-war years were frequent, at least once monthly, very often twice or thrice. Directors with 20 or more years service would now be entitled on retirement to a payment of £2,500. In all cases, the benefits to staff and Directors would be paid to next-of-kin in the event of death before retirement.

There was considerable movement in shares in the immediate post-war period, with a greater percentage of ownership passing into the hands of residents of the Territory. Captain Fitch sold a substantial number of his shares in Steamships and associated companies, and transferred 425 ordinary shares to the new Director, H.J. Lockrey. In June 1948, an issue of 47,894 one-pound ordinary shares was made, at a premium of 13 shillings per share. It was still necessary, even at this late stage, to obtain consent for the issue under the *National Security (Capital Issues) Regulations*.

The Company’s financial situation was now such that a series of purchases of choice town allotments was possible over the next few years, including solicitor Brian Molloy’s lease and residence in Douglas Street, Granville West. Molloy was relocating to Australia.

Steamships was rapidly adding to its considerable Port Moresby land portfolio. Construction of a two-storied Bachelors’ Quarters began. It was erected by contractor C.L. Large, at a cost of some £3,000. Large later erected four self-contained flats in West Granville, for £3,790.

Viv Crisp made an early attempt to revive the old Hotel Granville-Imperial project. He had an interview with Frank Vidgen, Controller, Department of Works & Housing, in connection with Steamships’ leases, allotments 12 and 13, section 5, Granville West, on which the concrete foundations of the Imperial Hotel had been poured just before the outbreak of the Pacific War. More hotel accommodation was badly needed in a rapidly growing Port Moresby, and Vidgen agreed to try and secure the necessary permission for construction to proceed.

Steamships then formally applied for permission to erect the Hotel according to the plans and specifications that had been already approved by the Building Board. Viv Crisp personally presented the Steamships case to the Board.

The Administration had erected buildings occupied by the Government Printing Office on some of the Steamships land. It was finally agreed that in consideration of the Company waiving all claims for compensation, the Administration would grant Steamships a new 99-year lease over allotments 11, 12 and 13, for the purpose of building a hotel. Steamships was given 12 months in which to commence building.

The post-war price of copra fell sharply after the end of the Pacific War, and in May 1948, Steamships voluntarily surrendered the Kapogere Estate of 1,000 acres, situated on the Kemp Welch River, to the Administration, to allow the Department of Agriculture, Stock & Fisheries to establish an Agricultural Experimental station. Sivigolo Estate was sold to planter T.F. Rosser for £12,000, in August, and in November the Company transferred another 1,790 acres to T.F. Rosser and his brother, J.H. Rosser, for the sum of £12,000.

Despite the difficult trading conditions, Steamships continued to make good profits during this period, and maintained regular dividend payments to shareholders. Declared net profits rose from £34, 314 in 1947 to £38,907 in 1948 and £50,907 in 1949. The results reflected the continuing growth of the European population of Port Moresby, in particular.

Australasian Petroleum Company had returned to Port Moresby and Papua - in a big way.

Drilling at Kariava, which had ceased when the Japanese invaded, had been resumed on 15 October 1946. The pre-war APC “village” at Badili, adjoining Scratchley Road, had been vastly expanded to cater for the influx of staff, which by May 1947, numbered some 120 whites and 1,100 Papuans, many of them based at Badili. Staff numbers jumped to 420 whites and 2,300 Papuans by 1950, and Badili was covered with offices, workshops, stores, residences, staff quarters and a helipad for the helicopters which were beginning to transform the oil exploration scene.

A lot of business was generated for Steamships. The Company also leased a number of buildings to APC, including the Acme Bakery premises at Koki, and various other portions of land.

A problem arose in late 1948 when Accountant E.A. Thompson discovered that large purchases of goods which should have been charged to Merchandise during the 1947-48 financial year had not been dealt with. The accounts of the Sydney agents, Nelson & Robertson Pty Ltd (through whom most Steamships’ merchandise purchases had been made) had not been reconciled with the Steamships books for the past two years.

This matter was the responsibility of the new Director, H.L. Lockrey. Soon afterwards, Lockrey resigned from the Board and left PNG. He was replaced by Richard (Dick) Johnstone Paul, who was at the time manager of the Samarai branch. The rebuilding of the Samarai store, commenced in November 1949, was completed in 1950. The new store complex was much larger than the old, and included office, retail and bulk stores. Two staff cottages were built at the rear of the new store and facing Opal Street, for £2,010 each.



APC Camp, Badili, early post-war.

Photo: Courtesy James Sinclair

In November 1949, Guy Cadden, another ex-manager of the Samarai branch, also became a Director of Steamships Trading Company.

An Automotive and Machinery Division was created in 1949, principally to service the prestigious International Harvester Company agency acquired in 1948, the first of many valuable agencies which Steamships would gain over the years.

In January 1949, Steamships purchased Raey Albert Goodyear’s interest in Acme Bakery. Captain Fitch had already sold his Acme shares to the Company, and Articles of Partnership were now drawn up between Steamships Trading Company and P.J. McDonald (Percy McDonald had resumed his life in Papua after the Pacific War) in what was now called Acme Trading Company.

Trading conditions continued to improve. The old premises were bursting at the seams, and something had to be done, quickly. Much larger, more modern and better laid-out facilities were essential, and the cost would be high. Two valuable allotments of land were available, adjoining the Head Office in what was now called Champion Parade, which would be ideal for the purpose.

The land and the new buildings were financed by a new share issue of 66,666 ordinary shares, in April 1950. The shares were made available to existing shareholders at a premium of ten shillings per share, in the ratio of one share for each three ordinary shares then held.

Work commenced on the large new office, department store and bulk stores in November 1950. Tenders were accepted from contractors Theodore Henry Jagers and George Saunders. The new premises had a floor area of approximately 45,000 square feet, and despite the continuing shortages of skilled labour and building materials, the buildings were ready for occupation in August 1952.

PLANTATIONS

The biggest problem bedevilling the Company in the early post-war years was the efficient management of the Plantation Division. By 1951, Steamships owned almost 10,000 acres of plantations. Conflicts coconut plantation had been purchased in 1945, from Anglo-Papuan Plantations Ltd. The group of 15 tiny Conflicts Islands (actually, little more than atolls, with a total area of about 1,800 acres) were located in the Coral Sea some 50 miles east of Samarai. The largest of these atolls was Panasessa, and it was here that Panasessa Plantation was located, covering some 600 acres. It was beyond doubt the most isolated plantation in Papua - possibly, in the world - on the direct sea route from Samarai to Misima.

The plantation had a romantic history. It was begun by one Henry Alexander Wickham, in 1896. He had previously been a planter in South America, a district commissioner in British Honduras, an Inspector of Forests for the Indian Government, and a pioneer rubber planter. He stayed in the remote Conflicts until 1911, when he sold the controlling interest in his plantation to a company that later became Anglo-Papuan Plantations Ltd.

One morning in 1947 the manager of the plantation awoke to find the island swarming with huge rats. All sorts of measures were resorted to in an effort to eradicate the pests, including fire, poison and traps, with very little success. Then on another morning the manager awoke to find the rats all gone. Where they had come from, and where they went to, was never discovered.

Huiva coconut plantation was purchased from Mary and Angus Drummond in March 1950, for £10,000. Ivor Jenkins sold his Baramata coconut plantation to the Company in December, on a walk in, walk out basis, for 6,000 fully paid ordinary Steamships shares. Each plantation had approximately 375 acres planted in mature coconut palms.

The new acquisitions followed a long period of difficulty and frustration. The native labour position remained serious for several years after the end of the war, and did not improve until the Administration opened the previously closed Highlands Districts to labour recruitment, in January 1950. As noted above, copra prices were still depressed, leading to Steamships disposing of Kapogere and Sivigolo.

Then came a dramatic development. Copra was saved by an agreement between the Commonwealth Government and the United Kingdom Government for the purchase of the entire copra output from PNG surplus to Australia's requirements, over a period of nine years. The price paid would be fixed annually, but would be sufficient to allow good profits to operators of copra plantations. An amount of five pounds per ton would be appropriated by the Commonwealth Government and paid into a Copra Stabilisation Fund, to protect the future of the industry.

Rubber, on the other hand, suffered a grievous collapse after the war. The price fell to a little over one shilling a pound in 1949 - much less than the cost of production on most Papuan plantations - and the old bugbear of synthetics was now a much more serious threat, for Germany had made great strides in the production of synthetics during the war. In May 1949, Papuan growers were told that the leading Australian manufacturers would no longer take Papua's output of No.1 Sheet at the going price, but would take it only as and when required, at the much lower rate applying to No. 2 Sheet.

Papuan rubber represented less than one-tenth of Australia's requirements, so the Papuan planters had little leverage. A deputation from the Papuan Planters' Association went to Sydney to meet the Minister for External Territories, and as a result the Commonwealth Government agreed to purchase all stocks of Papuan rubber at a price based on the current Singapore quotations for the various grades.

This was but a temporary - although most welcome - respite. The Government also agreed to conduct a thorough investigation of the rubber industry with the object of giving producers an assured market in Australia, but long-term prospects did not appear to be bright.

However, there was a rapid recovery. Agreement was reached with certain Australian rubber manufacturers for the whole Papuan output to be sold at prices fixed monthly in advance, based on the equivalent cost of Singapore rubber delivered Sydney and Melbourne. The price of rubber also rose, from an average of one shilling and three pence in 1949 to approximately five shillings per pound in 1950. This was sufficient encouragement for Steamships to begin tapping a new area of 500 acres of rubber on the big Mamai Estate. There were also 225 acres of cocoa on Mamai, coming into bearing in early 1952.

NEW CAPITAL RAISED

After the issue of the 66,666 shares mentioned above there was what Viv Crisp described as "such an unexpected and appreciable increase in all phases of our business operations" that the Board decided on a further issue of 134,283 one-pound ordinary shares, on the basis of one new share for every two shares held on 20 December 1950. "I might say that your

Directors are fully conscious of the criticism which may be made of them raising this new capital so closely following the last issue," Crisp wrote to shareholders, "but the Board is convinced their action in this regard is fully justified, and in the best interests of Shareholders and the Company generally."

The authorised capital now stood at £500,000, and subscribed capital at £286,474. Net profit was £61,193, and dividends of 10% on preference and 12.5% on ordinary shares were paid. The new share issue was quickly taken up, and by 31 June 1951, subscribed capital amounted to £450,593.

Staff were rewarded for their work. Bonuses were paid to all Steamships staff, on the basis of one month's salary for 12 months continuous service. Special bonuses were paid to heads of Departments. N.V. Johnson, manager Automotive Department, received £250; S.G. Muddell, Slipmaster, £175; A.E. Ray, Merchandise Manager, £100 (he had joined Steamships six months previously); W.E. Johns, Accountant, £100; R.J. Paul, Manager, Samarai Branch, £175; and V.C. Eglestaff, Manager Mamai Estate, who received ten shillings per ton on all copra produced for the year to 31 July 1950.

Director Guy Cadden was paid a bonus of £175, and L. Tracey and L.A. Willis £250 each. Viv Crisp was granted a bonus of £350, and his salary was increased by £100 to £2,500 per annum plus an allowance of £500 for entertainment.

A new accountant joined the staff in 1950. He was John Matthew Mitchell, a former long-term employee of Bulolo Gold Dredging Ltd. The affairs of Steamships had now expanded to the point where a stronger management structure was required. In May 1951, Mitchell was appointed Acting General Manager of Steamships. At the Board meeting held on 21 August 1951, Mitchell's appointment as General Manager was confirmed.

There was another major development in 1952, when the authorised capital of Steamships was doubled to one million pounds, by the creation of 500,000 ordinary shares of one pound each. By mid-1952, subscribed capital amounted to £458,449.

James Kidne had joined the staff of Steamships in 1950. In August 1952, Miss Elizabeth Mumford's position as Secretary of Steamships Trading Company was altered to that of Branch Secretary, Melbourne office. James Kidne became Secretary in her place.

SHIPPING DEVELOPMENTS

During all this time, Viv Crisp never lost sight of Steamships' original core business, shipping, which was now a relatively small, but nevertheless vital part of the Company's overall operations. As noted previously, the Company ran a number of coasters on behalf of the Directorate of Shipping, Commonwealth Shipping Board. This was not a satisfactory arrangement. The Shipping Board were the owners, and dictated routes and schedules. But the Board proved unable to maintain schedules, and planters often waited long weeks for stores, and longer weeks for their produce to be shipped out. There were constant, bitter complaints about the Shipping Board and its policies.

In February 1947, Crisp received confidential advice of the likelihood of the Government either handing over control of all shipping in Papuan waters to Steamships, or selling its vessels to private operators. The Board resolved that if the first option came to pass, Crisp would contact the Minister for External Territories, with a view to chartering the vessels until such time as a purchase could be arranged.



Steamships wharf early 1950s

Photo: Steamships archives

Steamships still owned the auxiliary ketch, *Chinsurah*, and on 6 February 1947, purchased the auxiliary ketch *Vailala* from the Commonwealth Disposals Commission, for £1,100. But the Shipping Board made no move, and the Company continued to operate its vessels on an agency basis. In January 1948, agreement was reached with Joseph Ah Wong for the purchase of *Chinsurah* for the sum of £500, as she lay in the Vailala River, but this sale fell through.

Chinsurah had had a hard life and was almost ready to be scrapped, although in fact she was to soldier on for several more years. In 1951, Steamships purchased two Fly River-type scows, of a class known as “K” boats - all the scows had names starting with the letter K. These were MV *Kibi* and MV *Kila*. They were staunch, beamy, shallow-draft, seaworthy little craft, of wooden construction, from the yard of Bjarne Halvorsen, Sydney. He was one of the sons of the legendary Lars Halvorsen, who founded the shipbuilding firm of Lars Halvorsen Sons Pty Ltd. Bjarne broke away from the family company and set up his own yard (which was eventually taken over by the parent company).

The K boats were not large. Both *Kibi* and *Kila* were 56 feet long with beams of 16 feet, of 25 net tons displacement. Both were powered by Gardner diesels, recognised as the Rolls Royce of small ships’ engines. They had seen much service, and cost Steamships 5,000 and 5,093 pounds, respectively.

The Steamships K boats were crewed mainly by Papuans, under Papuan skippers. No formal training in seamanship was given by the Company in this early post-war period. Most recruits to the Shipping branch were already experienced coastal men when they joined Steamships, and were trained “before the mast”, as time and opportunity permitted.

The K boats were maintained in the Company’s own facility at Paga Point. The Steamships slip and repair yard had been extended in 1947 by the construction of another Slip. The Company now had three Slips, but long delays were still experienced in slipping and repairing the Company’s and the Shipping Board’s contract vessels, mainly because of a shortage of essential materials and skilled staff.

Increasing dissatisfaction on all sides with the coastal service finally prompted an official approach to Steamships from the Commonwealth Shipping Board. In July 1950, J. McKay wrote to Crisp on behalf of the Board, asking whether Steamships would be prepared to

“make an offer in connection with the Coastal Shipping Service between Samarai and Daru via ports, and between Samarai and Mambare via ports, and if possible, an extension to islands east of Samarai.” This would, of course, return the entire Papuan coast to Steamships control, as in pre-war days.

The question was discussed at length by the Steamships Board, and it was resolved to make an offer to the Shipping Board for the purchase of five of their vessels (all being operated by Steamships on a contract basis). A total of £34,000 was offered for the purchases of MV *Doma* (£15,000); MV *Moturina* (£7,000); MV *Kina* (£4,000); MV *Kano* (£4,000) and MV *Kura* (£4,000). These vessels, combined with the K boats the Company already owned, would be sufficient to run the coastal service efficiently.

The three K boats were sisters to those already in service, although slightly larger. As noted previously the MV *Doma* was a twin screw steel vessel in excellent condition. *Moturina* was one of the so-called “M” boats, wooden craft 85 feet long with a beam of 20 feet 2 inches, of 112 gross tons, powered by a single Ruston Hornsby 204 hp diesel engine. They were very handy vessels, strongly built to military specifications, with a fair turn of speed and generous cargo capacity.

Steamships proposed that the coastal service would be taken over conditional on the Company being granted permission to increase freights by 33.33%; on the payment of a subsidy of £400 per month in respect of *Doma*, to allow her to maintain a five-weekly service between Samarai and Daru, via ports, and a subsidy of £200 per month for *Moturina*, for a service from Samarai to the Trobriand Islands, Woodlark and Misima Islands and return. The subsidies would be required to be continued for five years.

Furthermore, the Administration would be required to make available to Steamships, as far as possible, all its inward and outward cargoes. It would be agreed that all vessels could be withdrawn for docking and repair at six-monthly intervals, and for two weeks annually for general overhaul and survey in connection with Sea-Going Certificates.

Unfortunately, the Territory was swept at this time by rumours that the Australian Government was considering the introduction of income tax. This had in fact been mooted ever since the election of the Menzies-Fadden Government (income tax was eventually introduced, but not until 1959, after the most extraordinary outburst of opposition from most sections of the European community). The Indonesians, too, were stepping up their pressure on the Dutch Government for the handover of Dutch New Guinea.

The Steamships Board had a rapid re-think, and just weeks after submitting their offer, withdrew it, “in view of the possibility of the Government introducing taxation and a five-day working week, also in the light of the disturbed conditions at present prevailing in the waters north of New Guinea.”

Steamships now proposed another solution to the coastal shipping problem. In late December 1950, the Board authorised Viv Crisp to open negotiations with Burns Philp (New Guinea) Ltd, for the joint purchase of the motor vessel *Madonna Star* for £18,500. The two companies would then form a new jointly owned operating company, Papuan Shipping Co, with a capital of £100,000, and put *Madonna Star* to work on the Papuan coast.

As a hedge, Crisp was also authorised to re-open negotiations with the Commonwealth

Government for the purchase of *Kina*, *Kano* and *Kura*, and one vessel of the M class. An offer would be made to the Commonwealth Government for the charter of the motor vessel *Doma*.

In January 1951, the agreement between Steamships and the Directorate of Shipping for the Company to be operating agents for the five Shipping Board vessels was renewed, with a fixed agency fee now granted for each vessel, plus a percentage of their earnings.

In September, the sale of *Madonna Star* (now renamed *Rui*) was concluded. It was arranged that Papuan Shipping Co would issue 9,250 one-pound shares each to both Steamships Trading Company and Burns Philp. But the deal fell through. The competition between Steamships and Burns Philp was too intense for the proposed partnership to work.

After close consideration of the entire matter, the Board resolved to withdraw. Crisp and General Manager Mitchell called on the General Manager of Burns Philp and advised that "recent events" had proved it was not possible for the two companies to work together. In accordance with the Articles of Association of Papuan Shipping Co, it was liquidated.

The Shipping Board, too, had changed its position. Steamships was advised that the Board was no longer interested in selling the vessels for which it held the agency. The Company was asked whether it was prepared to carry on with the agency.

Viv Crisp decided that the time had come for Steamships to invest in new vessels of its own. He informed the Board that a new K-class scow was available at the Bjarne Halvorsen yard in Sydney for £12,750, with Steamships to supply a crew to bring the vessel to Port Moresby. Shipping was in scarce supply, and in view of the length of time required to construct a new vessel the Board decided to purchase the Halvorsen scow, MV *Kari*.

Kari was slightly shorter than the two K boats already in service, with a length of 52 feet 3 inches, beam of 16 feet and a draught of 5 feet 7 inches. She was heavier, too, at 40.2 net tons. She had a similar engine, a 60 hp Gardner.

Another used vessel was acquired at this time, the MV *Locheil*. She was sent to the Samarai branch. In September 1952, another new scow was purchased from the Bjarne Halvorsen yard, MV *Koki*, for £12,950, delivered to Port Moresby. One third of the price was paid immediately, another third on leaving Sydney and the balance when Koki arrived in Port Moresby.

Viv Crisp was now on the point of retiring as Managing Director. He had given formal notice of his intention to retire in November 1952, at the Board meeting held on 22 May 1951. He was prepared to stay on as Chairman and in an advisory capacity for two years, if desired. He was giving notice to enable the Board to consider a suitable successor, and allow whoever was selected time to become acquainted with his duties.

Steamships, as we have seen, had for long held agencies for overseas shipping companies, and in September 1952, accepted another, for the Jardine Matheson Line, in Port Moresby and Samarai. Crisp had long wanted to secure the agency for an Australia-PNG shipping service, which would guarantee Steamships' first call on scarce cargo space. Just before his retirement, Crisp concluded the first stage of negotiations with representatives of a venerable British company, which today holds the majority interest in Steamships Trading Company. In view of the significance of the Swire Group relationship to the history of Steamships, the episode will be described at some length.

THE SWIRE CONNECTION

John Swire & Sons Limited began its life in 1816, when John Swire established a small general import business in the dock area of Liverpool. By the time of his death in 1847, John Swire had built up a modestly successful business, which he passed on to his two sons, John Samuel and William Hudson Swire.

The two brothers were temperamentally poles apart, although they were very close. John, a born entrepreneur, was always looking for ways to advance the interests of the Company. William was able, but suffered from ill-health, and lacked his brother's formidable drive. Nevertheless, the brothers matured the Company into a considerable enterprise, with connections in the U.S.A., a branch office in Manchester and an agency in Australia. John Swire himself established this agency, sailing to Australia in 1854 and opening a Melbourne office the following year, under the name Swire Bros. (the Swire Group is still in Australia, more than 150 years later).

During the following two decades the Australian branch developed into a sizeable business, although the main concern of the parent company was in the import of raw cotton from the Southern States of America, and the export of manufactured textiles. The American Civil War ruined this trade, and forced the Swire brothers to look to the Far East for new opportunities - in particular, China.

John Swire established an agency in Shanghai in 1866, called Butterfield & Swire (the Company had entered the China trade in partnership with Richard Butterfield, a Yorkshire merchant and textile mill owner. Within 18 months Butterfield had withdrawn from the business, but the name was retained).

By 1870, the Shanghai company had branches at all main Yangtze and China coast ports, including Hong Kong. By this time the Head Office of John Swire & Sons had been transferred to London.

The Swire brothers had made their first tentative move into shipowning in the mid-1850s, with the purchase of shares in two deep-sea sailing ships. John Swire was convinced that there was a rich opportunity offering on the great Yangtze River, which had been partially opened to foreign trade, and was then dominated by American shipping interests. In 1872, John Swire formed the China Navigation Company (CNCo) in London, in which a number of large Liverpool companies and Scott's Shipbuilding & Engineering Co Ltd of Greenock, took shares. Three paddle-steamers were ordered from a Glasgow yard, and by 1883 CNCo was operating a considerable fleet of steamers on the Yangtze River.

The Company continued to grow, entering the sugar trade and taking on various prestigious agencies. John Swire passed on in 1898 (his brother, William, had retired in 1878) and James Scott, of Scott's Shipbuilding & Engineering Company, took over. John Swire's eldest son, John (Jack) succeeded James Scott in 1912, and took the Company to new levels. During the 1920s the CNCo fleet reached a peak of over 80 vessels.

CNCo began a service between Hong Kong and main ports in Australia in 1884, based largely on cargoes of Chinese tea, and a few years later developed another trade, carrying frozen meat from Australia to the Philippines, in partnership with G.S. Yuill & Co of Sydney. This company later took over the agencies for the Swire interests in Australia, and in 1911 purchased two CNCo vessels. For various reasons, CNCo withdrew from the Australian trade.

The Sino-Japanese conflict of the late 1930s resulted in the occupation of China's main ports by the Japanese, and forced CNCo to seek other employment for their fleet. The question of a return to the Australian trade was raised just before the outbreak of the Second World War. After war was declared, the big German firm, Norddeutscher Lloyd, withdrew its shipping service between the Mandated Territory and Hong Kong, and CNCo placed a vessel on that run. The service was of course discontinued after the Japanese invasion, but it had introduced CNCo to New Guinea, and to R.A. Colyer of the firm of Colyer Watson (New Guinea) Pty Ltd, who acted as New Guinea agents.

CNCo's assets in the Far East were devastated during the Pacific War. The Company lost over 30 vessels between 1941 and 1946, and most of Butterfield & Swire's establishments were destroyed. After the war the Company quickly re-established itself and expanded into new fields, including aviation, when the controlling interest in the then very small Cathay Pacific Airways was acquired, in 1948. The Swire group continued to grow over the years, into the very large international organisation of today, with varied interests in property, aviation, beverages, a range of marine services and trading and industrial activities.

By 1952, PNG had largely recovered from the worst effects of the Pacific War, and as we have seen the affairs of Steamships were prospering under the guiding hand of Viv Crisp. Paul Hasluck (later, Sir Paul, Governor-General of Australia) was now Minister for Territories, and a new era for PNG was opening.

In late 1945, after the cessation of hostilities with Japan, R.A. Colyer had approached the Swire Head Office in London, suggesting that CNCo should return to Papua New Guinea. CNCo did not then have spare tonnage, and in any case the first priority was to re-establish the Far East services. So Colyer Watson instead became New Guinea agents for the Swedish company, Australia West Pacific Line.

As we have seen, the provisions of the *Navigation Act* had been excluded from Papua and the Mandated Territory, and there was no legal impediment to foreign-owned shipping companies wishing to enter the Australia-PNG trade. When the Communist Party gained power in China, all ports came under strict government control and CNCo was effectively locked out. Once more CNCo looked around for fresh fields, and Papua New Guinea again beckoned.

The shipping service between Australia and PNG was still being provided by Burns Philp, on generally similar lines to pre-war. That company's shipping capacity was being strained by increasing production of copra and rubber, and two new crops: cocoa, and more significantly coffee, grown in the Highlands Districts. The European population of the Territory was growing fast, creating a demand for all kinds of consumer goods.

NEW GUINEA AUSTRALIA LINE

It appeared to CNCo that there was an opening for a new dedicated Australia-PNG shipping service, although Burns Philp still received an annual mail subsidy from the Commonwealth Government, and held a contract with the Copra Marketing Board giving them a monopoly over the carriage of copra from PNG to Australia. Moreover, the Burns Philp passenger liner *Bulolo* had berthing priority in all PNG ports. Burns Philp would clearly be formidable competitors.

Martin Speyer, the CNCo representative in Australia, was sent to Rabaul to survey the main

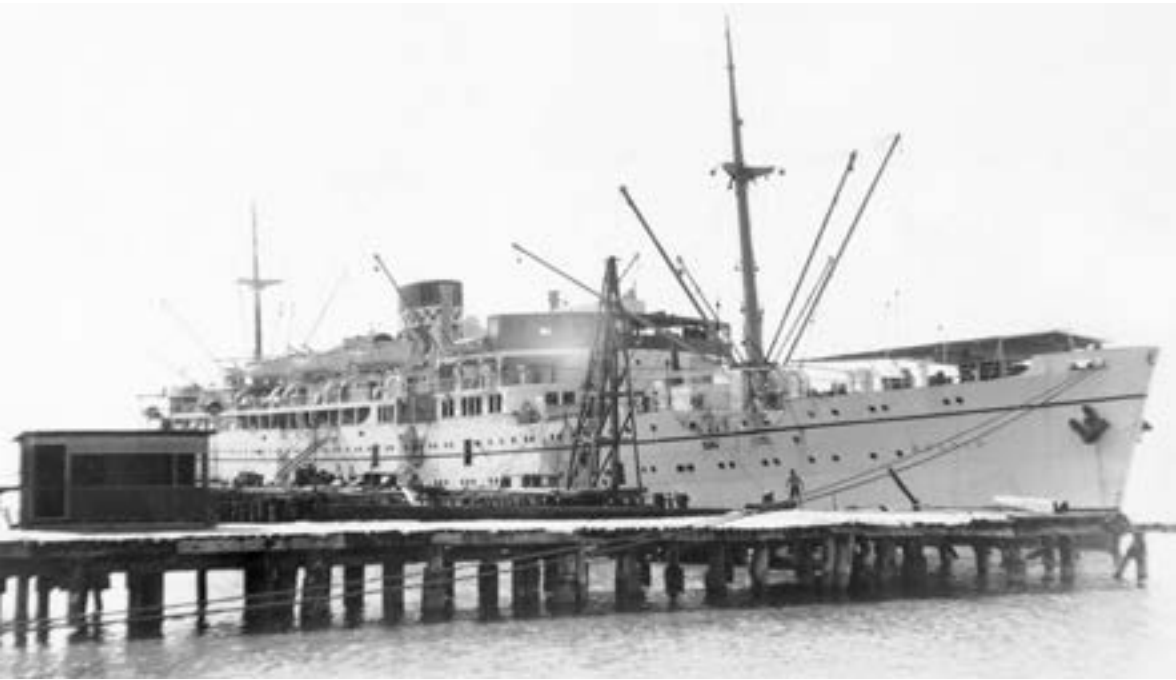
PNG ports. He discussed the possibilities of a service with R.A. Colyer. Colyer provided an introduction to Viv Crisp, and Speyer also sought his views. After receiving Speyer's report, the London Board decided to send a Director, Sir John Masson, to Australia and PNG to evaluate the situation. A final decision would be taken following Sir John's assessment, after he had obtained the views of G.S. Yuill & Co. in Sydney, and had held discussions with R.A. Colyer in Rabaul and E.V. Crisp in Port Moresby.

If the proposed new service was to have any chance of working, it was essential to have reliable agents in PNG. Colyer Watson was well established in Rabaul, although dwarfed by its main competitors, Burns Philp and W.R. Carpenter & Co, both shipowners, and therefore not in contention for a CNCo agency.

Steamships was by this time, 1952, second only to Burns Philp in Papua trade - and was fast closing the gap. Moreover, Steamships was also a long-time operator of coastal shipping, had its own slips and repair yard, and had a long association with overseas shipping lines. There would be no conflict with an Australia-PNG service. Steamships would be the ideal agents for Papua.

Sir John Masson visited PNG in October 1952, accompanied by Martin Speyer, the CNCo representative in Australia. He first visited Colyer Watson in Rabaul, and obtained agreement in principle before going on to Port Moresby to seek the views of Viv Crisp.

Crisp did not hesitate, promising that if the new service was inaugurated, he would instruct Nelson & Robertson to despatch all Steamships cargo in CNCo ships. Crisp informed the



MV *Bulolo* at Milford Haven Wharf, 1950.

Photo: Courtesy James Sinclair

Steamships Board of the negotiations in the meeting of 11 October 1952. Both Crisp and R.A. Colyer emphasised that if the new service was to succeed, an immediate start should be made. There was little doubt that Burns Philp would vigorously oppose this challenge to their monopoly.

CNCo indeed acted swiftly. There were two suitable vessels available, small S-class passenger-freight ships originally designed for China Coast service. These were the motorships *Shansi* and *Sinkiang*, each of a little over 3,000 gross tons, powered by single four-cylinder Doxford engines. *Shansi* had been built in 1947 by Scott & Co, Greenock, and *Sinkiang* in 1946, by the same builder. Neither was equipped with radar. The two ships were on the Hong Kong register, and were manned by Chinese, apart from the officers. They had high-class accommodation for 21 passengers, and were extremely comfortable ships. (The author was a passenger on the maiden voyage of *Shansi* to PNG, and can attest to this.)

The new service would be called New Guinea Australia Line (NGAL). Steamships Trading Company would be the agents for Papuan ports, and Colyer Watson for those in New Guinea. G.S. Yuill remained general agents in Australia until 1956, when Swire & Yuill was formed.

Shansi arrived in Port Moresby on 9 December 1952, under the command of Captain Ernest Bruce. *Sinkiang* followed, on 19 December, under Captain Taylor. In July 1953, *Soochow* joined the service, under Captain Hindle.

“*Shansi* has an American-style bar, complete with leather-covered stools and heavy footrails,” a *South Pacific Post* reporter enthused. “This is one of the modern features of the Territory’s newest tourist and cargo ship...she is of 3,147 gross tons, with a cargo capacity of 2,213 tons, including refrigerator space.”

Shansi had been rushed into service on the new run so rapidly that she still carried the metal anti-piracy barriers fitted to all China Coast vessels at that time. The new service was immediately popular with passengers, but cargo volumes were slow to build up. Shippers were loath to switch from the old-established Burns Philp to NGAL, until it had proved itself.

Sir John Masson had visited Canberra after his PNG trip, to try and persuade the authorities to release to NGAL part of the copra contract with Burns Philp. He was apparently assured that the Australian Government welcomed the new shipping service. Once NGAL was fully established, consideration would be given to the copra question.

This was the beginning of a spirited battle with Burns Philp, who were naturally opposed to giving up any of their entitlements to new competitors. Viv Crisp wasted no time in entering the lists on behalf of NGAL. On 23 December 1952, he wrote to the Chairman, PNG Copra Marketing Board:

“With the commencement this week of the New Guinea Australia Line three-weekly service from Sydney via Brisbane, Port Moresby, Samarai, Lae, Madang, Rabaul, and back to Sydney by the same ports, might we, as Agents for the above Line, request that we be given an equal share of your cargoes from time to time. Our Company is one of the largest producers of copra in Papua, with additional copra produced by large numbers of plantations for which we are Agents...

“We started the service in December 1952, with two vessels...we have spent £40,000 sterling

on each of the ships to install additional saloon passenger accommodation, refrigerated chambers etc, to fit them for New Guinea and Island trade...”

But there was some lingering official opposition to NGAL, and no Marketing Board copra was diverted to its vessels. On 20 November 1953, J.E. Willoughby, Assistant Secretary, Department of Industries & Commerce, pointed out that Burns Philp was an Australian company. All but one of its ships were on the Australian register and worked under Australian court awards. NGAL on the other hand was on a foreign register, and employed Chinese crews “under inferior conditions”. Burns Philp was committed to the New Guinea and Pacific Islands trade, whereas NGAL “could cease tomorrow, and transfer its ships to another trade.”

Crisp did not take this lying down. He himself went to Canberra and saw the Secretary of Industries & Commerce, asking him to make further representations to the Minister, Paul Hasluck. The Secretary informed the Minister:

“Shorn of all embellishments, Mr Crisp’s case boiled down to the argument that New Guinea Australia Line ships were essential as a complement to Burns Philp ships to ensure the lifting of cargoes from Australia to New Guinea, and that without them the inward cargo facilities would deteriorate to such an extent that the Territory would be seriously embarrassed...”

The Secretary said that there was a suggestion that there was an over-supply of shipping on the route. At any rate, it was not until March 1954, that the Copra Marketing Board sent its first consignment of copra on an NGAL ship. But that was in the future. Steamships continued to act as agents in Papua for NGAL, and future developments will be described in a later chapter.

Viv Crisp enjoyed a good relationship with the Swire Group Directors. On one occasion he visited London, after the NGAL service had been in operation for some time. In his history of the New Guinea Australia Line, published posthumously by the Nautical Association of Australia under the title *In Coral Seas*, Martin Speyer notes that Crisp was “a small, sandy-haired and vital man (with) a keen sense of humour...he called on John Swire & Sons. He was taken out to lunch at the City of London Club. The London Directors of Swires were then all over six feet tall, and one was six feet seven and a half inches. Crisp described the scene: ‘There they were in their hard hats, striped trousers and with their rolled umbrellas, and there was I in my soft trilby and brown mackintosh. I felt like a jockey being taken out by his owners.’”

As noted above, the true significance of Steamships’ connection with NGAL lies in the fact that this was the beginning of the long relationship between the Company and the Swire Group, that has endured to the present day.

THE AVIATION INVOLVEMENT

Steamships was closely connected with another transport operation during 1951 and 1952. It will be recalled that the Company had been the pre-war agents in Papua for Mandated Airlines Ltd and W.R. Carpenter Airlines. In September 1950, Steamships announced the forthcoming commencement of a new air service between Sydney, Brisbane, Townsville and Port Moresby, using what was described as “fast, luxurious Hythe flying-boats, with excellent hot and cold meals served in flight, a well-stocked bar together with steward and hostess

service.” Steamships would be the PNG agents for the new service, to be operated by Trans-Oceanic Airways Pty Ltd.

This was a brave initiative, for the day of the flying-boat on international air routes was almost over. Trans-Oceanic Airways (TOA) was formed in 1947 by a group of ex-wartime pilots led by ex-Squadron Leader Bryan W. Monkton, a seasoned light aircraft and wartime Catalina pilot. The Company purchased five converted wartime Short Sunderland Mark II flying-boats crewed by experienced ex-RAAF pilots, fitted with two-way radio and advanced navigation aids. There were seats for 20 passengers on a single deck.

Over the next two years TOA developed Sunderland services to Lord Howe Island, New Caledonia, New Hebrides and the Solomons, and pioneered services from Sydney to Grafton, and to Hobart. These were all operated under charter licences and were extremely popular with passengers, who appreciated the roominess and comfort of the big flying-boats. An airline licence was denied the Company, undoubtedly because the Commonwealth Government wanted to protect its own airline, Qantas Empire Airways.

Early in 1950, Bryan Monkton applied for an airline licence to operate a once-weekly service between Sydney and Port Moresby using Short Hythe flying-boats, in direct competition with Qantas. His application was refused, on the grounds that Qantas was already operating its Bird of Paradise service with Douglas DC4 and DC3 aircraft.

Moreover, the use of flying-boats was questioned. Because of salt water corrosion and other factors, operating and maintenance costs of flying-boats were much higher than landplanes of similar capacity. Major overseas airlines like Pan American Airways and British Overseas Airways Corporation had ceased operating the flying-boats they had used on their international services pre-war. Flying-boat bases in Australia were being closed down. Rose Bay Base, Sydney, was being used mainly to support the flying-boat service to New Zealand. The Queensland Government maintained a base on the Brisbane River to meet the needs of Barrier Reef Airways, but wanted to shut it down, saying that flying-boats interfered with the movement of shipping. There was no flying-boat base north of Brisbane (the old base at Bowen had been shut down) and another would probably have to be established at Townsville, if TOA were to be granted an airline licence.

But there were some powerful backers for TOA. It was strongly supported by the Townsville Chamber of Commerce, and several shipping companies, particularly Clan Steamship Line, which had invested capital in TOA. Despite the fierce objections of Qantas, TOA was eventually granted a licence to operate the Sydney-Port Moresby service, using Hythe flying-boats, operating from Rose Bay.

TOA ran into trouble, early on. It had planned to use Townsville as a refueling base, but Qantas pointed out that it had operated the C Class “Empire” flying-boats (forerunner of the Hythe) through Townsville pre-war, but had never considered it safe or satisfactory. The RAAF also considered Townsville unsafe for large flying-boats. Then the Department of Civil Aviation ruled that the TOA boats could not land at Townsville when there was more than a 155-millimetre swell there - a common occurrence.

It looked as if the TOA service was stopped before it could begin. The Hythe could not carry sufficient fuel to fly Brisbane-Port Moresby non-stop, but the Short Solent could. So Bryan Monkton and his group decided to take the plunge and purchase Solent Mark IIIs for the Port Moresby service. These were the most modern flying-boats then available, fitted with

four mighty Bristol Hercules engines of 1,680hp each, with accommodation for 39 passengers on two decks.

Bryan Monkton went to London to take delivery of the first Solent. He had come to an agreement with Mandated Airlines to provide feeder services within PNG. It looked as though the long-coddled Qantas would face real competition, for the first time. But Fate again took a hand. The new Solent crashed just after take-off south of Malta on the return flight to Australia. Of the 39 passengers on board, 38 were rescued by a RAF crash launch. One was presumed drowned.

Most men would have been terminally discouraged by such a disaster - but not Bryan Monkton. He returned immediately with his crew to the UK, where Shorts had almost finished preparing another Solent to TOA specifications. He found the work suspended, because of an industrial dispute!

The Solent was finally readied. Christened the *Star of Papua*, it reached Sydney in late April 1951. The inaugural flight to Port Moresby was made on 27 May, with Captain Monkton at the controls. Steamships and TOA ran lavish advertisements in Australian newspapers and the *South Pacific Post*. The *Star of Papua* offered “the last word in luxury travel,” with a cocktail bar, a scenic lounge and promenade deck, an electric grill-room, writing tables, a library, electric razors for male passengers and dressing-tables for the ladies, a flight steward, and hostesses. Qantas’ spartan DC4’s could not even begin to approach such levels of refinement.

When the *Star of Papua* landed in Port Moresby for the first time there was a blaze of the kind of publicity commonplace today, but almost unheard-of in 1951. Four beautiful young models from Sydney were among the large crowd of invited guests at the gala welcome. The *Post* reported breathlessly that “they were the target for both movie and still cameras when, clad in floral summer frocks, topped by beach straws, they were surrounded by a curious and friendly crowd of grass-skirted native girls at Koki.” Free goodwill flights were given to prominent residents, including the members of the Steamships Board and their ladies.

It is hardly surprising that the new TOA service was immediately popular, particularly when it was learned that TOA had lopped 10% off the Qantas Bird of Paradise fare, offering the return Sydney-Moresby fare at 70 pounds 13 shillings. Qantas immediately reduced its fares, but the Qantas chief, Hudson Fysh, complained bitterly to the Director-General of Civil Aviation, saying that his airline had been placed in “a most embarrassing and damaging position” by being forced to match the TOA fares, since its own fares had been approved by DCA. He understood that TOA intended to increase the frequency of its operations, and extend into new territories, “where, undoubtedly, the greatest embarrassment will be caused to your accredited operator, Qantas Empire Airways.”

But the Director-General, Air Marshall Sir Richard Williams, rejected Fysh’s complaint. It was Commonwealth Government policy not to favour either a government or private monopoly of air transport.

The ill-fortune that had dogged Bryan Monkton and his airline eventually accomplished what Fysh had failed to do. On 18 June, the *Star of Papua* struck a tugboat on Hamilton Reach, Brisbane River, and suffered a damaged hull. The pilot was the famous veteran P.G. Taylor (vice-chairman of TOA), who succeeded in running the Solent into the river bank, with no injuries to the passengers.

A second Solent was on order, and whilst the *Star of Papua* was being repaired and pending the arrival of the new flying-boat, Monkton placed a Short Sandringham on the service. The Sandringham, whilst basically similar to the newer Solent, was slower, noisier and less capacious, and passenger numbers began to drop.

Star of Hobart, the second Solent, arrived in August 1951, and TOA announced a twice-weekly service would begin in September. On 28 October, the *Star of Hobart* hit a dredge on the Brisbane River just after takeoff for Port Moresby. Four metres of the starboard wing, and the float, were torn off. Pilot P.H. Matheson managed to land the crippled Solent, and ran it into the bank with no injuries to the passengers.

This was really the end of TOA. A third Solent was delivered in December 1951, but by this time the Company was virtually finished, overcome by its financial and operational misfortunes. On 15 April 1952, the Sydney-PNG service ceased and TOA went into voluntary liquidation. Ansett Airways purchased the Solents, and for some years used them on their Lord Howe Island service.

Steamships never regretted its association with the brave TOA experiment. But this was the Company's last direct involvement with the air transport industry.

CRISP RETIRES

Just before his nominated retirement date, the Board discussed Viv Crisp's plan to build a freezing works and butcher shop in Douglas Street, and the resurrection of the Coastal Shipping Service proposal. The Commonwealth Government had finally announced that they desired to relinquish their interests in shipping on the Papuan and New Guinea coasts. Subject to the acceptance of another submission Steamships had made for the purchase of a number of the Directorate of Shipping vessels, it was intended to finance the acquisitions by the issue of 102,112 new one-pound shares, on the basis of one share for every four presently held.

At the Board meeting held on 2 November 1952, Viv Crisp retired as Managing Director in accordance with Article 11 of the Articles of Association. But his fellow Directors refused to accept it. Crisp was unanimously re-elected to the position of Chairman.



Viv Crisp

Photo: Courtesy Pacific Islands Monthly

CHAPTER TWELVE
THE MITCHELL ERA

The first item of business to be discussed at the Board meeting following Viv Crisp's re-election was the acceptance by the Department of External Territories of Steamships' offer of £58,000 for the purchase of the seven ships from the Directorate of Shipping's fleet. These were the motor vessels *Doma* (£16,000), *Moturina* (£11,000), *Muniara* (£11,000), *Manugoro* (£5,000), and *Kina*, *Kano* and *Kura* (£5,000 each).

The three M boats were of similar design but of slightly different displacements, varying from 53 to 58 net tons. All had identical Ruston Hornsby 204 hp diesel engines. The three K boats were sister ships, each fitted with 60 hp Gardner diesels.

It was agreed that delivery was to take effect immediately on the arrival of each vessel in Port Moresby harbour. Insurances were arranged for total losses and harbour risk. The ships had been sold to Steamships on the understanding that they would only be employed in Papuan coastal waters, and under certain agreed conditions. The Directorate of Shipping now withdrew from PNG, and together with the vessels already in service, Steamships was able to service the entire Papuan coast at rates of fares and freights much below those previously prevailing.

Throughout this period the construction of the new Steamships premises had been steadily proceeding. It proved to be a lengthy business. Commenced in November 1950, finishing touches were still being applied two years later. Although this imposed stresses and strains on the conduct of business, Crisp was nevertheless able to announce at the Annual General Meeting in Port Moresby a net profit of £93,000 for the year ending 31 June 1952 - the highest in the Company's history thus far. This was despite considerable difficulty in obtaining foreign goods.

Early in 1952, the Commonwealth Government implemented Import Licensing Regulations, with the expressed idea of conserving sterling. The effect was largely to limit Steamships' purchases to Australia, where prices were higher and many goods scarcer. Substantial rises in the basic wage in Australia also affected prices, and forced up freight rates from Sydney and Brisbane. But copra prices improved, from £57 to over £69 per ton, while rubber prices slid to around two shillings and four pence per pound, which still allowed a satisfactory margin of profit. Despite many protests from the Papuan Planters' Association and individuals, the Commonwealth Government had yet to enact legislation guaranteeing a market for Papuan rubber in Australia.

The 1952-53 financial year was another good one for Steamships, which continued to grow. The European population of Port Moresby was rapidly increasing, and trading conditions

throughout Papua were favourable. In March 1953, the Board accepted a tender from Hornibrook Constructions (Papua) Ltd for the erection of a large, modern freezing works in Douglas Street, at a cost of a little over £35,000. The project was to be completed within 26 weeks. Almost immediately another contract was let to Hornibrook, for the duplication of the cold room and plant room.

In March 1954, a large block of land - allotment 2, section 37 - was purchased from Ralph Corlett for £4,500. This three-quarter-acre block contained two concrete-floored Quonset huts, each 55 feet by 20 feet, equipped with benches, lathes, air compressors, battery chargers, drills, spark plug cleaners, small tools, stocks and dies, telephones and electric light. This complex was a boon to the fast-growing Automotive and Machinery Division. Steamships was at this time mainly selling vehicles manufactured by the Rootes Group, of Britain. The Japanese had not yet begun their penetration of the market.

The old-established firms of G.G. Smith & Co and J. Wyatt Ltd offered to sell their combined Port Moresby businesses to Steamships for £162,000. Before departing on leave, Viv Crisp made a careful analysis, and concluded that the properties were over-valued by an amount of £71,000, so the offer was refused. However, further negotiations followed, and in the end the businesses were purchased. The sale included residences, stores, a bakery, a block of flats and a number of vehicles.

W.R. Frame, a G.G. Smith Director, said that his company had first offered the businesses to Burns Philp & Co, but they thought the price too high. The purchase left Steamships and Burns Philp in virtual control of general retailing in Port Moresby, apart from the considerably smaller business of E.E. Kriewaldt.

In August 1954, the trade store business known as Konedobu Trading Company was purchased from V.T. Sanders and M.L.G. Mogridge for £16,000, paid for by cash and the issue of 7,477 fully-paid ordinary Steamships shares. Steamships were operating a number of small trade stores by this time, each registered as a separate company. These were Badili Trading Co, Koki Trading Co, Beach Trading Co, Ela Trading Co, Laurabada Trading Co, Acme Trading Co, Central Trading Co, Moresby Trading Co, and Boroko Trading Co.

Acme Trading Co and Ela Trading Co were purely trade store operations. Steamships was also operating Ela Bakery, and Acme Bakery in partnership with P.J. McDonald. In August 1955, Steamships purchased McDonald's interest in Acme Bakery Company for £5,500, and the deed of partnership between Steamships and McDonald was dissolved.

It was at this time that Steamships began an association with the well-known restaurateur, Mrs Alexa (Lexy) Seagar. She had opened Port Moresby's first post-war restaurant, the Twilight Café, in 1951, in the old Library Institute Building in Douglas Street. Unfortunately, this was destroyed by fire a few months after she commenced operating. Lexy (as she was familiarly known to all) leased another site from W. Wyatt, and re-opened. Although her establishment was well patronised, Lexy was a better cook than businesswoman, and she got into financial difficulties. In October 1954, Steamships agreed to take over her commitments with the Bank of NSW, and became managing agents for "Lexy's", as the new restaurant was called. Profits were to be distributed pro-rata, until all creditors had been paid off.

Unfortunately, a few months later it was necessary to put Lexy into bankruptcy. She, however, was not dismayed, and as all Port Moresby residents of that time know, she soon

after was running another very long-lived restaurant, Lexy's, in Mary Street, serving some of the best food in town.

The Administration had been planning a hydro-electric power station for Port Moresby since the end of the war, and a start was made in 1953, when Hornibrook Constructions started work on the first stage of the Rouna Hydro-Electric Scheme. It was confidently expected that relatively cheap hydro power would attract manufacturing interests to the town.

The capital of the Company was increased by almost £200,000 in 1953, through a bonus issue of one full-paid one pound ordinary share for every four held. Subscribed capital increased to £658,418, and dividends of 10% on preference and 12.5% on ordinary shares were paid from a record net profit of £114,890.

Rubber continued to be a problem. Australian rubber manufacturers experienced a severe downturn in trade, and for some months were unable to absorb Papuan rubber. There was a serious decline over the year in world rubber prices, driven by keen competition from synthetic rubber plants owned and subsidised by the American Government. But copra saved the day, continuing to command a ready sale at good prices. Steamships was also experimenting with the inter-planting of cocoa on the eight Company coconut plantations, a crop which would not provide a return for some five years.

On 1 February 1953, Viv Crisp was granted six month's leave. J. M. Mitchell was now a Director, and he was appointed Acting Chairman and Managing Director during Crisp's absence. Mitchell managed the affairs of Steamships efficiently, and on his return, Crisp informed the Board of his intention to finally retire, on 14 February 1954. From the half-yearly results and favourable opinion expressed outside the Company, Crisp considered that Mitchell would be a suitable successor.

The Board was loath to see Crisp sever his connection with the Company. He was a much respected link to the past, and Llewellyn Tracey suggested that Crisp might consider staying on the Board of Directors as Chairman, with Mitchell as Managing Director.

Crisp was prepared to stay on as Chairman for a period of 12 months, conditional on the state of his health. He discussed the legal aspects with Steamships' present solicitor, the veteran James Irwin Cromie, who had been in practice in Port Moresby since pre-war days. Jim Cromie could see no impediments to Tracey's proposal, and so the matter was arranged. Viv Crisp would become Chairman of Directors, and Jack Mitchell, Managing Director.

After serving for 12 months, Crisp accepted another 12 month term as Chairman. He was paid £1,000 per annum, plus £500 entertainment allowance and £180 car allowance. Mitchell's salary as Managing Director was £3,000 per annum, with similar entertainment and car allowances.

The Steamships Secretary was now a young man named Harding Delmar Underwood, who was to have a long and notable career with the Company. Del Underwood was born in Sydney in October 1921. He was educated at The King's School, Parramatta, and after leaving school in 1938 became a chartered accountant, working for several accounting and commercial organisations.

"Seeking new horizons, I arrived in Port Moresby in January 1952," Underwood recently recalled. I eventually joined Steamships in 1953."

The then Secretary of the Company, J. Kidnie, resigned in March 1954, and the Board unanimously resolved that Underwood be appointed in his place on a salary of £1,400 per annum plus car allowance, as from 1 April 1954.

Mitchell's time in office was the shortest in Steamships' history. He was appointed Managing Director on 1 December 1954, and resigned on 15 March 1957. Viv Crisp was then re-elected to the position of Chairman and Managing Director, an appointment which he held until his ultimate, and final, retirement on 31 October 1961, after 35 years of service to the Company.

There were several significant developments during Mitchell's term as Managing Director. In October 1955, C.L. Large offered his Six Mile Cordial Factory with five acres of land to Steamships for £10,000. As noted previously, the Company had been involved in the soft drink business for many years, and the Six Mile Factory came with enough land for significant future development. It was acquired for an immediate payment of £5,000, with the balance paid at £1,000 monthly.

We have seen that Steamships had been trying to get into the hotel business in Port Moresby since pre-war days. The Pacific War frustrated the dream of the Hotel Imperial, and although the Administration had granted Steamships a new 99-year lease over three allotments for the specific purpose of building a hotel, no action had yet been taken. The authorities were now pressing the Company. The lease had been granted on the understanding that work would begin in 12 months. There was a danger that these valuable allotments would be forfeited if work was not commenced on site within a reasonable time.

However, the purchase of the Six Mile Factory, G.G. Smith & Co and several new vessels had so stretched the resources of the Company that the Board had resolved to temporarily conserve funds by curtailing all capital expenditure, "except that of a necessary nature." And then came another golden opportunity.

BOROKO HOTEL

The Port Moresby suburb of Boroko had grown with great rapidity since the construction of the first Administration pre-fabricated Hawksley aluminium houses there, in 1950. By 1955 new streets had been constructed, and major housing and business developments were taking place. Boroko was fast becoming the primary residential suburb of Port Moresby, and an important business and commercial centre.

In 1955 a number of promoters began to look for cash for the construction of a hotel at Boroko. In November, Boroko Hotels Ltd invited Steamships to subscribe for cash for 10,000 shares. The structure of the issue had been set: 25,000 one-pound shares, of which 15,000 were under-written by the renowned Mrs M.H. Jewell, widow of Arthur Jewell, one of the leading citizens of the old Port Moresby, who had joined the Papuan Public Service on 11 May 1903, as private secretary to the then Administrator, Judge C.S. Robinson.

Arthur Jewell later left the Public Service and became a leading businessman. Arthur and Millicent Jewell were perhaps the best-known citizens of Port Moresby. He had been President of the prestigious Papua Club for the longest span of years of any of the Club's Presidents - from 1916 to 1923. After Arthur's death, Millicent stayed in Port Moresby, living in considerable style. For the last few years of her life she occupied a suite in the Australia Hotel, Sydney, and was chauffeured around the city in a stately old Rolls Royce limousine. She died in Sydney in 1969.

It was proposed to issue 5,000 shares to the general public, and Millicent Jewell also guaranteed a bank overdraft of £25,000. The total estimated cost of completing and commissioning the Boroko Hotel was £80,000. As an inducement to Steamships, the Company was offered the entire business of stores and liquor for the new hotel, with the exception of beer supplied from South Pacific Brewery. Steamships was also offered a seat on the Boroko Board (South Pacific Brewery began producing beer in 1952. Steamships did not take a shareholding).

The Steamships Board decided to take up the offer. It was at least a leg-in to the hotel business in Port Moresby, and returned the Company to hotels (the Cosmopolitan Hotel in Samarai, destroyed at the beginning of the Pacific War, had not been rebuilt).

SHIPPING

The shipping side of Steamships' operations had of course become more complex with the acquisition of the seven vessels from the Directorate of Shipping, and the New Guinea Australia Line agency. Also an attempt had been made to purchase another Shipping vessel. In October 1953, Captain G. Logan inspected a number of craft on behalf of Steamships, and the Board resolved to tender £20,105 for MV *Kokoda*. If not successful, tenders would be lodged in order of preference for one of a number of M class ships - *Marova*, *Maimuna*, *Mainiro*, *Matarani*, *Malakaua* or *Matoko*.

A tender - unsuccessful - was subsequently lodged for the purchase of MV *Malakaua*, for £8,555. A landing barge, *LCM 479*, was purchased in January 1954, from W. Murphy for £2,500. It required a good deal of repair work, and was unsatisfactory in service. It was sold a year later to New Guinea-Borneo Mangrove Co Ltd, at cost.

Guy Cadden, the Director in charge of the Shipping Division, took over the management of the NGAL and China Navigation Company agencies, pending the appointment of a manager for the Overseas Shipping department. By September 1954, the demand on the Company's coastal vessels was such that another scow was urgently required.

A suitable scow, MV *Kobo*, was under construction at the Bjarne Halvorsen yard at the time. Marine surveyor A.N. Swinfield examined her, and pronounced her worthy of purchase. A price was negotiated: £11,900, delivered to Port Moresby, with Steamships to supply a Gardner engine and a Papuan crew for the delivery voyage, and Bjarne Halvorsen to find the captain and engineer. Swinfield was commissioned to supervise the completion of the scow. In October 1955, another Bjarne Halvorsen scow, MV *Kaia*, was purchased for a little over £16,000 complete, delivered to Port Moresby.

The Steamships fleet was maintained and repaired in the Company's own shipyard. The need for a manager of the Slipway, to coordinate the shipwright and engineering sections, had long been apparent, and in October 1954, M. Neils Nicklason was offered the position, with authority over Slipmaster S.G. Muddell and engineer R. Bingham. Nicklason was an experienced shipping man who was to have a long career with Steamships, eventually becoming a Director. His commencing salary was £1,400 per annum.

This was a difficult time for the Shipping Division. Steamships had been served with a writ for damages by Tom Flower, owner of MV *Damoni*, which had sunk whilst berthed at the Slipway wharf. The facts of the matter were disputed. The Steamships solicitor, Jim Cromie, considered that the Company was in no way responsible for the accident, but after long

deliberation the Board decided it would be in the best interests of the Company to settle out of court. Cromie was authorised to enter into negotiations to obtain the best possible settlement acceptable to Flower, and this was done.

The ex-Directorate of Shipping M class motor vessel, *Moisana*, was a tired ship when she was taken over by Steamships. After a brief period in service, she was withdrawn for major repairs in the shipyard. Purchased in 1954, she was still undergoing repair two years later, by which time some £10,000 had been expended on her. The aged *Chinsurah* had been withdrawn from service, and her engine removed. MV *Doma* had done a lot of good work for Steamships, but she, too, was aging, and requiring a lot of maintenance.

CAPTAIN RAY TAYLOR

In 1952, an experienced shipmaster joined Steamships. Ray Taylor was born in Neutral Bay, Sydney, in March 1926. He came from a large seafaring family, which could trace its lineage back to Portuguese ancestors in the 1700s. Taylor went to sea in 1941 at the age of 15 as a deck boy on the giant Cunard Line liner *Queen Mary* - then serving as a troopship - and he remains a seaman to the present day. Long since retired from Steamships, he still serves the Company as a marine consultant and Fly River navigation expert.

Taylor first went to New Guinea in 1943 with his marine engineer brother, Don, to serve in the Small Ships section of the US Army. After being discharged in 1945, Ray stayed on and joined Bulolo Gold Dredging Ltd, as skipper of their labour recruiting trawler, MV *Mubo*, on the Sepik River, relieving the fabled “Shanghai” Brown. Taylor had obtained small ships’ qualifications while he was with the Americans, and had worked for a period as a rigger in English shipyards, and from time to time he did relieving work on the big BGD gold dredges.

Don Taylor had also joined BGD, and after the expiration of their 12-months contract, the two went gold mining on their own account, on the Lower Watut River. “We got sick and tired of digging gold for BGD,” Taylor recalled in a 2005 interview, “so we decided to try it for ourselves. We started sluicing for gold, and we did all right. After a while we took our big bottle of gold up to the Bank of New South Wales in Wau, and we said, we’re going on holidays. They said oh, well, here’s a thousand pounds, you’ll get the balance of your money after we send the gold to Sydney.

“So we went down to Sydney, and after we got our money from the Bank, we decided to go and buy a yacht. We bought this ketch, *Ambusa*, and we sailed her back to Port Moresby. Took us six months, and we were stone, motherless broke when we got there. But she was a beautiful vessel...

“Steamships had just bought those M and K boats from the Government Shipping, and they advertised for captains and engineers. So I applied for a captain’s job, and my brother got an engineer’s job; on the M boats, *Muniara* and *Moturina* and the others. Big wooden boats, they could carry 80 to 100 tons, about 1,000 bags of copra. I had already got my master’s ticket for vessels up to 50 tons while I was working for BGD, and they sent me and my brother, Don, down to Samarai in the Sandringham flying-boat to take over *Muniara*.

[The author was a passenger in *Muniara*, under Captain Taylor, from Samarai to Popondetta in November 1952, and can attest to her comfort and pleasant seagoing qualities - although a lot of giant cockroaches were passengers also.]

“I was the only captain in the Steamships fleet with a certificate. I was paid £50 a month; I was the highest-paid captain in PNG, because the other European captains on the M boats were all fishermen, and in those days they didn’t require a master’s certificate. The K boats all had Papuan masters, from Elevala and Hanuabada.

“I kept on with Steamships out of Samarai for many years, working the coasts and I ended up increasing my certificate to what they called a Master One, unlimited, any tonnage, any size. I got my Pacific Islands master’s certificate too, in Honiara, that was for all over the Pacific, as far west as 100 degrees east, which covered Singapore, all of Indonesia, to 47 degrees south, which covered all of Australia, through the Indian Ocean, and all of New Zealand...”

SAMARAI

Although Samarai had declined in importance since the Pacific War, it was still a lively little community, the centre for the 32 copra, four rubber-copra, and three rubber plantations located throughout the Milne Bay District of eastern Papua. Still headquarters of the District, Samarai remained a significant commercial and shipping centre. There was a slipway on Sariba Island, near Samarai, owned by H. Barrow, which could take vessels up to the M-class, and the old Belesana Slipway on the mainland, now owned by H. Johnston, of similar capacity. Kwato Mission was still operating its shipyard - producing mainly cutters, launches and surfboats - and had a slipway of limited capacity.

There were still three large general stores on Samarai, operated by Steamships, Burns Philp and A.H. Bunting Ltd. Other businesses included the South Seas Cordial Factory; China Straits Construction Ltd; two trade stores run by S. Erickson and H. Pearson, and E. Fraser and H. Lamperd; a church; two small hospitals; a branch of the Bank of NSW; and the Pacific View Boarding House, owned by Mrs Julie Hanson, whose husband, Fred, was master of MV *Doma*. Some trochus shell and beche-de-mer was still being exported. The European population of the little island in late 1953 was around 100.

Steamships had four plantations in Milne Bay District - Conflicts, Doini, and Puni Puni copra plantations, and Mamai. The big Mamai Plantation - with over 1,500 acres planted - was the only one in PNG to be planted in copra, cocoa and rubber. It had been started after the Great War by the Para Rubber Company of Wellington, New Zealand. The manager, V.C. Eglestaff, had been at Mamai for almost 15 years. Under him were another three Europeans, and a native labour force of around 200, many of them Chimbu people, from the Highlands.

Mamai was situated some seven miles inland from the fjord-like Port Glasgow on the coast, behind a low mountain range. Over the years an all-weather road had been cut with pick and shovel to a jetty in a small bay on the coast, allowing motor vehicles to carry stores in, and plantation produce out. Like most remote plantations, Mamai was a veritable small township, with residences, labour quarters, stores, workshops, bulk fuel storage, medical facilities, wireless communications, copra dryers and a rubber factory.

PLANTATION LIFE

“The manager of a plantation must be a combination of farmer, mechanic, handyman, psychologist, copra expert, supervisor, marine engineer, accountant, trader and medical assistant,” said a correspondent in the *South Pacific Post*. “But above all these, he must know



Samarai waterfront, 1952

Photo: Courtesy James Sinclair



Samarai waterfront, 1952

Photo: Courtesy James Sinclair

how to handle native labour, have a thorough knowledge of agriculture, and a fund of common sense. Without that knowledge, he might as well go home on the leave ship, and stay there.”

Like most plantations, Mamai was kept alive by its shipping service. In 1951, a boy of five went to live on Mamai. He was Ray Fitz-Gibbon, whose father had been appointed plantation assistant there. Edgerton (Edge) Fitz-Gibbon had preceded his wife and son to the plantation, and was on hand when they arrived offshore in MV *Doma*. Ray Fitz-Gibbon has recorded memories of his years on Mamai, which provide a vivid picture of life on a large, isolated Papuan plantation, half a century ago:

“The deep throb of the *Doma*’s engines stopped. There was silence, broken only by the sound of the gentle lapping of water against the hull, the metallic rattle of the anchor chain as it disappeared out of its davit and into the deep water of the bay and the occasional shouts from the crew. The shores of the bay were lined with overhanging coconut trees, back-dropped by a mountain range covered in thick dark jungle. A thin strip of beach was just visible at the centre of the long arc of the bay, and it was possible to make out a village amongst the coconut trees...wisps of grey smoke drifted lazily up from some of the huts.

“I was pressed up against the railing, staring down into the water trying to catch sight of fish that swam around the ship. My mother was standing beside me. “There he is, can you see him?” she said. I could just make out a rowing boat arcing out from the beach...there were half a dozen natives with oars on each side. Wearing only lap-laps, their backs glistened with sweat. As they heaved in unison, I could hear the squeak of the big wooden oars in their rowlocks, and the rhythmic chant with each stroke - Ho, Ho, Ho!

“Standing at the bow...was my father, one foot up on the gunwals, elbow on his knee and the other hand on his hip. He was wearing what I was to learn was standard tropical wear for the white man: white shirt, white shorts, and long white socks. He also wore a white floppy cloth hat...”

Ray and his mother and father spent a night in the “beach house”, a rough transit shelter used when passengers and goods were being transported to and from the plantation. Next morning, the little family drove to their new home in an ancient truck typical of those found on many remote plantations. “The old truck had had its cabin modified; it had been removed and replaced with a wooden structure which consisted of a flat galvanised-iron tin roof on a timber frame. The windscreen had been removed completely, as had both doors; the doors were replaced with wooden sides with a half-circle cut out, which served as the windows...

“The coastal flats stretched back from the beach to the base of the mountain range some miles inland. It was across these flats that the old truck weaved and bumped...in places there appeared to be no road, just village clearings, bare earth swept clean, with scattered coconut trees, and grass huts on stilts. As we went through these villages, picaninnies ran out and laughed, chasing the truck, as pigs and chooks scattered before us in panic....my mother and father chatted over the noise of the truck, catching up on news from South, while I absorbed, in silence, the new world around me...

“As we began to climb up from the coastal flats the road was not much wider than the truck and in places it had been cut out of the side of the mountain. The hot and still lowland scrub where the heat seemed to radiate out of the sandy soil gave way to dense lush cool green jungle. Massive rainforest trees reached up into the canopy hundreds of feet above, from

which shafts of sunlight slanted down....over the rattle of the truck I could hear the clicking and buzzing of billions of insects, and the squawking of birds high up in the tree-tops. Everything was damp dark, you could smell the rotting vegetation overlaid with other unidentifiable and exotic smells...

“Our house at Mamai stood at the end of a long road through the rubber trees. It stood at the centre of a clearing on high ground, and the first thing that struck me was that it was perched on high posts...and completely open underneath. It was larger than the beach house, built of fibro...the windows were...propped open with sticks...there was no glass, and like the beach house there was no internal lining, just fibro on the outside and the exposed timber frame on the inside which served as shelves...

“My mother bravely made herself at home...the kitchen, which was the focus of her attention, was separated from the house by a covered walkway. The corrugated-iron water tanks lived on rough wooden stands beside the walkway between the kitchen and house. There were no cupboards to store food and belongings, either in the kitchen or the house. All the food in the kitchen was stored on a large wooden table in the centre of the room, covered in a plastic table-cloth. What I found puzzling at first was that each leg of the table was placed in an open tin full of water. I later found out that this was to stop the ants from getting to the food.

“In the corner of the kitchen stood an old blackened cast-iron wood stove on a sheet of worn galvanised sheet which was nailed to the timber floor. Beside the stove was a heap of cut wood for fuel. The washing-up was done in a large aluminium dish on a table over by the windows.

“That evening we were invited to the Eglestaffs for drinks. Evidently it was a tradition that the Eglestaff’s would invite the new arrivals up for a welcoming drink. It was also evident after a short time that that was the only time you were invited for drinks, because from that moment on you were considered lower down the social scale.

“The Eglestaff’s house was unmistakably the manager’s house; it was built close to the ground like real houses were, South, and had a permanency and presence that no other building on the plantation had...Mr Eglestaff met us on the steps to the veranda; he was a short, sour-looking man, balding, with a wisp of grey hair. His eyes were small and hard He wore the obligatory white shorts and long socks which showed off his skinny legs and knobbly knees...

“The lower core of the house was built like a fort. The walls were solid concrete...we were to find out later that no one had ever been invited inside...it appeared that the interior of the house itself was kept as an inner sanctuary, a sort of shrine to some far-off and other life in a civilised land. The veranda, where most of the living took place, was scattered with an assortment of cane furniture, and big wooden Queensland chairs with the fold-out arms for resting drinks on, and there were ferns, ferns everywhere, hanging in pots from the rafters, and placed at intervals around the veranda.

“The pots were what interested me; they were made from the belly-tanks of World War Two ‘planes...cut in half and filled with soil, the nose part was used for hanging pots and the tail part for standing pots, the fins forming a handy support. As we sat there with evening approaching, looking out from the veranda across the plantation and a wall of jungle across the road that led down to the [native labour] compound...the dusk filled with the sound of

insects, and geckoes barked as they chased their quarry, mostly moths...as they fluttered against the hissing Tilley lamps...”

It was a formidable introduction to plantation life for a little boy, but Ray quickly came to love it. He was intrigued by the evidence of Mamai’s long existence. “The Eglestaff’s house was old; there were old concrete foundations down by the river near the compound that told of structures long gone...there were pieces of old rusted cast iron machinery whose purpose had long since been lost in time, buried in the grass around the compound. There were the remains of a railway line over the pass to the beach. Old cast iron trolley wheels belonging to the railway were buried in the long grass by the workshops. There was no indication that the railway line to the beach had ever been completed, or if it was ever used.

“There were the remains of an extensive telephone system linking each of the assistants’ houses, the manager’s house and the rubber factory. In our house there was an old telephone on the wall...there were telephone lines which went out of the house across to some rubber trees, and ended there. Evidence was everywhere that someone in the past had put a lot of energy and ingenuity into bringing the trappings of civilisation to this remote place.”

Like most coastal plantations in the 1950s and early 1960s, Mamai depended largely on labourers recruited under the Highlands Labour Scheme. When first established Mamai had employed labourers from Papuan coastal and island villages, but with the rapid post-war expansion of the plantation industry this source proved unable to meet demands. At first many plantations employed a mix of local and imported Highlanders, and fierce clashes



Mamai Plantation Manager’s house, circa 1950

Photo: Courtesy John Fowke

between the locals and the interlopers frequently occurred, for it was traditional for Papua New Guineans to fear and mistrust strangers.

One such battle erupted on Mamai during Edge Fitz-Gibbon's time there. Some 400 labourers were employed on the big plantation, mainly from villages in the Baniara and Trobriand Islands districts of Papua, and the Chimbu region of the Highlands.

“The first we knew of the big fight was the din coming from down at the compound,” Ray Fitz-Gibbon remembers. “It sounded like heavy rain beating on a tin roof, punctuated by angry shouting. A panicked boss-boy appeared at the bottom of the steps to our house. ‘Masta, masta!’ he panted, ‘big trouble, you come quick!’

“My father quickly put on his sandshoes and shot off...my mother got out the rifle, and as she carefully took each bullet from the small cardboard box and loaded them one by one into the magazine she said, as much to herself as to me, ‘Edge always said never bring out the gun, unless you intend to use it’ and obviously she intended to use it, if she had to.

“The din down at the compound continued all day, and my father stayed away all day...eventually in the late afternoon he returned, trudging tiredly up the path from the compound. It was then that we learned the full extent of what had happened. Evidently it had been brewing for weeks. It was finally set off by a Chimbu stealing a bucket of rubber from a Baniara. All hell had let loose. The Baniara had been preparing, stashing weapons, making fighting-sticks, catapults, fish-spear guns with steel bolts and many barbs, they were expert weapon-makers, and they knew how to use them.

“The Chimbu on the other hand had only bows and arrows. The arrows were long bamboo flights with heads made of black palm, and they wobbled through the air and fell short of their targets. They were not very effective as weapons, the Chimbu preferring to simply frighten their foes by fierce shouting and impressive displays of war paint, feathers and headdresses.

“My father had tried in vain to stop the fighting. The Chimbu had barricaded themselves in the dormitory buildings, and the Baniara had surrounded them, subjecting them to a continuous barrage of rocks from their catapults and steel fish spears. He told us how he had stopped the fighting at one end of the compound and moved to the other end, only to have the fighting flare up again behind him...”

The fighting continued until all the combatants were thoroughly exhausted, and all lethal weapons expended. An uneasy calm settled on the plantation while the arrival of patrol officers and native police was awaited. Ray Fitz-Gibbon remembers many scores of bloodied Chimbu, eyes wide and filled with fear, some with gaping wounds, huddled for protection beneath the Fitz-Gibbon house, where they knew they would be safe from marauding Baniara. “I was frightened,” he writes. “It brought home the brutal reality of what had happened, and how serious it was.”

The final toll was three Chimbu killed and one Baniara, with many scores injured, some seriously. This was a scene repeated at many coastal plantations during those years, although eventually Highlanders and locals learned to live more or less in peace.

Various Steamships vessels were based at Samarai at different times; during this period there were *Muniara*, *Locheil*, and three cutters, *Blue Peter*, *Kedaluma* and *Pixie*. *Doma* was a frequent visitor. She had recently been fitted with a freezing unit capable of carrying 1,000

pounds of meat, and plans were in hand to install freezing units of varying capacities on the other vessels in the Steamships fleet, including the small K boats.

The manager of the Steamships Samarai branch was still R.J. Paul, assisted by L.R. Simpson, merchandise manager. Other Samarai staff included accountant Edward Cook, W.T. Mist, C.H. Rich, Arthur Anderson, N.B. Chapman and Charles Graham (who took over from Simpson after he resigned). But Samarai was beginning to decline. The net profit for the Samarai branch in 1953 was £16,995, compared to Port Moresby's £132,478. By 1955 the Samarai figure had risen to £24,987, of which £21,690 were earned by the four plantations. After making provision for ships' depreciation and the creation of a plantation amortisation fund of £15,000, the adjusted net profit of Samarai Branch was just £5,987.

So the future for the Samarai Branch was not looking too bright. Manager Dick Paul (who was also a Steamships Director) applied for a transfer to Head Office, but no position was currently available there. He was told that it was Steamships' policy to “foster younger men to executive positions.” The Board had just resolved to seek the services of three or four young men with a view to training them as future executives over a period of 10 years.

In February 1957, one of these young men joined Steamships, from Australia. He was to eventually become Deputy Managing Director. His name was Bruce Blaikie.

BRUCE BLAIKIE

“I saw an ad in the paper for an assistant accountant for Steamships,” Blaikie recalled recently. “Nelson & Robertson were the people. I was interviewed by Ray Law one night out at the airport. I got the job, and flew up to Port Moresby. I served as an assistant accountant for 24 months from 17 February 1957. 1,200 quid a year, and very little else!

“Don Harvey was my contact when I went there, he was the company accountant, and Del Underwood was company secretary. Mitchell had just gone, and Viv Crisp was Chairman and Managing Director. The other Directors were Guy Cadden, Allan Willis - a very nice man - Dickie Paul, and Dudley Spence, the Merchandise Manager, an ex-POW of the Japanese.

“I went straight to Samarai, where the manager was Dickie Paul. Samarai was still pretty important then. It was quite a vibrant place, a young crowd, a young guy in the Wales bank, good fellers at Burns Philp - a great little place. I stayed in the Pacific View Guest House, with Julie Hanson. Big Julie - her husband, Freddie, was captain of the *Doma*. He and the crew would come into town and raise hell. And Julie would say, I can't handle it...its too heavy!

“I was only in Samarai for three or four months but I heard lots of stories about the old days, when Captain Fitch was getting Steamships started. They had no money, and when the bank manager was due to come round they would borrow all the copra out of the Burns Philp yard and put it in Steamships' yard. Then when the bank manager showed up they'd say, see! Look at all the copra! We've got plenty of resources! And the guy would go away, and they'd put all the copra back in the Burns Philp yard.

“We used to send shell up to the Highlands, pearl shells, cowrie shells, bailer shells and of course trochus. They used shell for money up there. There was a bit of gold out at Misima, and the native miners would come in to town and lock their gold up in our safe. Every now and then they'd want to have a look, to see if it was still there...”

MV DOMA

Captain Ray Taylor certainly enjoyed his years on the island. “It was very good, sailing out of Samarai,” he recalls. “Lucy English was working behind the counter in Steamships’ store there. I courted her for two years, and we ended up getting married. She was one of the old English family of Papua, her grandfather was that old Resident Magistrate, A.C. English...her brother, Winston English, also worked for Steamies in Samarai as a stevedore on the wharf. His brother, Dauncey, finished up as Steamies’ manager in Madang. My other brother, Jeffrey, also worked for Steamies. He was a shipwright and boatbuilder, he worked at the Paga Point shipyard, in Port Moresby.

“I remember the old *Doma*, very well. She had a bad time once in the Gulf of Papua. There’s no doubt about that Gulf of Papua, the number of ships that have been lost there! *Doma* left Daru, going in to Baimuru to load timber, and she struck violent weather that washed nearly all her hatches off, flooded the bloody hold, almost washed the wheelhouse over, broke all the windows and doors in the wheelhouse! She eventually got in to Baimuru, but when she got back to Port Moresby it took about six weeks to repair her, at Paga Point. If she hadn’t have been a big steel ship, she would have been lost...”

Ray Fitz-Gibbon also has vivid memories of the *Doma*. After some years at Mamai Plantation, his father was promoted to the position of manager of Huiva Plantation, Gulf District (which it will be recalled Steamships had purchased in March 1950). Before proceeding to Huiva, Mrs Fitz-Gibbon paid a last visit to Samarai, in *Doma*.

“The day we sailed the seas had been exceptionally heavy, and the weather threatening,” he remembers. “We had no sooner left the shelter of Port Glasgow when we hit the swell. The seas picked up as the day progressed. The *Doma* pitched and rolled. There was no hope of staying in the cabin, sea water gushed down the air vents onto the bunks and everything pitched from side to side and up and down, all at the same time! My mother dosed herself on seasick tablets, but they did no good. The moment you went below deck, you would be sick...

“I only got a little worried at one stage when the *Doma* got side-on to the swell, when I looked to the side there was a wall of water just beyond the railing where the horizon usually was. My senses urged the bulk of the ship to straighten up and face into the oncoming swell. I pulled on the railing as if I could physically turn the ship myself...

“The *Doma* eventually managed to straighten up again and face into the oncoming swell. The swell was massive, the crests were like mountain-tops and the bottoms like valleys. The *Doma* would chug its way up the face of the wave, get to the top, tilt, and surf down the other side. As it went over the top the propellers would break free of the water, making a loud chugging sound. Then as the propellers bit into the sea again the ship would shudder from stem to stern. When we hit the bottom of the trough, the bow drove into the bottom of the next wave. The forecastle disappeared completely into the wave and then the lower deck with the hatches to the holds would partly disappear under water.

“There would be a moment when you would wonder if the whole ship was going to just keep going straight down, then slowly the bow would begin to rise, the sea would cascade off the decks and pour through the openings in the gunwales like waterfalls. The *Doma* finally took refuge in one of the many bays along the coast, and rode out the storm there...”

Chinsurah, *Manugoro* and *Doma* were heavily written-down in August 1955. Mitchell advised the Board in November 1955, that negotiations were proceeding for the sale of *Doma* to a firm in Hollandia, for £27,500. This fell through, as did another attempt to sell her a year later, to David Nash, for £21,000. *Moisana* was still under repair, after three years in the shipyard!

The K boat, MV *Kari*, too, had been on the Slip for more than three months, awaiting attention. *Kari* had grounded at Egum Island on 6 August 1956, suffering considerable damage. She was salvaged by the firm of Ericson & Perrson, at a cost to Steamships of more than £5,000.

Steamships’ half-yearly accounts tabled at the Board meeting held on 25 February 1957, were generally disappointing. Turnover for the Slipway, Coastal Ships, Freezer and Merchandise Department dropped by some £100,000 over the previous year, the worst results in the Company’s post-war history. An overall net profit of £170,272 was still made, but an investigation had revealed that no provision had been made for depreciation or reserves, and some £13,000 in bad debts had not been written off.

Dick Paul noted that there had been a large increase in Slipway stock and an apparent lack of control there. Llewellyn Tracey said there was “a general air of dissatisfaction and unrest among the staff,” while Guy Cadden stated that any lack of co-operation between staff and the Managing Director was “due to faults on both sides.”

Jack Mitchell submitted his resignation as from 15 March next. It was unanimously accepted. As noted above, Viv Crisp then resumed the position of Chairman and Managing Director of Steamships Trading Company.

CHAPTER THIRTEEN

THE MUNIARA DISASTER

After being appointed non-executive Chairman, Viv Crisp had divided his time between Papua and his home in Australia. It was now necessary for him to again take up permanent residence in Port Moresby. He was given an option to purchase the old house in which he and his wife were currently living, for £3,120. The large (in the Board's view, over-large) residence that was under construction for Jack Mitchell was offered to the managers of the ANZ and National Bank branches in Port Moresby, for £12,500, or completed for £13,250.

The Board allocated £9,000 for the renovation of Crisp's house, on allotment 5 section 23, and architect John Wild drew up plans to Crisp's requirements. But when work commenced it was found that the house was riddled with termites. It was decided to demolish it, and rebuild, to Wild's plans. The contract was let to John Stubbs & Sons, for a total cost of £13,848, paid for by the issue of 5,200 ordinary shares plus cash.

D.M. Spence, at the time Merchandise Manager, was elected to the Board to replace Mitchell. As noted previously, Dudley Spence was one of the "Old Guard", a Steamships employee from the pre-war era. Llewellyn Tracey, another "B4", resigned, after 25 years as a Steamships Director. The Board placed on record their appreciation of Tracey's valuable and loyal service.

Dudley Spence was in ill-health, a legacy of his years in a Japanese prisoner-of-war camp during the Pacific War. He retired on 1 September 1960, after 23 years service with Steamships. He was replaced on the Board by N.V. (Norm) Johnson, who was at the time Automotive Manager. Both Spence's and Tracey's long service were suitably recognised by payments from the Staff Retirement Fund. Unhappily, Llewellyn Tracey did not long enjoy his retirement, for he died, on 21 January 1960.

Another young trainee executive was appointed, Oswald Todd, who replaced Del Underwood as Secretary of Steamships in November 1957. Underwood then joined the Board as a Director in place of Tracey. Soon afterwards another link with the past was severed with the death of Slipmaster and shipwright Sydney Muddell, who died in Port Moresby in February 1958, at the early age of 57 years, following a sudden heart attack. His wife received his full entitlements from the Retirement Fund.

DON HARVEY

Another young man had been recruited as a part of the executive training programme. He was Donald Neil Harvey, born in December 1928, in Sydney. He was educated at Canterbury Boys' High School, and in 1949 qualified as a certified accountant. Like Del

Underwood, recruited a few years earlier, Don Harvey would go on to become Managing Director of Steamships, the last of the line who steered the Company from the ways of the past, into the modern era.

Harvey joined Steamships on 29 September 1956, after working as an accountant for various City firms, and after a period as a Stock Exchange trading room operator. He recalled in a 2005 interview:

“I was also studying what would now be an MBA in Management at Sydney Technical College. I was in my 4th year, and I got so edgy that I was going to leave Sydney. Then a friend of mine, George Jones, who opened the first stockbrokers’ office in Port Moresby, said there was a good job going up there, with Steamships.

“I was interviewed in Sydney, and I took the job on the basis of a letter of appointment for one year, when the normal period, for private enterprise and Government, was two years. Port Moresby was so dynamic, there was something always happening, I just fell in love with the excitement of it, and the fact that there was opportunity. I still say today that PNG is a wonderful training-ground, as long as you are prepared to work, to be observant, to take on anything that comes across your desk. Down in Australia people are all specialists, they are good, but they don’t get the broad experience you had in New Guinea. I’ll back anyone with broad experience...

“I went up with the title of so-called internal auditor, but it was really management auditing, where you went into parts of the establishment that weren’t doing well, and tried to straighten them out. The accountant they had had got himself into trouble, he used to go around town on Friday nights to Beadels Bookshop and some of the smaller places, and he was caught thieving. When they went to his house they found it full of Parker pens, frozen chickens and a whole lot of other stuff. He ended up in Long Bay Jail, and that opened up the position of Accountant at Steamies...”

Don Harvey was appointed Company Accountant, a vital part of the senior management team. There was certainly a lot happening at this time, although the Board decided to temporarily restrict capital expenditures following Mitchell’s resignation. It had been planned to establish a separate company to take over the stevedoring of overseas vessels for which Steamships held agencies, and also the coastal operations, in order to limit liability against Steamships. The company was to be called Papuan Stevedoring Co Ltd, with a nominal capital of £50,000, under an independent manager, answerable to the Steamships Board. The Company itself would then not be responsible for any loss or damage to ships or cargoes when loading or unloading. But it was decided to defer the setting up of the company.

TIMBER EXPANSION

Despite the downturn in profits, the Board decided to increase Steamships’ investment in the timber industry. In March 1957, all shares held by independent shareholders of Sawmillers & Traders Ltd (which was in voluntary liquidation), were purchased. Many of these were held by Steamships employees, including Viv Crisp, Guy Cadden, John Aherne, James Kidne, Mrs Gladys Hill, Andrew Michel, Sydney Muddell, Arthur Ray, Leslie Simpson, Dudley Spence, Llewellyn Tracey, Del Underwood, Allan Willis, and Richard Paul. Jack Mitchell also held shares, as did Charles McKinnon. All assets of Sawmillers & Traders were also taken over by Steamships from the liquidator, for £68,614.

Later in 1957 the small Baimuru Sawmilling Company was purchased for £20,609, and new plant and buildings were installed. Del Underwood was placed in charge of the Slipyard and Baimuru Sawmill. Early in 1959, two Caterpillar D7 tractors - used, but in excellent condition - were secured from Australasian Petroleum Company for £5,000 each, and sent to Baimuru. A considerable volume of sawn timber was soon being produced.

In June 1960, Tom Flower, major shareholder in Brown River Timber Company, offered his shares to the Company. The Board resolved to accept the offer, conditionally on the Administration agreeing to restore a timber lease area of 15,000 acres previously taken over.

(Brown River Timber Co Ltd was owned by Thomas Flower with 100,100 shares, Mona Flower and Port Moresby accountant Stephenson (Peter) Fox, with 99 shares each. The purchase of the whole of this shareholding was finally negotiated in July 1963, for £25,000 in Steamships ordinary shares and cash.)

SHIPPING

There were still ongoing problems with the shipping side of Steamships’ business. The Board was dissatisfied with the management of the Slipyard, and in June 1958, the Chairman reported that Steamships’ vessels were spending more time on the slips than was necessary. A fourth slipway, owned by A & R Co Ltd at Paga Point, had been purchased for £8,500, so there was plenty of available capacity.

It was resolved to offer the experienced W.E. Robertson the immediate position of Works Superintendent, “so that he can pull things into line.” Robertson accepted the position. Slipyard performance improved to the extent that 95 vessels were taken up during the 1959-60 financial year, as well as a large amount of repair work and alterations carried out on vessels afloat.

MV *Doma* was nearing the end of its economic life. John Barraclough telegraphed Viv Crisp, asking whether the ship was still for sale. He was given a two-week option to purchase, for £19,500, but did not proceed. MV *Moturina* was offered to the Administration’s Marine Branch for £12,000. She had grounded on a reef at Egum Island on 16 August 1955, and suffered considerable damage. The Marine Branch rejected the offer.

There had been a Marine Board of Enquiry into the stranding of MV *Kari*, which questioned the vessel’s seaworthiness. This angered the Board. Steamships took great pride in the standard of its fleet, but after consulting with solicitor Jim Cromie, the Board finally resolved to accept the finding, and not seek to have the claim of unseaworthiness reversed.

Like all the K boats, *Kari* had been under the command of a Papuan skipper. The Company had commenced a formal training course for young native seamen, in 1955. Six youths were initially selected from many applicants - mainly from Elevala and Hanuabada - and given a concentrated six-months course in compass steering and elementary navigation, rigging, loading and shiphandling, under the supervision of the Slipway manager, Neil Nicklason.

Those who passed this preliminary course were then sent to sea. After a period of probation, they were given further training, designed to qualify them for command of K boats.

Another group of three lads had begun training in elementary marine engine maintenance. “We will teach them everything possible about the scows’ engines,” Nicklason announced. “After a year’s training, we hope they will be able to take over as engine hands, and do all the ordinary maintenance on our K vessels.”

Over the years, many competent Papuan masters graduated from the Steamships school, and later from the Maritime College that was established at George Stewart's old Napa Napa yard (the College has since been relocated to Madang). The two old-timers, Pipi Gari (originally bosun on the *Queenscliffe*) and Frank Rei, were back in Elevala village, retired on Company pensions, when the formal training began, but they served as examples for the young trainees. Notable skippers during the wooden K boat era (which as we shall see, ended with the introduction of steel craft in the late 1970s) were mostly from Elevala and Hanuabada, although when Steamships expanded into New Guinea (see later) some captains from New Guinea villagers joined, men like Andrew Ambai, Laurence Wale and Phillip Karaga.

Most of the old skippers have passed on, but names remembered today include Haroro Nou, Morea Goka, Dikama Igo, Gorohu Frank, Frank Doura, Morea Igo, Morea Doura, Bada Lohia, Vaieke Vaieke, Pipi Morea, Doura Pipi, Lahui Sere, Robert Kari, Gege Hitolo, Aniani Teina, Aua Eno, Peter Ikori, Vagi Gabe, Vake Daera, Naime Dogodo, Asi Boe, Frank Gabe, Pipi Gabe, Adam Mahiti, and Dogodo Hekoi. Laka Walo came from Hula.

Robert Kari still lives in his village, one of the two or three old K-boat skippers still left. He joined Steamships in 1962. In an interview at Elevala in 2006, Kari recalled:

“When I joined I worked as a seaman on the K boats, I was first on MV *Kari* and then I went down to bring up MV *Keba*, another K boat, from Sydney to Port Moresby. From 1965 I went on a course to Napa Napa College, and then I went and passed my exams at Port Moresby Harbours Board, and then I was a master. I was on most of the boats.



Captain Robert Kari

Photo: Courtesy R. Kari



Captain Dogodo Hekoi

Photo: Courtesy Ray Taylor

“I was 29 years with Steamships. My boss crossed me, he said I was not working properly. I said to him, you should trust me, so I walked away, and I have been retired for a long time now. Those K boats, they were like a dinghy in rough sea, you rolled, and all the passengers got sick! They had very good engine, Gardner...”

All negotiations for the sale of MV *Doma* eventually fell through. A survey of the vessel was carried out in March 1958, when it was concluded that it would cost £12,000 to bring her to full survey requirements. Moreover, the work would take some four months to complete. *Doma* was down in the books at the depreciated figure of £15,000; the estimated salvage value of removable fittings, engines and equipment was around a similar amount.

So it was resolved to take *Doma* out of commission, and place her in the hands of Captain David Marshall (currently in charge of Shipyard operations), who would strip her and either sell the fittings, or transfer them to other vessels of the Steamships fleet, “to best advantage”. However, after *Doma* was torn down, only £3,523 was realised from the sale of fittings and scrap. It was an ignominious end for a trim craft that had given good service over long years.

The M boats, too, were requiring an excessive amount of maintenance. Wooden vessels, they were inherently more costly to run than steel hulls, and they had already seen much hard service before being acquired by Steamships.

The 1958 annual survey disclosed that MV *Moturina* and MV *Muniara* each required repairs in excess of £4,000 and £3,000 respectively. In addition, the engines of both vessels required replacing. In view of this, *Moturina* was offered to James Chung of Island Shipping Service, Rabaul, for £10,500. Once again the sale fell through, and her price was reduced to £8,500. Despite extensive advertising in *Rabaul Times* and *Pacific Islands Monthly*, she failed to find a buyer. A new Crossley diesel engine was purchased and installed in *Manugoro*. The old auxiliary ketch, *Chinsurab*, was also advertised at £3,500, less engine, but she could not be sold (in May 1961, *Chinsurab* was withdrawn from service, and dismantled).

THE DEATH OF MUNIARA

The death-knell of the M boats sounded on 15 July 1959. MV *Muniara* was on a voyage from Baimuru to Port Moresby with a full load of timber. She was under the command of Captain Ted Smith, and mate Malcolm (Chips) Rafferty, with a Papuan crew. Ray Taylor recalls that Smith's nickname was “Coonawarra”, after a vessel of that name he had owned, in North Queensland.

“*Muniara* was a bloody beautiful sea-boat,” Captain Taylor remembers. “I was on her for years, out of Samarai. She had gone in to Baimuru to load timber, and she was just down off Kerema and this terrific storm came, out of the blue, and she rolled over! That bloody Gulf of Papua...you get the weather and it just comes up so fast!”

Captain Smith's last reported position was off Mira Point. The 85-footer was fully loaded with hardwood from the Baimuru sawmill. She was apparently overwhelmed by raging seas before she could send an S.O.S., sinking with all hands - captain, mate, 12 Papuan crewmen and an unknown number of Papuan passengers.

The captain of a Qantas DC4 reported sighting a floating object in heavy seas in the Gulf of Papua, believed to be the hull of *Muniara*. Other aircraft took up the search, and Steamships dispatched MV *Manugoro* from Daru to join in. A wheelhouse, empty drums, life-jackets, timber, a broken and twisted accommodation ladder and several life-rafts (miles apart) were



Baimuru Sawmill

Photo: Steamships archives



Baimuru Sawmill

Photo: Steamships archives

located, together with a smashed life-buoy bearing the painted name, *Muniara*. That was all. All indications were that the ship had been caught unexpectedly in sudden, savage weather. The search for survivors continued for days, but no bodies were ever found. The final confirmed toll was 15 lives.

Muniara disappeared in the same waters where the 66-foot trawler, *Elsie B*, had been lost with all hands, two years' previously. That trawler's master, Captain James Carlton, was one of the best and most experienced skippers on the Papuan coast. Captain Carlton was a master mariner, and the vessel had been working for some time under charter to Australasian Petroleum Company. He was part-owner of *Elsie B*, which was known to be in first-class condition when she disappeared.

The search for *Elsie B* was equally unsuccessful. The trawler carried a Papuan crew of eight, and was loaded with all kinds of valuable stores for APC. A sea and air search which extended over 14,000 square miles of sea and ocean was abandoned after five days. "Although the tragedy of the *Elsie B* had nothing to do with overloading," said an editorial in the *South Pacific Post*, "it does remind the community that the sea is a terrible adversary, and in its wildest moods, men and small ships are no match for it."

The editorial continued: "People who travel in Territory small ships as members of the crew or as passengers can no longer do so with supreme confidence in their safety. This is a situation which calls for immediate correction. It appears that due to the laxity of existing marine regulations, and the inability of the Marine Branch staff to examine each ship which leaves the harbour, shipowners, if they wished, could quite literally get away with murder.



MV *Muniara* at Tufi

Photo: Courtesy James Sinclair

“These are strong words, and it is distressing that there is sufficient evidence to back them to the hilt. The facts are that if shipowners wanted to overload their ships and were willing to take the risk of endangering their crews, passengers and vessels because of the extra costs to be accrued from overloading, there is little to stop them, either in the Territory’s laws, or the physical ability of Marine Branch to police the waterfront...”

These words were recalled when *Muniara* was lost, and the Marine Superintendent, Captain G.A. Hawley, immediately announced that a full inquiry would be held. This duly took place. Evidence was taken from a wide range of people connected with Steamships, and with the shipping industry, and was very fully reported in the Press.

The Board of Inquiry members were Captain Hawley, Collector of Customs Tom Grahamslaw, and Native Lands Commissioner Ivan Champion, the great explorer of Papua and also a highly experienced navigator and small ship’s master. The appointments were proof of the importance the Administration placed on the inquiry, for the three men were among the most respected in Papua. They would have no part of any attempt to cover-up.

Guy Cadden, until recently the Director in charge of Steamships’ Shipping Division, told the Inquiry that *Muniara* had had to be towed to Yule Island because of an engine defect three months before it went missing. Captain Smith, who had also acted as ship’s engineer, had told Cadden that the engine was “tired”, and needed replacing. Cadden admitted he had not examined Captain Smith’s engineering qualifications, but had accepted his assurance that he possessed them.

No evidence suggested that *Muniara* had blown up, or struck any obstacle that caused her to sink, although the possibility had not been discounted. The former engineer of *Muniara*, Frank Riley, told the Inquiry that he had left the ship at Port Moresby before she left on her last, fatal voyage. He left because the hull and deck leaked badly in heavy seas. Riley claimed that although he had reported these and other defects to a Steamships representative, nothing had been done. He was told *Muniara* was due to be slipped for annual survey after she returned from her last voyage, and defects would then be rectified.

Riley said that on his last voyage in *Muniara*, to Daru, the ship was taking water by the head with the crew pumping water 24 hours a day. Water was pouring into the engine room from the hold, forcing crew and passengers to man the pumps all the way to Yule Island. Had the pumping ceased, *Muniara* would have sunk, Riley claimed.

The adverse publicity was damaging to Steamships. The situation worsened while the Inquiry was still under way. The Marine Branch was also smarting under public speculation that *Muniara* had sunk because of a lack of proper attention by Branch officials. MV *Manugoro* was due to sail on her normal run, from Port Moresby to Daru, but her certificate of seaworthiness was about to expire. She, too, was shortly to be slipped for annual survey. An extension was requested, as was the usual custom. An official shipping inspector was sent to examine the craft at the wharf, and found crewmen on board, pumping out water, which was running through the planks.

The inspector recommended to the Port Moresby Harbour Master, Captain C.D. Foster, that an extension of the certificate of seaworthiness be refused. Previous requests for extensions had invariably been approved, providing the ship concerned was seaworthy. All requests for extensions would in future be handled by him personally, said Captain Foster. It was suggested that *Manugoro* was to be taken off the Gulf of Papua run and placed on the Samarai run, where the seas “would be kinder to her”.

The Inquiry dragged on. What was described as “startling evidence” was produced on 28 August. A coastal ships’ master, Captain J.J. Hague, told the Inquiry that he had seen *Muniara* at Baimuru just before she departed for Port Moresby, loaded with timber three feet above the bulwarks. He had a bet with Baimuru residents Jack Bolton, Joe Regione and Col Ryman that the ship would never reach Port Moresby. He had made two trips on *Muniara* under Captain Smith. “On one trip we went on a reef,” said Captain Hague, “and the ship was pumping all the time.”

Shipwright Victor Kliese told the Inquiry that he had inspected *Muniara* in May, two voyages before her last, and found that all copper fastenings underneath had been jarred, as if she had struck a reef. No false keel was left on the bottom, and the bottom planks were badly chaffed. He could see the oakum in the seams. “I reported the ship was badly gone,” he said, “and she should go on the slip. I was told to let her go this time, and she’d be slipped on her return.”

The Inquiry went into recess to consider the evidence. It re-opened on 22 September 1959, and the final Report was issued on 5 October. It was recommended that legal action be taken against Steamships for not ensuring that a properly certificated engineer was on board when *Muniara* sailed from Port Moresby on 1 July.

Apart from being undermanned for the voyage, *Muniara* was “seaworthy in all respects for the intended voyage when she left Baimuru,” the Report concluded. “The cause of the disappearance cannot be definitely ascertained, but probably she capsized as a result of synchronisation after broaching-to in the prevailing swell. There was no undue delay on the part of the owners in reporting the failure of the vessel to reach Port Moresby. The steps taken to search for the vessel were adequate.”

However, the Inquiry recommended that a radio coastal shipping watch should in future be maintained on a 24 hour basis. All ships as they entered port should be compelled by law to notify the appropriate coastal station. The loss of *Muniara* was in no way the result of any defect in the existing law.

It is probable that any vessel of the tonnage of *Muniara* would have succumbed to the wild seas that prevailed in the Papuan Gulf at the time of her disappearance. The M-class vessels were inherently seaworthy, and Captain Smith was an experienced master. It was inevitable that Steamships would become the scapegoat in the eye of the public, but the Inquiry had been extremely thorough. The probity of the three members of the Board was beyond question, and the Steamships Directors made all records available, and answered all questions put to them. Steamships had been operating small vessels along the Papuan coast, in all conditions of wind and weather, since 1919, and in all that time only one other craft, the *Vaiviri*, had been lost, and that in 1930.

Steamships paid compensation to the next of kin of the lost men. Even as the Inquiry was getting under way, the Board announced that all hope of finding the master and crew of *Muniara* had been abandoned. Compensation of £1,575 was paid by Steamships’ insurers to Mrs I. Smith for the tragic loss of her husband, to which the Board added another £500.

The loss of *Muniara* convinced the Board that it was time for Steamships to start to move into more modern vessels. One of the oldest of the wooden K boats, MV *Kano*, was sold to the Administration’s Marine Branch for £8,500. A replacement, MV *Keba*, was ordered from Bjarne Halvorsen Ltd. A 60-footer, *Keba* cost £21,000, fitted and ready to sail out of Sydney. A Papuan crew was sent down to bring her back (Robert Kari was one of the crew).

A search was made for suitable second-hand steel coastal ships. Australasian Petroleum Company was winding down its operations in Papua, and offered a number of small craft to Steamships, but none was deemed suitable. In the meantime, another Crossley marine diesel engine was ordered, for installation in whichever of the remaining M boats was in most urgent need.

These were but temporary measures. Steel ships were obviously required, and in October 1959, the Board resolved to have a pair of new steel coasters constructed, of much the same dimensions as the M boats: around 50 tons net displacement and 85 feet in length, but twin-engined. Preliminary design work called for the new vessels to be each fitted with two 84 hp Gardner diesels. These engines would cost £1,904 each, delivered to the shipyard.

Further calculations disclosed that the new vessels would be slightly under-powered if fitted with the Gardners. New Deutz air-cooled marine diesels of 90 hp were offering for £4,400 a pair, delivered. Gardner then made a counter-offer of L3 series five-cylinder engines of 95 hp, for £6,564 the pair, delivered.

While the design was being finalised, new Regulations under the Navigation Act governing the operation of coastal vessels in PNG were introduced into the Legislative Council. The Board decided to await the promulgation of the Regulations before proceeding with the building programme. Because of this delay it was decided to replace the main engines in MV *Moturina* and MV *Manugoro*, at a cost of around £10,000.

In the end the Board decided not to proceed with the new building. In December 1960, negotiations began for the purchase of a steel 80-foot ship designed by A.N. Swinfield, for £41,750 delivered to Port Moresby. Pacific Islands Shipyard, Kowloon, Hong Kong, had just commenced the construction of the vessel. Purchase was confirmed. She was given the name *Pipi Gari*, in honour of Steamships' first Papuan skipper. It was the beginning of a tradition that would endure.

Completion of *Pipi Gari*, and fitting her out with teak decking and other refinements, occupied another year. It was during this period that Viv Crisp finally laid down the reins, and retired.

NEW DEVELOPMENTS

Crisp's final term as Chairman and Managing Director had seen many other major developments other than those mentioned above. During 1959 the authorised capital of the Company was increased to two million pounds, and subscribed capital to £1,182,316. Profits continued to climb, and dividend payments were maintained, at the same rates that had applied over the preceding 10 years.

Steamships' shares were considered to be blue-chip, and were much sought after. The Investors Diary column that appeared in a number of newspapers commented in September 1959:

“Steamships announces a 1 for 4 bonus issue, and a 1 for 4 issue at par to shareholders. Profits over the last 10 years have averaged 23% on ordinary capital after payment of preference dividends, and have not been below 20%. Unfortunately, shares are tightly held, and are very rarely available...the results of the next 12 months will be watched with keen interest, with the introduction of Income Tax. If the strength of this company is to be tested, it will be now. It is small wonder that Steamships is highly regarded in the investment world,

and is almost invariably among the chosen stocks for Unit Trust companies.”

One of the best-performing Divisions was Automotive & Machinery, managed by Norm Johnson. In late 1958 it was decided to erect a new Automotive and Machinery Showroom building, on the corner of Hunter Street and Champion Parade. Architect John Wild was commissioned to draw up plans. These were tabled at the Board meeting held on 14 January 1959, and were approved, subject to various alterations and improvements.

At the suggestion of the Rootes Group representative, the plans were again altered to include large plate-glass windows covering two bays on the first floor of the Hunter Street wall, for show purposes (Steamships was still selling mainly Rootes Group vehicles).

The new building was constructed by Hornibrook Constructions Ltd, at a cost of £36,192. The steel framework was supplied by Evans Deakin Ltd, at £9,780. The work was paid for by the issue of Steamships shares.

STEAMSHIPS MANAGEMENT STRUCTURE

Steamships' overall operations were now so diverse that each segment had been placed under the control of individual heads, responsible to the Board. Bonus payments were regularly made to these departmental heads. At the end of 1958, these were: C.G. Graham, Mrs B.Graham, W. Schultz, T.D. Wood, Mrs E. Wood, W. Smart, A. Stanford, K. Bainbrigge, W. Snell, Mrs A. Snell, L. Darstow, A.H. Brown, D.J. Graham, J. Homan, W.R. Meade, D.E. Potts, B. Murr, S.W. Tricknell, H. Alsop, G.E. Anderson, Captain D. Marshall, R.A. Done, N.R. Gorringe, R. Oneile, J.H. Price, B. Costello, R. Barron, C.J. Hiatt, W.E. Robertson, G. Foster, P. Martin, K. Mahon, and E.W. Thacker.

Bonuses of one month's salary were also paid to staff members, and the Retirement Scheme was amended to provide for six months' leave on full pay after 25 years' continuous satisfactory service. The first to take advantage of the change was C.A. Shorthouse, who was also paid £2,496 allowance after retiring, in November 1959. Miss Joan Hart also retired. She had joined Steamships on 6 November 1933, and she, too, was paid a substantial additional retirement bonus.

The existing retirement plan was amended in September 1959, to provide benefits based on a slightly different formula. Under the new scheme, those who served from 20 to 25 years would be paid 18 months' salary, plus a fifth of six months' salary for every year in excess of 20 years. Those serving 35 years and over would receive a retiring allowance of 36 months' salary.

New staff members joined the Company, including Patrick Malley, Neville Jones, A. Hill, B. Fallon, Frank Leek, Neil O'Brien and Colin Thompson. Additional staff residences and single quarters were constructed on various allotments owned by the Company throughout Port Moresby. Many were built by John Stubbs & Sons, to plans drawn by John Wild.

TED THACKER

Steamships constantly strove to obtain experienced staff, preferring those with previous Territory experience. Typical of these was E.W. (Ted) Thacker, Coastal Shipping manager. After leaving school, Thacker began his career with Burns Philp, as a clerk in their Stevedoring Division. In 1946, Burns Philp decided to appoint likely young clerks to the Shipping Division, as Assistant Pursers. “I heard about this,” Thacker recently recalled, “and



Ted and Rosalee Thacker's wedding

Photo: Courtesy Rosalee Thacker

I applied formally to be transferred to the sea staff. I made my first voyage on MV *Muliama*, on a trip to Samarai. I made two more voyages on her, then transferred to *Malaita*.

“I spent two years on that vessel, and then was appointed Assistant Purser on *Bulolo*. Stayed with her a year, then went back to *Malaita* as Purser. In December 1951, we left Sydney on a voyage to Samarai and I met a very beautiful young lady passenger...we were subsequently married on 2 April 1952, at the Anglican Church in Samarai...”

Thacker married Rosalee Skelly, daughter of E.C. Skelly, who as noted in the opening chapter of this book had been one of the first staff engaged by Captain Fitch in Steamships' early days. Rosalee went to live in Samarai when she was three years old, and was evacuated with her mother and sisters in December 1941, just before the Japanese attacked New Guinea.

“In 1946 we came back to the island,” she said in a recent interview, “very sad to see what had happened to it. It had been badly damaged. The Americans burnt up most of the buildings for firewood, that's all they had. I went down to Sydney in 1948 and was there for a few years before returning to Samarai...”

Ted Thacker joined Burns Philp's latest vessel, MV *Malekula*, after his marriage. But as a married man he now wanted to leave the sea. He applied for a shore position with Burns Philp, but there was no place for him, so he left the Company, and for several years worked in various capacities around Sydney. He was happy enough, but he found he still had a hankering for the sea.

“One day I picked up the *Sydney Morning Herald*, and here was an advertisement put in by Nelson & Robertson, for a cargo superintendent in Port Moresby,” Thacker remembers.

“N&R were Steamies' agents in Sydney. I rang for an interview and spoke to Ray Law, whom I knew from my Burns Philp days. He said, the job's yours! So I went up to Port Moresby...and I stayed there for 24 years! I arrived in '55 and stayed until July '79. When I retired I was Group Controller for all shipping and stevedoring...”

It was during this time that Steamships got out of the bakery business. Charles N. Wigan had commenced a bakery in the new suburb of Boroko, and in August 1958, he made an offer for the Acme and Ela Bakeries. The operation of bakeries was really a fringe business for Steamships, and the Board decided to offer them to Wigan at a firm price of £80,000. This was accepted.

PLANTATIONS

For several years, the RSS&AILA (Returned Sailors', Soldiers' & Airmen's Imperial League of Australia, or RSL as it is now known) had been pressing for a Resettlement Scheme in PNG for returned servicemen, and in the same month - August 1958 - the Board, anticipating the possibility of RSL loans becoming available in the near future, authorised Viv Crisp to negotiate the sale of Doini, Conflicts and Puni Puni Plantations, for £9,000 each for the first two, and £8,000 for Puni Puni.

These plantations were fairly remote from Samarai, which was responsible for their operation, and since that Branch was steadily declining in importance, it made sense to dispose of outlying properties. Eric Miller was manager of the Branch at this time, assisted by Edward Cook and Ken Lee.

In the event only Doini was sold. An inspection disclosed that there was a lot of repair work to be done on the plantation, and the asking price was reduced to £7,000. It was finally sold to T.F. Craig for £6,500.

Despite the sale of Doini Plantation, Steamships was still fully committed to its Plantation Division. The price of copra and rubber continued to rise during 1959, although it slipped in 1960. Cocoa prices were in decline, but this was a temporary situation mainly caused by greatly increased production in Africa. By mid-1960 some 1,000 acres of cocoa had been inter-planted with coconuts on several Steamships' coconut plantations, and were gradually coming into full bearing. A satisfactory profit was being realised.

In September 1961, Veimauri Estates Ltd was purchased from E.T. Ward for 30,000 ordinary Steamships shares, and the Company made an unsuccessful offer of £46,267 cash for the purchase of Baibara Estate in Orangerie Bay. An offer by PNG Development Corporation to sell Wanigela Plantation for £7,500 was refused, after the new Assistant Plantation Inspector, Lloyd Armitage, reported unfavourably.

THE HOTEL IMPERIAL

Crisp left office with the question of the proposed new hotel at Port Moresby unresolved. The Administration was pressing hard for something to be done. Failure to act would put the valuable hotel lease at serious risk. In May 1959, the Board authorised Crisp to commence negotiations for the erection of a hotel to the value of £100,000 on allotment 12, section 5.

It was a nervous time for business generally. As noted earlier, income tax (which included business tax) was about to be introduced. To address the accounting situation and bring it

into line with Administration and general business practice, the Board resolved to make 30 June each year the annual balance-sheet date. To ease the burden of taxation on employees who would soon be due for leave, it was resolved to pay all leave entitlements before 30 June 1959. The annual bonus paid to employees would in future be included in salaries, and salary rates were adjusted accordingly.

But something had to be done, quickly, if the hotel site was to be held. It was agreed to take “early action” to have the site cleared, and a rough preliminary design prepared. Drawings were nearing completion by December 1959. Negotiations began with Ansett Transport Industries Ltd, who had been trying to get approval to operate an Australia-PNG air service, in competition with the Government-owned airline, Qantas. Ansett advised that if they were given permission to operate the airline, they would consider leasing the entire hotel, rather than construct one of their own. But they would require the hotel to be constructed to their design and cost.

The Board informed Ansett that if this was done, Steamships would require a lease rental of at least £1,200 per week, to cover interest on capital investment, depreciation, insurances and taxation. The Ansett subsidiary, Ansett Hotels Ltd, declined to enter into any capital commitments, and said they would not be prepared to pay more than £1,000 per week.

And there the matter stalled. Viv Crisp had wanted to achieve finality before his retirement, but this was not to be. He did, however, achieve one result that had been long under consideration, and which for the first time spread the Company’s trading operations beyond Port Moresby and Samarai. This was the takeover of the A.H. Bunting Ltd interests at Samarai and Popondetta.

THE BUNTING TAKEOVER

In May 1959, E.E. Kriewaldt & Co Ltd had made a tentative approach, offering to sell its Badili store and certain assets at the Four Mile for £120,000, but after a quick inspection, the offer was refused. Low-key negotiations continued. However, in September, A.H. Bunting Ltd offered to exchange all their assets, excluding book debts, for Steamships shares.

This was a far more attractive proposition for Steamships. As previously recorded, A.H. Bunting Ltd had been formed after the death of the pioneer Samarai planter and trader, Arthur Bunting. The assets included buildings, leases and plant at Samarai, and similar facilities at Popondetta, in the Northern District. Five vessels were included in the offer, all small cutters and ketches with the exception of one 66-foot trawler, the *Bev*, of a type that would readily fit into the Steamships fleet.

While negotiations were in progress, E.E. Kriewaldt’s made another offer to sell to Steamships all their Boroko interests, including store, bulk store and residence, all with 85 years to run on the leases, for £40,000, plus stock at an estimated value of £35,000. Again the offer was declined (E.E. Kriewaldt & Co ceased operations in 1962).

On 22 March 1960, the Board resolved to accept the A.H. Bunting offer. The total price was £115,400, plus stock on hand at Samarai and Popondetta, at cost. Payment would be made in fully-paid one-pound Steamships shares. Takeover proceedings began, and were completed in June 1960. With the purchase Steamships also acquired the services of G.E. (Dusty) Miller, the long-time manager at Samarai, who continued in the position.

Arthur Anderson was sent to Popondetta to take over the Buntings operation there, assisted

by Harold Alsop and Graham Wood. Steamships had thus acquired a third major branch, on the northern coast of the mainland.

CRISP LEAVES

It was a fitting time for Eric Vivian Crisp to end his long and distinguished association with Steamships Trading Company. He was almost 66 years old, and had been having health problems. He chaired his last Annual General Meeting on 16 October 1961. A net profit of £246,453 had been made for the year ended 30 June, a record to date, and despite rising overheads, due mainly to new business taxes and increased staff wages resulting from arbitration decisions in Australia. “It is, surely, manifestly irrelevant that salaries and wages, which may be applied to persons living thousands of miles away, in another country, should almost automatically be applied to these Territories,” Crisp wrote in his report to shareholders. But of course the Company had to match wages paid in Australia, if it was to continue to recruit skilled staff there.

The merchandising side of the business (which included the Automotive & Machinery Division) made the greatest contribution to the result. The Timber Division was doing well, and the Slipway and Engineering Works also had a good year, over 100 vessels having been taken up on the four slipways. Although the market prices for copra, rubber and cocoa were still declining, there were indications that the situation would soon improve. The overall picture was somewhat obscured by Britain’s negotiations to join the European Common Market.

So Viv Crisp was able to end his association with Steamships on a high note. He concluded his report with the words:

“Twelve months ago I informed my co-directors it was my intention to retire from your Board on the 31st of this month, which incidentally will be the 35th anniversary of my joining this Company. Mr H.D. Underwood has been asked by your Directors to take over the Chairmanship and the position of Managing Director, upon my ceasing to hold these positions, and I am most pleased to inform you he has agreed to accept these responsibilities.

“I would like to assure you we are most fortunate in having such a capable, experienced and highly respected person to take charge of our Company’s affairs...”

The vacancy on the Board created by Viv Crisp’s retirement was filled by the Company Secretary, O.A. Todd. In recognition of Crisp’s 35 years of service, and his guiding Steamships through the difficult years following the ending of the Pacific War, the Board resolved that he be paid a retiring allowance of £11,760. His shares in Mariboi Rubber Ltd, Kerema Rubber Ltd and Lolorua Rubber Ltd were also purchased.

Viv Crisp received many plaudits on his retirement. He had been a strong supporter of numerous charities and town bodies, and had worthily represented the Company in many fields.

Probably the most pleasing to him was the farewell given him by the august Papua Club. Crisp had served as President of the Club in 1951, and in 1966, after his retirement, he was elected a Life Member, a rare honour - he was only the sixth member to be so elected since the formation of the Club in 1912.

(It is pertinent to note here that several other Steamships senior executives were also

honoured by the Club over the years. Allan Willis - who had done a great deal to help preserve the Papua Club during the war years - became the fourth to be elected a Life Member, in 1962. Norm Johnson was elected in 1974, and Don Harvey in 1979. Willis, Guy Cadden, Johnson and Harvey also served terms as President.)

Viv Crisp retired to Sydney. He returned to Port Moresby to live privately for a time, but eventually went back to Sydney, where he died on 7 May 1977. His long-time friend and fellow Steamships Director, Guy Cadden, died a fortnight later, on 21 May.

CHAPTER FOURTEEN

THE EXPANSION INTO NEW GUINEA

H.D. Underwood, the new Chairman and Managing Director, was well experienced in business and in the affairs of Steamships generally. He was a man of precise, conservative habits, yet it was during his watch that Steamships made a prodigious leap forward.



Del Underwood

Del Underwood moved cautiously after taking over from Crisp. He told the Board that the only immediate changes he would make to the management structure was to place Dick Paul in charge of the Slipway, Baimuru Sawmill and Timberyard, and the trade stores (for which Underwood had himself been responsible for, prior to his appointment). Don Harvey would take over the Freezer and Cordial Factory, and Bruce Blaikie would become Company Accountant. Allan Willis took over as Managing Director of the rubber companies.

“I got on pretty well with Underwood,” Bruce Blaikie recalled recently. “He was a hard bugger, but I got on well with him. I remember staying with him at Samarai once, and we had to share a room. I said, Mr Underwood, seeing we are sort of sleeping together, do you think it would be all right if I called you Del? He said, I wish you would! So that’s how I came to call Del, Del.



Bruce Blaikie

“He and I developed the Company flag, the house flag for Steamships’ vessels, the blue with the yellow around it, with the S in the middle...”

Sadly, Allan Willis died on 26 August 1962. He had spent almost his entire adult life in Papua, arriving in 1919, joining Steamships as the first Plantations Director in 1937, and being elected to the Board in 1945. He had played a critical part in the development of the rubber industry in Papua, and his wise counsel was much missed. Don Harvey was elected to replace Willis on the Board.

THE COLYER TAKEOVER

The first major test that Del Underwood faced came in March 1962: an approach from W.R. Carpenter Holdings Ltd, for the takeover of Steamships Trading Company. Underwood recently recalled:

“The Carpenter delegation, complete with their solicitor, arrived unannounced at my office one morning. They had obviously waited E.V. Crisp’s retirement, thinking I would be a softer target. I was determined to block this. Although relations with our other competitor, Burns Philp, were always harmonious, I was ever mistrustful of Carpenters.

“I concluded then the idea of a defensive move. To purchase the Colyer Watson organisation would put Steamships in direct conflict with Carpenters in the main ports. This I reasoned, would make the Company less attractive to them. Jim Jamison, the senior partner of Cooper Bros, was at that time visiting Port Moresby, and as he was friendly with R.A. Colyer, I asked him would he make the initial approach. The rest is history!”

An acquisition of the Colyer interests would move Steamships in an entirely new direction, for the Colyer assets were located in New Guinea. Viv Crisp had been leery of any involvement in New Guinea, because of its status as a Trust Territory. The Steamships Board unanimously agreed that the Carpenter offer was “ridiculous” and not worth pursuing further, and backed Underwood’s decision to make an offer for the Colyer interests. W.R. Carpenter Holdings then withdrew.

The offer and withdrawal reached the ears of the Melbourne Stock Exchange (Steamships was listed on both the Sydney and Melbourne Exchanges, and formal application for listing on the Brisbane Exchange was about to be approved), and the Melbourne agent, Elizabeth Mumford, cabled Underwood, saying the Exchange required the Company to immediately make a full disclosure of the offer and withdrawal, otherwise trading in Steamships shares would be suspended. The Sydney Stock Exchange took a similar position, and in fact set a deadline.

Underwood sent out a circular letter to all shareholders, explaining in detail why the Board considered the W.R. Carpenter offer to be unacceptable. The Exchanges finally agreed that the Board had acted entirely according to their requirements, and the matter lapsed. It was never resurrected.

(Elizabeth Mumford, one of the earliest Steamships employees, retired in November 1963. She was replaced as Company agent in Victoria by Peter Heseltine, of Ernest Fookes & Co. As well as her retiring allowance, Miss Mumford was formally presented with a handsome inscribed silver tray, to mark her long years with the Company.)

The acquisition of the Colyer interests that followed was - as Underwood indicates - a purely defensive tactic, and not a conscious move to expand. More capital would obviously have to be raised to finance the takeover. An Extraordinary General Meeting was called for 30 May 1962, to approve the increase of the capital of the Company from two to five million pounds, by the creation of three million new shares of one pound each. The existing one-pound preference shares and ordinary shares would be sub-divided into four shares of five shillings each. These measures were approved.

The most momentous time thus far in the history of the Company had now arrived. As we have seen, to this moment Steamships had operated entirely within the Australian Territory

of Papua, mostly in Port Moresby and Samarai. The business was relatively compact and not too difficult to manage. New Guinea was a Trust Territory, subject to United Nations’ oversight. A Colyer takeover would propel Steamships Trading Company to an entirely new level - and with entirely new levels of risk, not the least the prevailing uncertainty about the political future of PNG.

POLITICAL CONSIDERATIONS

This was a worrying time for business in PNG. As the decade of the 1960s unfolded the question of self-government and independence began to dominate public consciousness. There was unrest on the Gazelle Peninsula, where the proud Tolai were starting to attack the old German land titles that had seen their best lands passing into the hands of foreign white planters. The income tax debate had been furious, bitter and divisive. A Labor Party delegation visited PNG, led by Opposition leader Arthur Caldwell and accompanied by the doctrinaire Socialist MP, Clyde Cameron. At a series of public meetings, Cameron was bitingly contemptuous of the white businessmen and planters of PNG, whom he considered exploiters of the worst sort. Many whites began to fear that they would eventually be forced out of PNG. A definite flight of capital from PNG began to develop.

Things were fairly quiet until 1962. Australia was administering New Guinea under a United Nations Trusteeship, and every three years a UN Visiting Mission toured the various Districts, investigating and reporting on what they found (as an Australian Territory, Papua was not subject to inspection). The reports of the earlier Missions were on balance favourable, but during the mid and late 1950s, aspects of Australia’s administration of New Guinea began to come under increasing attack from the powerful Afro-Asian bloc in the United Nations, and the Russians and their allies. Colonialism was becoming a dirty word. Most metropolitan countries had laid down their colonial burdens. The Dutch would soon be forced out of Dutch New Guinea, but Australia was still persisting with New Guinea.

The most significant of all the UN Missions was without doubt that led by the distinguished English colonial expert, Sir Hugh Foot, in 1962. Under the paternal eye of Territories Minister Paul Hasluck, constitutional change had been proceeding in PNG at a measured, but leisurely pace. The policy of the Australian Government (many times repeated, and generally supported by the Opposition) was that Australia would stay in PNG for as long as the people wanted her to.

It is true to say that there was no sense of urgency during the 1950s, but a number of important initiatives had been taken. The Legislative Council, established in November 1951, had three nominated Papua New Guinean members, and in 1961 the Council was reconstituted, with 12 national members. Before the Foot Mission arrived the Legislative Council had already appointed a Select Committee on Political Development, to go to the people and seek their views. The Local Government system was firmly established, and by 1961 there were 43 Councils in existence, representing 309,000 people, with Councillors chosen by ballot.

These were significant initiatives, but Sir Hugh Foot felt that time was running out. The “winds of change” blowing over Africa would soon be howling over PNG. While acknowledging that Australia had done much, he was convinced that she had not done enough.

The Report of the 1962 Mission came as a rude shock to most of the whites of PNG, and certainly to the business community. Said the Report:

“First, it is essential to be ahead of and not behind the rapidly awakening and increasingly insistent desire of the people for material progress. Secondly, it is necessary to equip the people with higher education to take a leading share, and not merely a subordinate part, in the management of their own affairs. Thirdly, the whole Territory must be drawn together, and given the means for free political expression by the creation of a representative Parliament. We are convinced that there should be no delay whatever in pressing on to achieve these three purposes.”

The Report called for Australia to arrange for a full economic survey of the Territory by the World Bank; to commence a programme of higher education designed to produce at least 100 university graduates a year; and to replace the Legislative Council by a House of Representatives of 100 members, with elections to be held in 1964 on a universal franchise and a common roll.

In 1962, these were positively revolutionary proposals. Sir Hugh Foot was attacked in the Australian Parliament, in the Legislative Council and by many influential figures. Then the journalist and PNG observer, Osmar White, wrote in the Melbourne *Herald* newspaper that Australia would try to give PNG self-government by 1968, and full independence by 1972 “at the latest” (he was not so far out: self-government came in December 1973, and full independence on 16 September 1975).

There was a horrified reaction in PNG. There was so much general uneasiness and confusion in both town and village about the future of the Territory that in March 1963, the Minister for Territories, Paul Hasluck, felt constrained to make a public statement (which was also distributed by circular to every member of the Public Service, a unique occurrence):

“The report...is sheer speculation by a singularly ill-informed person...I ask the inhabitants of the Territory, and by that I mean inhabitants of all races, to cast from their minds the false and mischievous gossip that Canberra is planning early withdrawal. I assure them it is not. The policy of the Australian Government, frequently reaffirmed, is that we will stay in PNG as long as the people of the Territory need our help.”

It is undoubted that the 1962 Foot Report did spur the Australian Government into accelerating its programme for the development of PNG. The Government did not go quite as far as Foot recommended, but the changes that now came really marked the ending of the colonial era in PNG. In 1963 a group of World Bank (International Bank for Reconstruction and Development) economic experts made a detailed survey of the Territory. A five-year education policy was adopted, and the University of Papua New Guinea was founded in Port Moresby (which produced its first graduates in August 1970).

The Legislative Council was replaced by a House of Assembly. In March-April 1964, elections were held for the first House of Assembly, a parliament of 64 members of whom 44 were elected from a common roll of voters, and 10 were appointed Administration officers. Political parties began to appear, the strongest the Papua and New Guinea Union, or PANGU Party, with a platform of immediate home rule, and People's Progress Party. National leaders began to emerge; prominent among them Michael (today, Sir Michael) Somare and Julius (Sir Julius) Chan, who would eventually become the first and second Prime Ministers of an independent Papua New Guinea.

It required a leap of faith in the future to consider a major expansion at such a turbulent time, but the Board resolved to go ahead with the Colyer Watson acquisition.

COLYER WATSON (NEW GUINEA) LIMITED

Steamships had had a relationship with Colyer Watson Pty Ltd since 1952, when the New Guinea Australia Line commenced its Australia-PNG shipping service with *Shansi* and *Sinkiang*, with Steamships as agents for Papua, and Colyer Watson for New Guinea. That company had been established in general trading in Rabaul for many years, had branches in several other New Guinea towns, and owned plantations. It would thus fit in nicely with Steamships' operations. Moreover, Viv Crisp and R.A. Colyer, founder of the Company, were personal friends.

The initial approach by Jim Jamison of Cooper Bros, Way & Hardie (Steamships' current auditors) to R.A. Colyer, asking whether he would be interested in selling the whole of the share capital in Colyer Watson (New Guinea) Ltd to Steamships, was favourably - if cautiously - received.

The moment of truth had now arrived. Moving out of Papua into New Guinea was a very big step, which would call for large expenditure. After a great deal more discussion on the wisdom of extending Steamships' activities to the New Guinea side in a time of rapid political change, the Board agreed that it was “not imprudent” to do so (Allan Willis dissented, his last major decision before his death). It was not exactly a ringing endorsement, but once made there was no further wavering. The Board decided that Del Underwood should go to Sydney to enter into further negotiations with R.A. Colyer, Keith L. Colyer and Eric L. Colyer, the principal shareholders. Dick Paul would act as Chairman in Underwood's absence.

The firm of Colyer Watson Ltd had been founded by Rupert Alexander Colyer. Rupert Colyer was born in NSW in January 1890, and as a young man worked in Fiji for the Pacific Cable Board, where he met and married Nellie Walker, daughter of the Suva postmaster. They had two sons, Keith and Eric.

Colyer returned with his family to Australia, and after working for Queensland Meat Export Company fought in the Great War as a member of the Australian Cavalry Squadron. Writing on Colyer's career, R.A. Robson later noted that “war conditions made him into a tough and thrusting individualist, who sought for opportunity. He found it in a growing world demand for cattle by-products.”

After the war, Colyer went to New Zealand where in 1920 he formed a company with a New Zealander called Watson, who provided most of the finance, but left the active running of the Company to Colyer. Colyer Watson & Company Limited dealt in hides, skins and tallow. Some years later a branch office was established in Sydney: Colyer Watson Pty Ltd.

Colyer found that overseas demand for tallow was invariably accompanied by requests for copra. He therefore cast around for copra supplies, and soon found that newcomers to the lucrative copra trade were not welcomed by any of the established suppliers, in particular the market leaders, Burns Philp. He also experienced great difficulty in arranging for the copra he was able to purchase to be shipped out. This spurred Colyer into appointing the established New Guinea firm of Greenwood and Laws as buying agents, and soon afterwards he founded Colyer Watson (New Guinea) Ltd, at Rabaul.

The shipping difficulty was overcome when the great German company, Norddeutscher Lloyd (NDL), announced its intention to re-enter the New Guinea trade (from which it had

earlier been excluded), with the motor vessels Bremerhaven and Friderun. The three established Australian shipping companies (Burns Philp, W.R. Carpenter & Co and Dalgety) lodged furious protests, but failed to prevent NDL from starting up. Colyer Watson was appointed NDL agent, and in a single year exported some 22,000 tons of copra in NDL vessels, which of course further enraged Burns Philp.

After the Pacific War, Colyer Watson returned to New Guinea and began a steady expansion into general trading, importing and exporting. Rupert Colyer and his sons, Keith and Eric, took a very active part in the development of the New Guinea coffee, cocoa and peanuts industries. Colyer also interested himself in trial plantings of kenaf, near Port Moresby.

In 1943 a lad of 15 named Robert Ian Oatley joined Colyer Watson Pty Ltd, Sydney, as an office-boy. In a 1993 interview, Bob Oatley recalled:

“R.A. Colyer was a man I admired greatly. The main reason he employed me, I think, was to have somebody to deliver the letters rather than post them, because it was much cheaper to have me deliver them. That is a fact...

“I graduated through the ranks of Colyer Watsons...Colyers started again after the war in Rabaul in a Nissen hut, and established one of the first European stores, competing with Carpenters and Burns Philp. That emerged as a major department store, selling everything from a needle to an anchor, and running small branches in Madang, Kavieng and Lae. Never in Papua, only in New Guinea.

“That business prospered, the cocoa business came into being, and I was given the job of



Goroka Coffee Producers

Photo: Courtesy John Fowke

selling that cocoa. It was mainly produced on the Gazelle Peninsula, but all round New Guinea, down as far as Jacquinot Bay, Namatanai, Kavieng, all over...that was my introduction into merchandising PNG produce...

“In those days the produce department of Colyer Watson was a one-man band - me. That was the whole operation...”

Del Underwood went down to Sydney with the Board’s authority to negotiate for the purchase of the whole of the issued capital. The Board was aware of the fact that Colyers were indebted to the amount of £329,000.

The deal was concluded by the issue to the vendors of 192,709 fully-paid one pound ordinary Steamships shares, at that point valued at 48 shillings each. Colyer Watson (NG) Ltd was now a wholly owned subsidiary of Steamships Trading Company Limited - except for the produce marketing department, which R.A. Colyer retained.

Bob Oatley remembers the momentous transaction. “It was in 1962 that Mr Colyer, who was quite elderly at that point, decided to sell his New Guinea business interests to Steamships. But in doing so he was not prepared to sell the produce department, and retained the cocoa and coffee. He sold the merchandising department, with branches in Rabaul, Kavieng, Lae, Madang and Goroka to Steamships, which gave them for the first time branches outside Papua. So Colyer Watson ceased to exist, and those branches became Steamships Trading Company branches.

“I was running the produce department, and Steamships, finding they only had half a produce company, didn’t like it very much, and they sacked young Bob Oatley, because they didn’t like him spending their funds. There was nothing personal in it, it was just a fact of life.”

Steamships and Colyer Watson Pty Ltd had entered into a short-lived joint venture arrangement to export coffee, but this ceased on 31 December 1963. R.A. Colyer then formed a company called ANGCO Marketing Pty Ltd, in which Bob Oatley was a minor shareholder. Oatley eventually became the majority shareholder, and under his guidance, ANGCO (Australia New Guinea Coffee Co) went on to become the leading exporter of PNG coffee, at its peak handling around 70% of the total crop. ANGCO was the platform from which Bob Oatley launched his later, spectacular business career. As is well known, Oatley is today one of Australia’s wealthiest and most successful businessmen.

Steamships had thus had a brief taste of the Highlands coffee industry, which was then expanding at a remarkable rate. The Board liked the flavour, and decided to make a considerable investment in the industry. The expiry of the coffee marketing agreement with Colyer Watson had left Steamships without an export facility, and the Board decided to set up or acquire by purchase its own wholly-owned subsidiary for the marketing of coffee, and other produce.

THE HIGHLANDS

The Central Highlands, the heart of the New Guinea mainland, had first been penetrated by white men in the mid-1920s, when Papuan Government patrols entered what is now known as the Southern Highlands. The New Guinea Highlands were explored and opened during the 1930s. The names of government officers and explorers Ivan Champion, Jack Hides, James Taylor and John Black, and the explorers and prospectors Michael and Dan

Leahy and the Fox twins, Tom and Jack, will always be associated with the exploration and opening of the Highlands to the outside world.

The very existence of these marvellous, heavily populated, intermontane Central Highlands valleys had been unsuspected prior to the 1920s. The great, grassed Highlands valleys, ranging in altitude from around 3,000 feet to 5,000 feet and higher, contained more than 30% of the entire population of PNG, and were ideally suited to the cultivation of a wide range of crops, in particular arabica coffee. It was in the Eastern and Western Highlands that the coffee industry began.

The Highlanders - tough, vigorous, warlike tribesmen - took to the cultivation of coffee with great enthusiasm, and a mutually profitable association between Highlanders and white coffee planters began, which continued to Independence, and beyond.

For a long time the Highlands Districts were supplied from the coast by aircraft out of Madang, which was also the principal port for the export of coffee. When the Highlands Highway (linking Lae on the coast to the farthestmost of the Highlands Districts) was opened to unrestricted heavy vehicle traffic in the early 1960s, the emphasis shifted to Lae, which soon developed into the main industrial centre of PNG.

The Eastern Highlands was the leading Highlands district when coffee-growing began, and Goroka the principal town. The Western Highlands and the town of Mount Hagen began to overtake the Eastern Highlands and Goroka in the early 1970s. Goroka and Mount Hagen were the commercial centres of the Highlands, and were clearly the places for Steamships Trading Company to be.

The first coffee to be grown commercially in the Highlands was planted in 1948 by James Leahy, brother of the explorer-prospectors, Michael and Dan, on his Goroka property, Erinvale. (Dan Leahy followed soon after, at Mount Hagen.) Jim Leahy was a very shrewd businessman, who saw the potential of coffee long before any of his contemporaries. He continued planting, and inspired by his example, other whites began to grow coffee. By the end of 1954 there were some 45 white coffee planters in the Eastern Highlands, and untold numbers of village coffee plots. The coffee was of superb quality, easily rivalling the best from overseas. Export figures began to climb.

Among the planters were two brothers, W.R. (Bob) and J.M. (Jack) Frame, sons of E.J. Frame, the distinguished Steamships competitor, who had for many years before the Pacific War been manager of British New Guinea Development Company, and after the war head of Burns Philp (NG) Limited. It will be recalled that Bob Frame had been one of the Directors of G.G. Smith & Co, taken over by Steamships in 1954. After the sale of that company, Bob Frame looked around for some other enterprise and with his brother decided to go to Goroka, and grow coffee.

They both became successful coffee planters. “We got our first crop three years after planting,” Jack Frame recalled in a 1993 interview. “Prices were very good, a pound a pound! Very few people were processing. Jim Leahy was the main one. Some had small hand machines. So after a bit, Bob and I started off GCP - Goroka Coffee Producers. There were only the two of us, we were the original owners. This was Goroka’s first coffee factory. Bill Meade was our manager, it was only a big tin shed sort of thing. A petrol bowser out the front, and we had a long wheelbase Land Rover. Bill used to go out and buy coffee from the villagers in it, four bags in the back.

“When Ian Downs got out of the Admin he joined us. I was the first of us three to get out of GCP. I sold my shares to R.A. Colyer...”

Goroka Coffee Producers was incorporated on 11 March 1955. As well as the Frame brothers, the original shareholders were Monica Frame, Eunice Irving, Robert and Betty Koch, and the Steamships solicitor, James Irwin Cromie. A number of Goroka village leaders also held shares.

I.F.G. Downs was one of the quartet of extraordinary District Commissioners who did so much to launch the Eastern Highlands District on its path of expansion, the others being Jim Taylor, George Greathead, and Bill Seale. Both Taylor and Greathead left the Administration to become coffee planters. Ian Downs, a man of fierce convictions and outstanding administrative ability, was as District Commissioner primarily responsible for the construction of the network of Eastern Highlands bush roads, and the Kassam and Daulo Pass links to the coast and the Chimbu and Western Highlands - the Highlands Highway.

Ian Downs resigned from the Administration in January 1956, and purchased a one-sixth share in a syndicate looking for suitable land on which to establish a coffee plantation. A property called Korfena was acquired, and an operating company was formed, Korfena Plantations (NG) Ltd. Over the next decade with typical energy and drive Downs began to develop Korfena into one of the finest plantations in the Highlands, with over 400 acres of coffee in various stages of growth. He somehow found time to also serve as the President of the Highlands’ Farmers & Settlers Association, and to represent the New Guinea Mainland in the PNG Executive Council, and later the first House of Assembly, over many years.

Both Jim Leahy and Ian Downs became GCP shareholders. When Steamships took over Colyer Watson (NG) Ltd, the GCP shares owned by R.A. Colyer were included, and in late 1963, Steamships purchased the rest of the shares. Goroka Coffee Producers became a subsidiary company of Steamships Trading Company. T. Lazonby was engaged as coffee marketing manager.

GCP was a coffee processing and marketing organisation, buying most of its coffee from village producers. A subsidiary, Goroka Coffee Fermentary Ltd, was set up primarily to process coffee cherry purchased from village growers (many of whom were minor shareholders). In June 1962, the small Highlands Coffee Mill Ltd was formed at Mount Hagen. This failed to turn a profit and was sold after two years’ losses.

Having thus acquired processing capability, the next logical step for Steamships was to operate its own coffee plantations. After much discussion and investigation, the Board resolved to make an offer for Korfena Plantations Ltd.

There were some 23 shareholders. Korfena was making money, and as far as Downs was concerned, everybody was happy. But it is fair to say that Downs was an autocrat, who insisted on doing things his own way. He had increased his own shareholding in Korfena, but had stepped on a lot of toes along the way.

In an interview with the author (who was a personal friend) in 1993, Ian Downs recalled that “a sad day occurred, they got together and some of the original shareholders dropped out, and they sold to a corporation, which sold to Steamships. I never knew. The first person who told me what had happened was Bob Oatley.”

In October 1964, the corporation, Pallgrave Ltd, agreed to sell to Steamships the whole of the issued capital of Korfena Plantations (NG) Ltd for £164,000 in cash and Steamships shares. A few months later the thriving Kenimaro Plantation Ltd - 135 acres - was acquired for 40,810 Steamships shares, and also Gisumonoso and Wantarafu Plantations. The plantations all became a part of the Korfena group. Ian Downs was retained as manager.

Steamships then acquired a majority shareholding in another company, Kami Coffee Estates Ltd, which had been formed in January 1961. Viv Crisp and Bob Bunting each held 1,400 shares. Crisp quickly increased his shareholding to 60%. After his retirement, Crisp offered his shares to Steamships for \$20,000 (Australian decimal currency had been introduced to PNG on 14 February 1966). He furthermore agreed to leave the \$30,000 loan he had earlier made to the Company to stand for a further three years. The offer was accepted, in October 1966.

Ian Downs had also formed a marketing organisation called Coffee International Limited (CIL), which eventually became the second-largest coffee export firm, after ANGCO. Gollin & Co Ltd was a shareholder, as well as the Sydney company, E.H. Harris & Co. Steamships purchased a large parcel of CIL shares. The CIL office and warehouse was situated in North Goroka, alongside the Goroka Coffee Producers premises.

Steamships was now a major player in the Highlands coffee game. As we shall see, the association with Ian Downs lasted for only a few years. “He was a difficult person for Steamships to absorb as a plantation manager,” Bruce Blaikie recalls. “He had always been his own boss, and suddenly he was an employee! And nobody in the Company had the people skills to handle that...”

The Colyer Watson purchase proved to be most advantageous for Steamships, performing well above expectations during the first year. Don Harvey recalls that the trading side of the business was “a bit run-down, the stores weren’t well-stocked. The policy of Steamships was to stock them up, and of course they did well, they went like wildfire.”

The general manager of the Rabaul branch, the redoubtable Leslie Corbett (who was also a Colyer Watson shareholder), stayed on with Steamships. Bruce Blaikie recalls that “if you were a white Protestant member of the New Guinea Club and the Bowls Club, you were on top of the heap...Les Corbett *was* Colyer Watson...he was a great feller, a bit hard to bring under control, too.”

As a part of the Colyer Watson purchase, Steamships also acquired the majority interest in Rabaul Stevedores Ltd, a small company with an authorised capital of £20,000, formed in 1956 by the colourful, bearded, ex-submariner Geoff McKenzie and his wife, Gwen (with 1,000 shares), Les Corbett, Clarence Baker, and Eric Pearce (with one share each), and Colyer Watson, holding 2,378 shares. Although small, Rabaul Stevedores was a most successful operation.

Rabaul Stevedores handled the stevedoring for NGAL - New Guinea Australia Line - in New Guinea ports from the beginning, and Geoff McKenzie was invited to join the NGAL Board, where he served for a number of years.

After the Steamships takeover, Del Underwood became chairman, with Geoff McKenzie, Neil Nicklason and Les Corbett as Directors. Bruce Blaikie was company secretary. Within a short period, Rabaul Stevedores was operating with great efficiency in the ports of Rabaul, Lae, Madang and Kavieng.

Colyer Watson’s had also operated two coconut plantations on New Britain, Linga Linga and Cutarp. These were also taken over by Steamships.

The final details of the transfer of the trading operations of Colyer Watson (NG) Ltd were not completed until 3 July 1965. Included in the assets was a commercial block at Mount Hagen, in the Western Highlands District, on which the Company erected a new Colyer Watson wholesale and retail branch store. John Homan was appointed manager of the Mt Hagen branch. The Lae branch was small, and a larger wholesale-retail store was also constructed there.

OTHER ACQUISITIONS

Big as it was, the Colyer Watson purchase was not the only acquisition made during the early part of Del Underwood’s stewardship. The profitable Sagarai Estate rubber plantation in Milne Bay District was purchased in April 1962 for Steamships shares. The land, buildings and equipment of Ela Services Ltd, were purchased for 15,000 Steamships shares, and it will be recalled that Brown River Timber Company was also taken over during this period.

A timber factory to produce kiln dried timbers, mouldings and wooden dowels for export was installed in Port Moresby, and also a sheet metal factory for the manufacture of continuous guttering, down-piping and light metalware. S.O. Svensson (NG) Ltd, manufacturing representatives and indenting agents, was also acquired. R. Warnass was appointed manager.

In December 1962, the Company lodged a tender for a quarry lease at Nebiri Hill, outside Port Moresby, previously held by S. Hibbs. The lease was acquired for £5,000, and Hibbs was kept on as manager. A separate operating company, Nebiri Quarries Pty Ltd, was incorporated. A mobile crushing and screening plant was purchased from Commonwealth Department of Works for £32,606; the cost to CDW, new, had been £68,000. In October 1963, a large quantity of machinery worth some £23,000 was ordered, including drills, screens, high pressure pumps, conveyors and loaders. Nebiri Quarries was soon operating most profitably. Suitable aggregate was much in demand in the road construction and building trade, and Nebiri output was soon exceeding 25,000 tons per annum.

HOTELS

Second only in significance to the Colyer Watson takeover was Steamships’ renewed interest in hotel operations. On 2 November 1962, the Liquor (Special Provisions) Ordinance had come into force, ending the prohibition on native drinking that had existed since the beginning of the colonial era. Prohibition had been bitterly resented by Papuans and New Guineans, and the battle to defeat it had been waged for years.

While it is not true to say that the ending of prohibition had any direct influence on the Board’s decision to increase the Company’s investment in the hotel industry, it is undeniable that the new Ordinance opened a vast new market. As we have seen, Steamships had owned the Cosmopolitan Hotel at Samarai before the Pacific War, and but for the outbreak of that war would have operated another deluxe hotel in Port Moresby. Also the economic climate was ripe for hotel expansion.

This began with the purchase of another 15,000 shares in Boroko Hotel Ltd. In February 1963, the Company was invited to take up the controlling interest in Lamington Hotels Ltd.

This company had been formed to undertake the construction of a small hotel at Popondetta, Northern District. Popondetta Holdings Pty Ltd had already spent some £3,300 on preliminaries, and were prepared to subscribe another £2,000. But certain problems had arisen, and the work was stalled.

Steamships had a branch in Popondetta, acquired with the A.H. Bunting takeover, and the Board was inclined to increase the Company's presence there. Don Harvey had also been given the responsibility for the Hotels Division. "I was sent over to Popondetta, where somebody had stuffed up," he remembers, "something had gone wrong, and we decided we'd take an interest. In the end we had to get it up and running. It was small, it only had ten rooms, but it was a great little place. The staff were well trained.

"I'll never forget the first night. We were having a cocktail party, and the manager resigned just before it was due to start! That was a good opening!"

Steamships took up 15,000 shares in Lamington Hotels Ltd, Popondetta Holdings had 6,629 shares and the construction company, D.C. Watkins Ltd, 3,000 shares (Steamships eventually obtained complete control). Tenders for the construction of the new hotel were called, and the contract was awarded to D.C. Watkins. Del Underwood said Lamington Hotel would be developed into "the best hotel in PNG". It never achieved that status, but it was a comfortable, friendly hostelry that enjoyed a warm reputation.

Yet another hotel acquisition was made, in 1964. Mount Hagen, headquarters of the huge Western Highlands District, was outgrowing its accommodation capacity, and there was an obvious need for a hotel. As noted above, Steamships owned a small coffee mill at Mount Hagen. The land acquired from the Colyer Watson takeover was not sufficient for the Company's future needs, and an adjoining lease, owned by the Manton brothers, Darrel and Will, was purchased. A major store and warehouse was erected. But Steamships did not own a hotel site.

During 1962, a group of Mt Hagen planters and businessmen formed Mount Hagen Hotel Limited, acquired a lease, and built the Hagen Hotel. The group was headed by Thomas Ernest Cole, coffee planter, ex-crocodile and buffalo hunter, who was to achieve wide fame in Australia following the publication of his books, *Hell, West and Crooked* in 1988, and *The Last Paradise*, in 1990. Tom Cole was a larger-than-life character, and others of the group were also figures much out of the ordinary.

Ranald Denis Buchanan, one of the group, was the proprietor of the largest third-level airline in PNG, Territory Airlines, or TAL - later known as Talair. He had come to New Guinea in 1949 as a boy of 17, to work as a "bag-snatcher" for the celebrated ex-fighter pilot war ace R.H. (Bobby) Gibbes, who had started a remarkable little air charter company, Gibbes Sepik Airways, the year before. When the founders of TAL, pilot Jack Gray and engineer Jim Smith were killed in a Tiger Moth crash in June 1957, Denis Buchanan bought the assets of the little company - little more than a Cessna 170, a battered old DH84 Dragon, a few overhauled aircraft engines, an ancient jeep, a small coffee plantation and a few odds and ends - and began to build it into the outstanding success it eventually became.

Bob and Jean Gibbes were shareholders in Mount Hagen Hotel Ltd. Gibbes Sepik Airways lasted for ten adventurous years before Gibbes sold out to Mandated Airlines. The Gibbes' were also owners of Tremearne, one of the first coffee plantations in the Western Highlands, and later founded their own hotel chain. The other Mount Hagen Hotel shareholders were

the planters, Ian and Dorothy Parsons and Col Bucknell, and Jon and Marcia Bastow, who were later to establish Smugglers Inn, at Madang, another hotel eventually taken over by Steamships. The Bastows managed the Hagen Hotel.

Operating a hotel was only a sideline for most of the shareholders. The Hagen Hotel was pretty basic, and considerable funds would be required to bring it to an acceptable standard. In January 1964, the shares were offered to Steamships. All shareholders excepting Jon Bastow eventually accepted the Steamships offer of two Steamships five-shilling shares for each one-pound Mt Hagen Hotels share. Steamships immediately commissioned architect John Wild to prepare plans for the improvement and extension of Mt Hagen Hotel.

Steamships' most ambitious move into hotel ownership came at about the same time. Erection of the long-planned Port Moresby hotel was still in contemplation, but for various reasons had been put on hold. Following the legalisation of native drinking, the Company had closely debated the desirability of establishing taverns, primarily for Papua New Guinean customers. At a Board meeting on 23 January 1964, it was agreed that Steamships would have to become involved in the operation of taverns. Possible tavern sites were identified at Konedobu, Six Mile, Hohola and Badili, all in the Port Moresby district. John Wild was asked to prepare plans for taverns, against future need.

The fastest-growing town in PNG at this time was Lae, in Morobe District. The opening of the Highlands Highway had transformed the town, and new industries were being established almost every month. The only hotel in Lae was the Cecil, operated by the famous pre-war hotelier Mrs Flora Stewart, although Trans-Australia Airlines owned the TAA Lodge, which was widely patronised.

Lae was an obvious place for a new hotel, and Steamships were determined to provide it. The Company was planning a big expansion of its Lae interests. Entrepreneur Arthur Scott had offered to sell his building on a choice site in 9th Street, occupied by nine separate business houses. His offer was refused on the basis of price, but in 1965 Steamships did purchase a five-year lease of the premises. A large block of land was also bought from Robert Gillespie (NG) Ltd.

In January 1964, the Administration called tenders for the long-term lease of a four-acre hotel site at Lae. The Board asked John Wild to prepare drawings and estimates for a major hotel, and on the basis of the estimates submitted by Wild, the Board decided to offer a tender price of £31,367 for the site. The proposed hotel would cost some £200,000 to erect, including full air conditioning, but excluding furniture and fittings.

Steamships' tender price was accepted. Now it was time for the Board to take a deep breath, and look to the financial position of the Company. In excess of one million pounds had been expended on activities other than traditional merchandising during the past 12 months, and planning called for more capital expenditure of around £800,000 for the year ahead.

At the Board meeting held on 23 March 1964, Del Underwood outlined a detailed and varied forward programme, which included more expenditure on Coffee International, the Lae hotel, Mt Hagen Hotel extensions, a new foreshore bulk store at Port Moresby, office extensions, development of the Gillespie's block at Lae, freezer extensions, cordial factory extensions, shipyard extensions, a carpenter's workshop, additional work at Mt Hagen, construction of staff single and married accommodation, native labour quarters, bulk store and store alterations at Madang, a manager's house at Lae, and various projects at Goroka.

More ships would be constructed, and Steamships was contemplating entering yet another field: erecting a plant to manufacture industrial oxygen and acetylene gas, to supply the whole of PNG's requirements, in partnership with an international company, Societe D'Oxygene et D'Acetylene D'Extreme-Orient S.A.

A considerable proportion of the expenditure would be applied to staff accommodation. With the expansion of Steamships' activities had come a corresponding increase in staff. The Company was now employing 469 Europeans - up from 373 a year earlier - and 2,120 Papua New Guineans (hereafter, nationals), up from 1,500 (and a year later the figures would soar to 549 Europeans and 2,500 nationals). These were large increases over a relatively short period of time.

APPRENTICES

It was traditional in PNG for employers to provide housing for their European staff, and the Company had also adopted a policy of providing housing for all national employees, both single and married. These now included a number of apprentices.

We have seen that Steamships had employed apprentices in various trades for many years past. The early ones were Europeans, but in April 1955, the Administration adopted a formal training scheme, supervised by an Apprenticeship Board; its responsibility to foster the training of apprentices, mainly nationals, in a wide variety of trades, for the years ahead. Steamships was from the beginning an enthusiastic supporter of the apprenticeship scheme, and several of the Directors served terms over the years as members of the Apprenticeship Board.

The first Steamships national apprentice, Doe Gomo, was signed on in 1955 in the trade of Fitter and Turner, in the Shipyard. Others were rapidly signed to a variety of other trades, which eventually included 14 main categories: boatbuilder/shipwright, chef/caterer, carpenter/joiner, clerk, electrician, fitter/machinist, mechanic (motor), mechanic (diesel), mechanic (refrigeration), mechanic (radio), plumber/drainer, sheet-metal worker, steel fabrication worker and saw doctor/wood machinist.

Apprenticeship periods ranged from two to four years, depending on the trade. In addition, Steamships gradually developed four and two-year traineeships in skilled trades not apprenticeable under the Apprenticeship Board, including marine plumber, coppersmith, outboard motor mechanic and sewing machine mechanic. Trainees were in general treated in the same way as apprentices.

A Staff Training department was set up, and full-time training officers supervised the training and education of the apprentices, which was mainly on-the-job, under competent tradesmen. Those requiring higher training attended one of the Technical Colleges that were established by the Administration over the years.

Apprentices and trainees were initially housed as close as possible to the place of work, but in 1964 the Company erected a hostel that came to be known as "Dagi Rumana" - the Place of the Tradesmen. This contained private rooms for 34 single apprentices, with a communal mess and recreation rooms. A small nominal sum covered full board and lodging. Apprentices were not obliged to reside at Dagi Rumana, but most did, as the standard of accommodation, meals and facilities was high. Later, similar but much smaller quarters were provided at Lae and Madang.

After completing their training, apprentices were guaranteed employment with the Company, but were free to seek employment wherever they liked. Although Steamships' apprentices and trainees were much sought-after, most remained with the Company, some for their entire working careers.

THE WORLD BANK REPORT

The World Bank Report on the results of its economic survey of PNG was released in December 1964. Copies were made available to Members of the House of Assembly, the Press, Libraries and to representative organisations such as District Advisory Councils, Chambers of Commerce and Planters' and Farmers' Associations - but not to individual commercial organisations.

The document was clearly of vital interest to the private sector. Del Underwood had directed a massive expansion of his Company's operations, and had lately begun to feel that relations between private enterprise and the Administration were souring. He was critical of the role being played by the new Department of Trade & Industry run by G.C. Cannon, set up on the instructions of Territories Minister Paul Hasluck in early 1961; one of its principal objects being to attract new investment to the Territory by offering very generous terms.

Always protective of the interests of Steamships and its shareholders, Underwood felt that Administration policy was now favouring new investment, at the expense of established concerns like Steamships. He made a personal submission to the new Minister for Territories, C.E. Barnes, and noted in his address to shareholders:

"It is clear with the rapid development of the Territory now taking place and also foreshadowed, there is a need for critical self-examination by industry and the Administration, as it seems that Government and private enterprise have not yet established machinery adequate to ensure co-operation throughout.

"While my Company feels general relationships with most Departments of the Administration are satisfactory, it has been apparent for some time now that there is a lack of liaison and goodwill between certain sectors of Administration and private enterprise, and there is consequently a danger that commercial and other interests may lose confidence in the ability of the Administration to conduct its economic affairs in harmony with private industry, and therefore at the highest levels of efficiency..."

Underwood went on to note that, on the day following the release of the World Bank Report, he had requested a copy from the Official Secretary to the Administrator, and was told that none was available. Underwood considered this was not good enough.

Underwood's comments were published in the *South Pacific Post*, and attracted a great deal of attention. The editor, H.G. Cooke, noted in an editorial:

"There must be substantial and grave reasons for the comments this week by Steamships' Chairman, H.D. Underwood...in unmistakeable language he pointed to a deterioration in relations between the Administration and commercial enterprises. To potential investors, these are not good things to read...the outflow of capital from this Territory will not be stemmed by the existing Administration method of economic development planning."

Barnes reacted to Underwood's allegations by calling for a report from the Administrator. The Department of Trade & Industries was responsible to Harold Reeve, Assistant

Administrator (Economic Affairs), and he wrote a vigorous defence of the Department, refuting Underwood's conclusions. He implied that Steamships seemed to be expecting special consideration in view of its size and importance. Dr John Gunther, at the time Acting Administrator, wrote to the Secretary, Department of Territories:

"There is a feeling at the present time, and this is not an unusual feeling, that the Administration is seeking to encourage new industry, and is not giving concessions to old established industries. For the most part, old established industries need no assistance, but naturally they are jealous of the fact that they are given no help to get them going themselves, whereas new industries are getting a great deal of help.

"Steamships Trading Company interests are vast and diverse. They are retailers, wholesalers, shippers, they conduct trade stores, own plantations, hotels, have manufacturing and sawmilling interests and a quarry, as well as holding a large number of agencies. Many things that the Administration must do must affect some part of their interests, either as a benefit or adversely...

"Mr Underwood...also sought special consideration in obtaining land for housing and manufacturing interests, on the grounds that his organisation is a large one which re-invests all its money in the Territory and pays out large amounts in taxation...once again, any special rule for Steamships has been refused."

C.E. Barnes wrote to Underwood in February 1965, explaining that only limited numbers of copies of the World Bank report were available, and it was therefore impracticable to supply copies to individual organisations. He continued:

"I am very conscious of the part private enterprise is playing, and must play, in the development of the Territory. I recognise that in our efforts to attract new investment we should not neglect the proper interests of established enterprises, many of which as you rightly point out greatly strengthened the Territory economy by extending their activities in recent years.

"The Administrator assures me he places a high importance on the maintenance of harmonious and effective working arrangements between the Administration and private enterprise."

Del Underwood replied, saying it was "encouraging" to know that the matters raised in his submission had been fully investigated and were regarded not as mere destructive criticism but as a real effort to bring forward differences existing between the Administration and Steamships. He concluded:

"You will appreciate that in view of the special political and geographical positions existing, harmonious and effective working arrangements between the Administration and my Company are of vital importance, particularly as the role of the Company is one of continuing expansion and diversification."

This episode was beneficial in that it cleared the air, and brought to public attention the fact that there were many conflicting considerations to be balanced in this time of rapid constitutional change. Relations between the Administration and Steamships continued to be cordial - in the main.

Despite the heavy capital expenditure, Steamships' financial position was sound. The Group

net profit after depreciation and tax for the year ended 30 June 1964 was £408,136, up from £348,993 the previous year. This represented an earning rate of 24.4 percent on paid-up capital.

"This result must be considered very satisfactory," Del Underwood told shareholders. "It becomes increasingly difficult and costly to obtain staff of suitable calibre for service in this Territory, and therefore I am particularly pleased to offer my thanks to that nucleus of hard-working executives and their assistants, at head office, in the branches, on plantations and with subsidiary companies who, by their efforts, made this record result possible."

Dividend payments were maintained at the past level. The issued capital of the Company was increased during the year by £366,754, brought about by the cash issue to stockholders of 1,193,628 new stock units at a premium of two shillings and six pence, and 273,389 stock units issued in the acquisition of the subsidiaries Brown River Timber Co Ltd, Nebiri Quarries Pty Ltd, and Mt Hagen Hotel Ltd.

CHAPTER FIFTEEN

“WON’T STEAMSHIPS EVER BE SATISFIED?”

1965 to 1967 were years of consolidation, development and achievement for Steamships. Three major capital projects - the industrial gas plant, Mt Hagen Hotel extensions, and the new hotel at Lae, called the Melanesian - were completed. “These new capital commitments, plus the need for improved liquidity, necessitated another call on stockholders for additional funds,” Del Underwood noted in his December 1965, shareholders message. “On 15 July 1965, an issue of 1,563,404 shares at a premium of two shillings and six pence was made...

“Additionally, in September negotiations were completed to borrow £350,000 from C.D.F.C. Australia Limited through that company’s Territory subsidiary. C.D.F.C. Australia Limited is a wholly owned subsidiary of the Commonwealth Development Finance Company Limited of London...we believe that the loan to your Company was the first granted for general development, and we are particularly pleased and proud to have this association with C.D.F.C...

“As each year goes by, the nature of your Company becomes more and more complex...We believe that our present rapid expansion is well grounded and we shall adapt and adjust ourselves to changing conditions and situations as they occur and can be foreseen. We will continue to take an active part in this Territory’s development which will, we trust, be to the mutual benefit of its inhabitants and the Company’s stockholders.”

In his annual addresses to shareholders, Del Underwood invariably acknowledged the loyalty and support of Steamships’ staff, which made the expansion of the Company possible. It was mainly on Underwood’s initiative that an improved superannuation plan was adopted.

Staff were also encouraged to acquire shares in the Company. Some 27,000 of the new issue mentioned above were offered to Steamships’ own people. Del Underwood, Viv Crisp, Don Harvey, Guy Cadden, Dick Paul, Norm Johnson, Lloyd Armitage, Ossie Todd and Neil Nicklason all bought parcels, as did Peter Best, L.H. Corbett, A.P. Cherry, E.R. Pearce, A.W. Liddell, J. Roache, K. Raymond, E.A. Florentine, J.T. Griffin, H.J. Alsop, A.L. Michel, Geoff and Gwen McKenzie, G.A. Padt, M.E. Foster, A. Castle-Burns, and E.M. Leslie.

Steamships lost two Directors this year, both with very long Territory experience. As noted earlier, Guy Cadden had come to Papua in 1936, and Richard Paul in 1925. “You will appreciate the value of the wealth of experience possessed by them,” said Underwood, “and I personally will be very sorry to lose the benefit of their wise counsel and intimate knowledge of Territory affairs.”

Fortunately, two senior Steamships executives were available to fill the places of Cadden and Paul. T.L. (Lloyd) Armitage had lived for 20 years in PNG, and Neil Nicklason for 17. Both were appointed Directors (it should be briefly noted that to this date all Steamships Directors had been Company executives).

The increasing complexity of Steamships operations, and unsatisfactory communications between the Territory and Australia, had created a need for direct Company representation in Australia, and in March 1966, the Board agreed in principle that a Sydney office had to be opened. The Sydney agents, Nelson & Robertson Pty Ltd, were informed of this decision, but were assured that the existing relationship between the two companies would continue. Steamships had no intention of setting up its own buying organisation.

A three-year lease of the second floor of ASL House, 171-175 Clarence Street, Sydney, was negotiated, with an option for a further two years. O.A. Todd was appointed Resident Director in Australia, and Steamships' Agent in NSW, assuming the position in July 1966, from the incumbent, Douglas Davidson.

The Sydney Share Register was taken over by the Sydney office, which was also given the responsibility for the engagement of all European staff for service in PNG. J.M. Kirby was engaged as Staff Selection Officer. On Ossie Todd's departure for Sydney, Don Harvey was appointed Secretary to the Company.

Construction of the industrial gas plant at Port Moresby in partnership with the French company, Societe d'Oxygene et d'Acetylene Orient S.A., began in April 1965. An operating company styled South Pacific Oxygen Acetelyne Co Pty Ltd was formed, with Steamships holding a 40% interest. The plant began to produce gas in March 1966, and was soon providing a large share of the Territory's requirements for oxygen and acetylene. Technical input was provided by the French parent company, and Steamships supplied a manager, and a production engineer, who was sent to Australia for training.



Neil Nicklason

The Mt Hagen Hotel improvements and extensions were completed, and plans for the ambitious hotel at Lae were finalised. Guy Cadden and Don Harvey had been appointed to attend to the details, obtain all the necessary approvals and make recommendations as to the size and outfitting of the hotel, which was intended to be first class in every way.

In April 1966, Harvey reported to the Board that the estimated all-up cost including land, architects' fees and furnishings was \$750,000 (as noted previously, Australian decimal currency had been adopted in PNG in February). Tenders were called for its construction, and a contract was let to Morobe Constructions Ltd to build the hotel, to plans by John Wild.



O.A. Todd

Boroko Hotel was operating very profitably, selling more beer than any other outlet in Port Moresby. Steamships was a minority shareholder, and the Board decided it was now time to obtain control. In March 1966, Del Underwood met the hotelier Walter Morrissey, currently manager of Boroko Hotel, who held 21,325 shares, and offered to buy them for \$8 each. Wally Morrissey agreed to sell, but before the transfer could be concluded, he died. His widow, Phyllis, eventually sold the shares to Steamships, at \$6 each. The Company thus became the majority shareholder in Boroko Hotel Ltd.

In December 1965, the Board decided to investigate the feasibility of establishing another new hotel, at a place called Cameron Plateau.

SAMARAI

For many years past, Samarai had been the administrative and commercial headquarters of Milne Bay District. But it had long been evident that there was insufficient room on the tiny island for expansion, and in the early 1960s the Administration began a search for an alternative site. They found it, at Cameron Plateau, on the mainland at the head of Milne Bay. The township that developed there became known as Alotau, and the headquarters of Milne Bay District were eventually transferred there.

It would still be several years before the decline of Samarai accelerated. In the meantime the big trading companies continued to maintain establishments there, and Samarai remained an important shipping port for the copra produced on the outlying plantations, the principal export of Milne Bay District. Marine products were still of some significance, mainly trochus, green snail and mother-of-pearl shell, plus a small quantity of crocodile skins, and an infant cultured pearl industry had lately begun by Denis George, near Samarai. The end of the shell industry was nigh, soon to be effectively killed off by developments in plastics, although pearls were another matter, entirely.

Steamships' Samarai branch was still active, under the renowned manager T.E. (Dusty) Miller, and accountant Eric Munro. Miller was sometimes relieved whilst absent on leave by the veteran W.C. Schultz of the Merchandising Division (Schultz retired in July 1967, with inscribed silverware and a cheque for retirement allowance, long service leave, normal leave, plus a bonus for his work at Samarai to mark his long years of service. The Board expressed "regret at the loss of such a staunch and faithful employee as Bill Schultz". He was replaced by John Smith).

As the decade of the 1960s opened, Steamships was maintaining a large retail and wholesale store at Samarai. The branch was responsible for the outlying plantations - Conflicts, Doini, Mamai and Puni Puni - and the five vessels based at Samarai: the trawler MV *Bev*, MV *Locheil*, and three small ketches and cutters taken over from Arthur Bunting, *Blue Peter*, *Kedaluma* and *Pixie*. The latter two cutters were soon sold off and replaced by the auxiliary ketch, *Nancy*. The smaller craft were employed almost entirely on plantation support, while *Bev* and *Locheil* were in general trade. Later in the decade an occasional K boat was also sent on temporary basing to Samarai.

The Samarai Branch was performing only modestly by 1960, and Branch figures added little to Steamships' overall performance. A net profit of £52,336 (before provision for depreciation and reserves) was earned from merchandising, trading, shipping and plantations for the six months ending 31 December 1960. The plantation share was small, only £11,835, of which Mamai accounted for £10,607. Doini Plantation was sold in early 1961,

and Conflicts in April 1966, to Christine Wills, for \$12,000 payable over three years.

Despite its diminishing importance, Samarai remained a favourite posting for many Steamships employees, who appreciated its charm, its laid-back atmosphere, its distance from Head Office interference, and the matchless beauty of the China Strait and the surrounding islets. One man who had a long association with Steamships remembered it fondly, in a 2004 interview (sadly, he passed on in 2006).

PETER BEST

Peter Villiers Best was a charming Englishman, born in December 1925. He was trained in civil engineering and surveying before migrating to Australia, in 1949. A friendly, unassuming man with an abiding interest in PNG and its people, Best first arrived in 1950 as a surveyor for Australasian Petroleum Company, on the Purari River, and then joined Dept. Lands, Surveys & Mines where he served as a surveyor in the Central, Sepik, Highlands and Milne Bay Districts.

It was during this period that Peter Best first visited Samarai. In 1962 he joined Steamships Trading Company, remaining until 1968 (and was to re-join the Company, from 1979 to 1986).

“After leaving the Department, I was staying in Port Moresby with G.A.V. Stanley,” Best recalled, “I had no job. Albert Bethune was there too. He was a famous old prospector from the early days in Papua. He hadn’t found much gold and I asked him, Albert, what did you do when you failed to find gold? He said, I learned to sell shovels!



Peter Best at Henganofi

Photo: Courtesy Peter Best

“I was feeling a bit sad. I knew Bill Schultz, who was then manager of Country Orders for Steamships and I went down to see him. I said, Bill, could you teach me to sell shovels? He said, are you looking for a job? With your knowledge of PNG after all these years, we can use you! We’ll make you Assistant Manager for Country Orders!

“So I started, on 9 October 1962. That was very interesting to me, because I was able to meet a lot of the native employees working there at the time. I knew Motu and Pidgin, and my knowledge of those languages really helped. I reorganised much of the operation and in my spare time I was able to write a bit of a report on how best to cope with some of the wholesale details.

“Country Orders was very, very big in those days. There were not that many airports, and most of the distribution to plantations and outlying Government stations was by Steamships’ own vessels.”

The Country Orders department was in fact so significant that a regular Country Order Bulletin was compiled, printed by the *South Pacific Post*, and widely distributed to customers. Typical was the Christmas Edition distributed in November 1967. This ran to 36 foolscap-sized pages, crammed with illustrations and descriptions of the rich variety of the goods stocked by the Company: air compressors, artist’s materials, motor vehicles, spares and accessories, beauty aids, boats, books, brickmaking machines and cement mixers, cameras, chain blocks, chain saws, children’s wear, chinaware, cigarette lighters, cigars, cosmetics, drapery, dress fabrics, electric drills and saws, electrical goods and appliances, electric shavers, petrol engines, frocks and fashions, first aid kits, foodstuffs, chocolates and sweets, furniture, films, gas appliances, garage equipment, generators, grinders, haberdashery, hand tools, industrial equipment, industrial shelving, kitchenware, kindergarten equipment, lingerie, liquors, machinery, men’s wear, motor bikes, outboard motors, office equipment, oil paints, brushes and pens, perfumes, photographic equipment, power tools, pumps, refrigerators, sewing machines, sporting goods, rifles, shotguns and pistols, stationery, tape recorders, transistor radios, typewriters, toys, tyres, underwater equipment, watches, welding equipment, and wines and spirits. Many of the world’s most famous brands were to be found in Steamships’ stores.

Peter Best continues:

“I was at Samarai twice, first of all running the hardware store, which was also ships’ chandlery. The Samarai harbourmaster, who shall remain nameless, had a bit of a reputation for being light-fingered. I don’t mean he was stealing shackles or things like that, but he’d come in, order maybe a large pump, have it sent down to the wharf on a forklift and then ‘forget’ to send us the Local Purchase Order to pay for it. So that was all right, everybody knew that as soon as he disappeared with anything at all we’d immediately bill him for it!

“There were rubber plantations within cooe of Samarai, and we used to supply the rubber cups used for tapping the rubber trees. We had a new European assistant once who knew nothing of plantations. I was in my manager’s little cubby-hole at the back of the store one day and I heard this new assistant answer a phone call. Rubber cups? He said. How many do you want? Two hundred? We can’t do that, but we’ve got some plastic ones. He asked me, why would anyone want 200 rubber drinking cups?

“The manager then was Dusty Miller, and his wife used to come in and play around with the freezer. One morning we found the freezer had turned into an oven, and all the chops

and sausages and everything had cooked themselves overnight. We didn't want to waste it, so we had a lovely party. I used to go over to Kwato Mission and umpire their cricket matches. Which was very peculiar, because I had no idea of the rules. It didn't seem to worry anybody.

“I had a little dachshund puppy called Jola, got him to Samarai in the Catalina flying-boat. I was told there was a big wild dog on Samarai, and he'd kill my pup. One day about dusk we were near the oval, and I saw this huge dog in the middle of it, looking around to see who he could attack. My little dachshund spotted him, and before I could stop him he went off at great speed, like a submarine, and caught him underneath somewhere. The wild dog raced off, and was never seen again. My dachshund, Jola, was immediately acclaimed by all and sundry as the champion dog of Samarai!

“I was very friendly with John Simler, one of the Catalina captains, flying the service from Moresby to Samarai, and out to the islands. I used to invite the Catalina pilots to come to lunch at my place, and get some of our Steamships girls to join us, and great fun would be had by all. Mostly the planes got away on time!

“There was an Anglican Mission station run by the Crutwells, up in the mountains somewhere. Unfortunately the radio communications weren't the best, and because of interference some orders weren't quite clear. I remember once Mrs Crutwell ordered what I thought was 'a dozen bins'. That's what she got. The pilot complained bitterly that his plane was packed full of bins with no room for anything else, and when he landed it turned out that what she wanted was one dust-bin!”

THE BEV TRAGEDY

Peter Best left Samarai before the third of the major tragedies that befell Steamships' Shipping Division over the years. It will be recalled that the auxiliary ketch *Vaiviri* had been lost in 1930, and MV *Muniara* in 1959, both with much loss of life. In November 1967, the trawler *Bev*, went down.

The veteran Captain Ray Taylor was master of the *Bev* when she was lost. “She was a round-bottomed double-ended trawler, a beautiful, seaworthy boat,” Captain Taylor remembered, many years later. “She was exactly the same as the Government trawlers, but with the accommodation aft, and she had a six-cylinder GM engine in her, not a Gardner like the Government trawlers.

“The *Bev* came up from Thursday Island, after the war, with a fleet of pearling luggers. They were going to start pearling out of Samarai, and they went down to the Calvados chain in Eastern Papua, and struck big beds of pearl shell. They were working in 22 fathoms of water in full diving-suits, and they weren't staging. And nearly all of them died. Buried at a Mission station out there near Sudest.

“They brought the luggers and the *Bev* in to Samarai, and they went up for tender, and Bob Bunting bought the *Bev*. Steamships got her when we took over A.H. Bunting. Well, that day we loaded up with cargo and left Samarai for Misima, and anchored at the Conflicts Islands for the night - Steamships had a big plantation there. I had a passenger, Owen Cotter, he was manager of the Samarai branch of the Bank of New South Wales in Samarai, and there were some Papuan passengers.

“It was so calm! Then late in the evening, midnight, it started to blow, and it blew and blew.

The seas got so big that they broke across the island we were anchored behind, Gabagabatau, and washed it away. The anchor chain broke, and we were driven out into the Coral Sea, and the seas were so big that we couldn't make headway, and the seas were breaking right over the bloody ship! It was a cyclone, came out of nowhere...”

Tropical Cyclone Annie lashed the British Solomon Islands and Louisiade Archipelago with unprecedented force. The wind was so strong that it peeled the paint off the windward side of *Bev*, and drove her northward. There were a number of small ships in the region when Annie struck. The workboat *Matili* capsized with 11 people on board. The 30-foot cutter *Eileen* went missing off the East Islands with six on board. At least a dozen big canoes carrying fishermen failed to return to their village on the south coast of Misima Island. The Controller of Civil Defence, Ian Skinner, announced that it was feared at least 20 lives had been lost in the wild seas.

“There were all these Taiwanese fishing boats anchored with us,” Ray Taylor remembers, “and they got washed ashore. When we got out into the open sea the seas were that rough that they rolled the *Bev* right over. Our two life-rafts floated off, and after the ship rolled over we got into one. Owen Cotter was on the bridge with me, and he had a plastic raincoat on.

“The sea was belting the shit out of us, all night and all day. We could see the other islands in the distance and the current was that strong, and then we were in the eye of the cyclone, dead calm, not a movement in the water. We were passing Bunora Island and we decided to swim ashore.

“The bank manager was behind me. He was a strong swimmer, but he had this coat on as well as his life-jacket, and he was struggling. We dragged him through the surf and got him onto the shore, but he was just dead! He died in the water. We didn't know, we thought he was unconscious, we just dragged him ashore. And we were on that island four days.” Taylor and the five crewmen all escaped with minor injuries and bruises sustained in their fight to make land.

The Civil Defence authorities immediately sent out aircraft to look for survivors of the cyclone, and the Fisheries research vessel, *Tagula*, went out under skipper Reg Eginton. The search went on for many days. An aircraft spotted Taylor and the others on Bunora Island and dropped emergency supplies, and next day they were picked up by *Tagula*, and taken back to Samarai, and hospital.

Two survivors from the workboat *Matili* were also rescued. Another search vessel, *Yelongili*, raced towards the East Islands to look for a man in a lone life-raft, seen from the air, presumably a survivor from *Bev*. The missing canoes all turned up, their crews safe. The Steamships vessel, *Locheil*, picked up 14 Wari Islanders at Anchorage Reefs, 50 miles south of the Conflict Group, survivors from two lost cutters. At least one Wari Islander had been lost overboard, but he was eventually located. *Eileen* was eventually found on an island in the Calvados Chain, all her occupants safe.

The *Bev* survivor was rescued after four days on the life-raft without food and water, and in the last stages of exhaustion. Two companions with him on the raft died. One old Papuan had refused to leave *Bev*, and presumably drowned.

A fortnight after Cyclone Annie struck, ten persons were still missing, six from *Matili* and four from *Bev*. The coaster *Therese May* picked up another 18 survivors in the Conflict

Group. In all, 46 people were plucked from the sea. Ian Skinner announced that 148 village houses had also been destroyed by Cyclone Annie, and heavy damage inflicted on coconut palms throughout the Conflict Group.

Savage as the cyclone was, the loss of life was less than could have been expected, under the circumstances. On 28 March 1963, MV *Polurrian* had been lost out of Sohano, Bougainville, on a voyage to Rabaul. She, too, rolled over in wild seas and of the 80 people on board, 53 died. It was PNG’s worst shipping disaster.

“It was just one of those freaky storms,” Ray Taylor remembers. “*Bev* was a total loss, they never found anything of it. When the aircraft came overhead we waved, and they saw us, and next day *Tagula* took us back to Samarai. We had buried the bank manager and we had to dig his body up and put it in the boat. Bloody shocking, he was only a young man, had a wife and children at Samarai.

“I had been in cyclones before, but we got no warning of this one, no weather report, it completely wrecked the fishing fleet, completely flattened all the coconut trees and the buildings. There was a big Court of Inquiry at Samarai and we were all there for it, but it was just one of those unfortunate happenings at sea. It was so bad, out of the blue, and it lasted so long...”

NEW VESSELS

Bev was never replaced (although in late 1970, Steamships purchased another second-hand trawler-type vessel, which was named *Dusty Miller* in honour of the veteran manager of the Samarai branch, who retired on 30 June 1969. This craft was also based at Samarai). *Bev* was a wooden vessel, and Steamships had decided to have new vessels built in steel.

Although profits from the Shipping Division were historically low, Steamships never gave consideration to abandoning this branch of the Company, which had launched it on the path to success. The book value of the coastal shipping fleet was insignificant in comparison with the value of other fixed assets, in particular land and buildings (which were valued at almost 1.25 million pounds at 30 June 1963, compared with £124,316 for all shipping property).

In March 1962, the Board decided to get rid of MV *Moisana*. Its book value, £29,931 in 1959, had been written down to £8,000, and the ship had been out of commission for many months. It was agreed she should be sold, at the best price obtainable. In February 1963, MV *Manugoro*, MV *Kari* and MV *Kila* were advertised for sale, at £14,000, £9,500 and £5,500 respectively. *Kila* was eventually sold, *Kari* was lost in a collision in July 1967, but *Manugoro* failed to find a buyer, and was kept in service.

The steel vessel, *Pipi Gari*, had been delivered, and was operating successfully. A second craft, of similar dimensions, was required. Tenders were called, and it was expected that Pacific Islands Shipyards, Kowloon (the constructor of *Pipi Gari*), would again tender, but that company declined the invitation. Guy Cadden had obtained details of a suitable Japanese vessel, *Komatsujima Maru*, but after close examination this was rejected. In January 1964, the Board decided to send Del Underwood and Neil Nicklason to Hong Kong, to negotiate with Cheoy Lee Shipyard and Hong Kong & Whampoa Dock Co Ltd for a new vessel.

No business resulted, and the search for a suitable vessel continued. In the meantime, MV *Manugoro* fractured her keel in stranding on a reef. Examination disclosed the old ship would

be too expensive to repair, so she was advertised for sale, as-is. Plans were prepared for a new 58-foot scow with a steel hull and decking, capable of holding 450 bags of copra (*Pipi Gari* could take 1,150 bags, and the average K boat, 405 bags). Tenders were invited.

Six different tenderers submitted quotes ranging from \$50,000 to \$86,000. After careful consideration, the Board decided to commission the construction of two steel 58-footers, and another steel vessel of amended *Pipi Gari* design. The yards of the various tenderers were inspected, and the Sydney firm of York Brothers was selected as being capable of building a suitable vessel, under the close supervision of naval architects Eken & Doherty Ltd.

A contract was drawn up on the basis of one vessel initially, at a cost of \$52,000. The architects would make 20 visits of inspection during construction. No option for a second vessel was taken. The new craft was named *Frank Rei*, in honour of the Papuan shipmaster, now in retirement, who had served the Company faithfully for so many years. She was delivered in November 1966, and immediately went into service.

Because of the ongoing commitments to the new vessels, the new Lae Hotel, purchase of the controlling shares in Boroko Hotel Ltd, and various construction projects already in hand - mainly houses and flats at Port Moresby, Rabaul, Lae, Madang, Goroka, Mt Hagen and Popondetta - the Board decided it was again necessary to raise additional capital. It was estimated that about two million dollars would be required over the next 18 months, to be secured by a new share issue. The Minutes recorded, “the general feeling of the Board is to take as much as we can in reasonable parcels while the opportunity for such placement are as favourable as they are.”



Dusty Miller

Photo: Courtesy Del Underwood

Don Harvey had made a feasibility study of the proposed new hotel at Cameron Plateau (Alotau), and presented it to the Board meeting of 31 May 1968. It aroused little enthusiasm. The Board believed that Alotau prospects were limited, and a move there from Samarai was not at present warranted. Such a move could weaken the value of the Samarai branch, which was already under some pressure, but it was decided to apply for four residential blocks on Cameron Plateau - just in case. The hotel project was temporarily shelved.

THE CONTAINER SHIP ERA BEGINS

It was around this time that the London Directors of the Swire-owned China Navigation Company decided that changes in cargo-handling methods by the New Guinea Australia Line (for which Steamships were the PNG agents) could be delayed no longer. An entirely new class of vessel would have to be introduced on the Australia-PNG run. The shipping world was beginning the move to roll-on, roll-off pallet and container ships, which offered much speedier turnaround times, with drastically reduced operating and labour costs.

It will be remembered that the NGAL passenger-freight service began in 1952, utilising the two S class motor vessels, *Shansi* and *Sinkiang*, and later *Soochow*. Very popular with passengers, the little S class ships (they were around 3,000 gross tons) were becoming uneconomic to operate. Lack of southbound cargoes, ever-increasing union-inspired delays on the Australian waterfront, and berthing delays in PNG were combining to defeat them.

Palletised cargo handling had been introduced by a Norwegian shipowner, Fred Olsen. A team of CNCo experts visited Norway and made a careful examination of one of Olsen's converted ships, MV *Bretagne*. Her special side-ports gave direct access to wharves, and enabled pre-loaded pallets to be handled swiftly and efficiently. A survey disclosed that existing wharves in Australia and PNG could accommodate a similar type of side-loading ship. The team recommended the conversion of an existing vessel, on a trial basis.

A vessel called *Babia* was offered. Built in 1953 in Norway, *Babia* was of the right dimensions for the PNG trade, 2,224 gross tons, 337 feet in length, with a suitable freeboard and a speed of 13 knots. Her high ratio of bale capacity to deadweight tonnage made her ideal for pallet operations. CNCo decided to purchase her, with delivery in October 1966.

Steamships had early advice of the proposed change. In Australia, the shipping agency activities of G.S. Yuill had been taken over by a new company, Swire & Yuill Ltd. In January 1966, Swire & Yuill had advised Del Underwood that NGAL would be withdrawing the S class vessels, and replacing them with a ship of the side-opening type, which could be loaded and unloaded with fork-lifts, which would drastically reduce traditional stevedoring costs. A separate operating company would probably be formed, with NGAL having a controlling share. Steamships would be invited to participate. The Board agreed to consider the matter.

The question of a suitable name for the new side-opener now arose, and Del Underwood personally offered a name hallowed in Company annals, *Papuan Chief*, to Adrian Swire, the CNCo Chairman. Steamships had for many years before the Pacific War operated the little motor vessel, *Papuan Chief*, along the Papuan coast. The Company agreed to allow *Babia* to be renamed *Papuan Chief*, thus perpetuating an honoured name (she was the first of a line of vessels that would bear the Chief suffix, to the present day).

Papuan Chief arrived in Hong Kong in March 1967, to undergo her conversion to



Papuan Chief

Photo: Courtesy Del Underwood

side-loading at Swire's Taikoo Dockyard. This was a very difficult time in Hong Kong, with serious rioting occurring throughout the colony, but the conversion was successfully completed to the Olsen pattern, providing two manually-operated side-port openings, both on the port side of the ship. Two permanent refrigerated containers were stowed on the upper deck of No. 4 hatch.

Steamships prepared for the arrival of *Papuan Chief* by the purchase of two tractors, six forklifts and 18 six-ton trailer units, built to a CNCo design. It was estimated that full manning of the vessel would require two six-man side-port gangs, and three 10-man ship-gear gangs, plus forklift and tractor drivers, far less than required for the S class vessels.

Papuan Chief made her first Australia-PNG voyage in July 1967. A profit slightly in excess of the normal S class stevedoring profit was made, despite the breakdown of five out of the six forklifts, primarily because they were inadequate, and the drivers inexperienced. Two, larger capacity forklifts were immediately ordered, plus two more for Samarai operations. Adrian Swire sent his personal congratulations to Steamships on the success of this initial voyage.

Another side-opener, with three ports, was introduced in June 1968. The *Island Chief* was at 5,588 gross tons a considerably larger vessel, built in France in 1953, and purchased by CNCo in 1961. She was called *Tsingtao* prior to her introduction on the Australia-PNG run.

As all concerned became familiar with this new form of handling, *Papuan Chief* achieved loadings of an average of 2,500 manifest tons of cargo, slightly more than the two S ships had managed, together. There was no longer any doubt that the old ways of handling cargo were done.

STEAMSHIPS COMMENCES SHIPBUILDING

Neil Nicklason was still in overall charge of Steamships' Shipping Division during this period. Both Nicklason and Del Underwood wanted to achieve greater utilisation of the Shipyard facilities, and in June 1967, Nicklason asked the Board to approve the construction

of a 130-ton harbour lighter, for use in Port Moresby. A quantity of suitable steel was already in stock and paid for, and he estimated the overall cost of the lighter would be about \$14,000. Nothing like this had yet been attempted, but the Board told Nicklason to go ahead. An additional lathe was purchased for \$4,200 to assist the work.

The lighter was 62 feet 6 inches long and 22 feet wide. Construction proceeded swiftly, and a second lighter was laid down. It was not proposed to buy a tug; instead, one of the K boats would initially be used. Consideration would also be given to constructing another lighter, for use at Lae.

This experiment proved very successful. The Board also decided to replace more wooden vessels with steel construction. One or two new craft of the *Frank Rei* class - or slightly larger - were required. A suitable steel vessel, MV *Waroo*, was located in Australia, and this was purchased in February 1968, and renamed *Peter Ikori*, in line with Steamships’ policy of naming vessels after prominent local shipmasters. *Peter Ikori* went into service in April, 1968.

At the same time, it was resolved to negotiate with New Guinea Shipbuilding Company Pty Ltd, Rabaul, for a *Frank Rei*-type vessel, at an estimated cost of \$62,100. This company had recently been formed, as a joint enterprise between a local group (which held 51% of the shares) and the Japanese company, Tsuneishui Shipbuilding Company, of Tokyo. The Chairman and Managing Director was Henry Chow, and the Directors Bernard Chan, August Chan, Seeto Kim How, John Yun, Jack Seeto, John Chow and Jackson Seeto, all prominent Chinese businessmen.

Neil Nicklason was convinced that the facilities and expertise existing at the Steamships yard were now sufficient to allow the Company to attempt the construction of a *Frank Rei*-class ship. Del Underwood agreed. New Guinea Shipbuilding offered to supply a hull only, at a cost of \$29,000, but after much discussion the Board decided that the time had come to test the Company’s ability as a shipbuilder. It was resolved to have one vessel constructed at Rabaul, and a sister ship at Steamships’ own Shipyard in Port Moresby. A naval architect from Sydney would be engaged to oversee the work. A 21-foot boom crane was purchased for \$16,000, to facilitate the construction.

TOBA MOTORS

There were many other developments during the 1965-1967 period, perhaps the most significant the formation of a new wholly-owned subsidiary company to handle the sales and distribution of Mitsubishi motor vehicles and equipment. Steamships was already handling Honda motorcycles and small motors, and were selling the light trucks and cars of Prince Motor Company, of Japan.

The Automotive Division had long been one of the strongest in the Company. It was decided to set up a separate company to handle the Mitsubishi vehicles, to avoid franchise conflict with Honda and Prince. The Company, Toba Pty Ltd, was formed in October, 1966. A contract was let to Delta Constructions Pty Ltd to erect a new building for Toba at Badili, the first stage to cost \$59,905, and the second, \$33,630. Showrooms and workshops soon added to the overall cost.

JACK BOLT

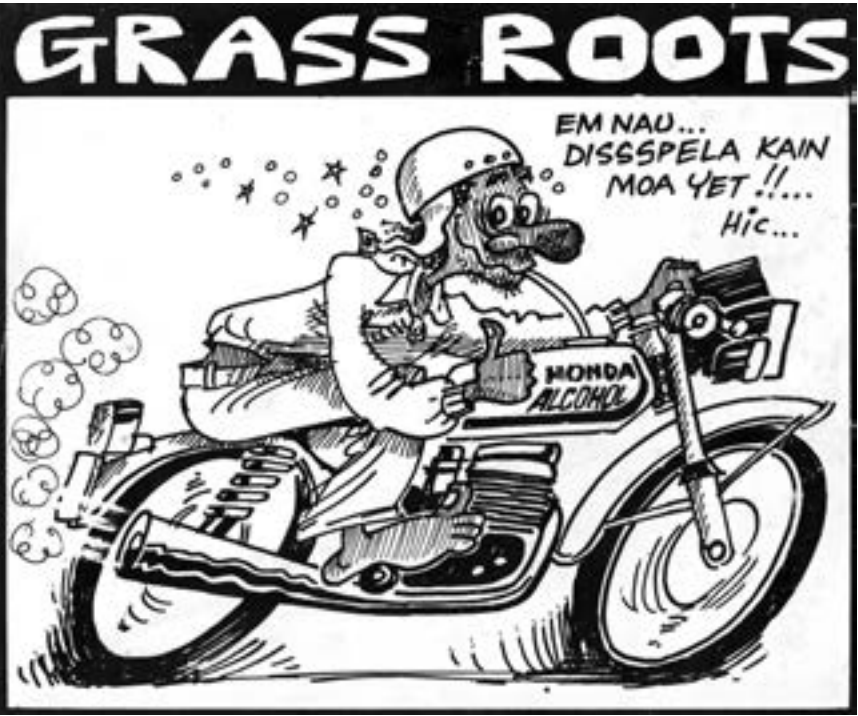
It was around this time that a young man, who was to spend many years with Steamships, joined the Automotive Division. Jack Bolt was born in Groningen, Holland, in 1935. He

migrated to Australia with his family in early 1951, and in 1953 obtained a position with E.A. Machin & Co, a well established Melbourne retailer and wholesaler of automotive spare parts and equipment. In early 1966, Jack Bolt applied for a position with Steamships, was accepted, and arrived in Port Moresby in July 1966, for what he expected would be a two-year stint, but which turned out to be more than 20 years.

Bolt’s future wife, Kathleen, had arrived three months earlier to work in Steamships’ Main Store Cosmetics Department. An English girl, Kathleen had been on a working tour of Australia with a friend, and had made a detour to PNG. The two were married in the new Anglican Church in Mary Street in February, 1968. Archbishop David Hand officiated, and the bride was given away by Rev. Ian Stuart, who later published the authoritative *Port Moresby: Yesterday and Today*, a mine of information on the early history of the city (Canon Stuart was once asked to write a history of Steamships, but after some consideration, declined). The wedding reception was held at the newly completed Gateway Hotel.

Jack Bolt’s first accommodation was at Davara Motel, on Ela Beach, another hostelry which, many years later, became part of the Steamships Hotel group. He recently recalled those early days:

“The Automotive and Machinery Division building was on the corner of Hunter Street and Champion Parade, opposite the Burns Philp garage. It was I think originally a supplier of goods and equipment for internal Company use, and the plantations. The Division had a very wide and diverse portfolio of products. Some of these were P&N drillbits, Wiltshire



Grass Roots - *Post-Courier*

Courtesy Jack Bolt



Mt Hagen tribesmen on Honda bikes Photo: Courtesy Jack Bolt



Mt Hagen tribesmen on Honda bikes Photo: Courtesy Jack Bolt

files, PBR brake parts, bearings of many different makes, precision measuring equipment from Mitutoyo of Japan, Stanley screwdrivers, a great range of UK tools which came over in Bank Line ships, Dynapac construction equipment, and a host of other brands. We also had Goodyear and Bridgestone tyres, which we lost because the Company was unwilling to spend the money to properly merchandise them.

“A good slice of the turnover was represented by the sale of Honda and Prince Motor products and spare parts. The Honda franchise developed into a very valuable business with a wide range of products - portable generators, pumps, small engines for different applications, motor bikes - we sold a large number of Honda CT90 motorcycles to the Admin for use by Patrol Officers in the field and this bike was for many years the major means of transport in the bush.

“I didn’t meet the Divisional Manager, Norm Johnson, until the next day. He had been in PNG with Steamships for many years. The staff consisted mainly of young men mostly around my age - Dick Hoan, John Price, Dennis Nelson, Ian Patience, Gary Ezzy, Ray Smith, Clive Barton, Noel Burrows, Graham Ferguson and Ron Ringuet were some I remember.

“The Division had recently moved from a shed on the foreshore, and I was given the job of sorting and locating a lot of stock that was spread out all over the upstairs floor. Most of this stock was bulky and slow-moving goods, but needed to be recorded on the Cardex system. This was before computers, of course, and to give some idea of how lax stock control then was, I discovered one day a large carton containing a big Archimedes outboard motor, a gem



Honda exhibits - Port Moresby Show Photo: Courtesy Jack Bolt

of a motor - and there was no record of it still being in stock! There were piles of jeep parts still in their wartime packaging!

“The Automotive Division was the sole distributor of some very well known brands and products. We had imported the International range of trucks, agricultural and earthmoving equipment for many years, and the support of this franchise by back-up spare parts was a major part of the business. We supplied most of the commercial vehicles to the Administration, in the Admin-blue colour. If we needed a vehicle for the Steamships fleet we had the cabin roof painted yellow - the Company colours were yellow and blue.

“We also represented the Rootes Group of the UK and imported Humber and Hillman cars, and Commer trucks. The Managing Director, Mr Underwood, drove a large black Humber with white-wall tyres. Later on, I had a problem obtaining the right type of white-wall tyres. The white wall had to be large, not the narrow strip that was more common. Mr Underwood held the fort in the office upstairs in the Main Store, and his secretary, Nancy Clayton, was his guarding angel. He was very strict, and not really approachable...

“Mr Underwood believed in the principle of being seen and seeing. Every morning he was on the floor of the Main Store at 7.45 and again at 8.05 to notice who was there, and who was not. He also used to drive around Port Moresby, visiting the various stores and activities spread around the city.

“I still had not met Mr Underwood when I was moving out to the new Six Mile single male accommodation in early 1967. I was moving in Company time, and I was using one of our



Mobil, Ela Beach

Photo: Courtesy Jack Bolt

small trucks. Mr Underwood pulled me up in Badili, outside Tutt Bryant's, and asked me what I was doing in a Steamships-owned vehicle? I told him I was his assistant parts manager, and he told me to proceed!

“The Six Mile accommodation was by 1960 standards, excellent. Specially designed by John Wild, who was the architect for all Steamships' work. Small bedsitters, with separate kitchenette and bathroom, very modern by 1960 standards. [As a part of its commitment to its staff, Steamships had recently let a contract to Delta Constructions Pty Ltd for a block of 36 self-contained single staff units on the Cordial Factory land at the Six Mile, at a cost of \$118,727. A further 16 units were added in December, 1966.]

“We were the first company to import the long wheelbase Prince 2.5 ton truck, with a timber tray and seats running lengthways. Made by the Prince Motor Company in Japan, this vehicle configuration was ideally suited to transporting people and their cargo from the outlying villages and was not replaced until very much later, by utilities, mini-buses and large 24-seater buses.

“Prince Motors also produced a nice range of passenger cars, which we imported in reasonable numbers. Unfortunately, we lost the franchise when Prince Motors was taken over by the Nissan motor company in Japan. Nissan/Datsun was already represented by W.R. Carpenter's Boroko Motors, so we missed out.

“In 1966, Mr Underwood visited Japan and obtained a number of important franchises, of which Mitsubishi Corporation was one. I believe we were offered the Toyota franchise, but declined to accept as we needed large earth-moving trucks for our Nebiri Quarry, and these



Mechanic - Ela Beach

Photo: Courtesy Jack Bolt

were purchased from Mitsubishi. Mr Bill Sugden was engaged to set up the Toba operation. In the late 1960s the automotive part of the Division was transferred to Toba Motors at Badili, and proper sales and service facilities in a newly built facility were at last available to do justice to the Mitsubishi range.

“Machinery became the outlet for all the remaining products. Dick Hoan was very keen to diversify, and reduce our dependence on the sale of vehicles, for which we had not really been equipped. Until the move to Toba, after-sales service was almost non-existent, and had to be carried out in Steamships’ garage in Lawes Road, managed by Ron Nicholson. Proper service facilities for retail clients did not exist.

“Because of Dick Hoan’s knowledge of European markets a good number of important brands were obtained. Hazet Tools was one that comes to mind, and a good range of Italian woodworking machinery was added to our portfolio. John Price had excellent contact with the Admin Transport section and we were the major suppliers of tools, equipment and accessories to this section for many years.

“Ron Ringuet was our on-the-road salesman, in a van. He was very successful at it. Most of our customers were expats working for Australian-owned and managed companies, and with the Admin at all levels...”

As noted previously, Steamships had formed the small Highlands Coffee Mill at Mount Hagen in 1962, but it lost money and was closed two years later. The Coffee Mill building was now converted into a Toba motor vehicle sales and service centre.



Steamships displays - Port Moresby Showgrounds 1966

Photo Courtesy Jack Bolt



Toba display

Photo: Courtesy Jack Bolt

Japanese motor vehicles were beginning to swamp the PNG market. Norm Johnson informed the Board at its August 1967, meeting that over the past six months, 66% of all trucks sold in PNG were of Japanese origin, and 43% of all cars. Highlands’ road conditions were so severe that the life of trucks was short, and it was confidently expected that Toba Mount Hagen would trade very profitably.

Honda Centres were established at Port Moresby and Madang. During the 1966-67 financial year, the Port Moresby Centre sold 199 Honda motorcycles, and held a firm order from the Administration for 202 motorcycles over the next 12 months. Steamships’ Madang Centre sold almost the same number. A new garage was established at the corner of Lawes Road and Ela Beach Road, and was soon selling in excess of 12,000 gallons of petrol per month.

OTHER DEVELOPMENTS

The new Automotive investment was but one of a number of Company initiatives during this period. A number of agencies were secured from Shanghai, including Sharp brand radio equipment. Some \$125,000-worth of orders were placed there for machinery, animal by-products, metals and minerals, chemicals and industrial goods. Another quarter-million-dollar investment in staff and tradesmen housing was made in Port Moresby and Lae, and extensions and improvements to the Cordial Factory were carried out by John Stubbs & Sons.

These were certainly long overdue. It will be remembered that the Six Mile Cordial Factory had been purchased from C.L. Large in 1955. It was then a primitive operation, although the product was of good quality. Don Harvey remembers that the bottle washing department

consisted of a couple of old cut-down rainwater tanks, with a team of Gosiago labourers sitting around them with bottle brushes. “At the finish we would put them through a very old bottle-washing machine. The filling machine was also decrepit. A fellow put the bottles on with one hand, and took them off with the other. We had four brands of Cola - Kone Cola, Koki Cola, Kila Cola and some other Cola - and it was all the same! That was our lolly-water factory. It was all going into beer bottles.

“We did have a run-in with Carlton United Brewery, a bloke named Fogarty, who ran things with an iron fist. He got upset because we were using his bottles, and he ended up getting the law onto us, so we paid him a royalty. Bill Johns of South Pacific Brewery used to get terribly upset, because we used his bottles also. We cornered the bottle market!

“We were on the verge of selling that cordial factory, because we weren’t making any money out of it. I had always had the belief that for the future we should line ourselves up with expert overseas groups whenever possible, so we approached Coca-Cola Regional office in Sydney for a franchise.

“Two executives arrived one Sunday, and they were horrified when they saw our bottling plant. We asked for a franchise, on the understanding that we would build a modern factory to their design with equipment to their specification, all at our cost. However, they insisted that their superior product should sell at a premium price. We found the market did not agree. We tried to sell the operation to the Australian franchisee, but to no avail.

“So we broke our agreement, without their permission, and reduced the selling price. Sales increased by 50% in each of the two successive years, and the operation became attractively profitable. Everyone was happy!”

The new modern factory was built in Spring Garden Road, and production commenced at the end of 1968. A large investment in new refrigeration and other equipment was necessary.

R.F. Shaw, Group Merchandise Manager, was given a free hand to make changes to the Merchandise Division, to lift its performance. Additional staff were appointed, and a considerable amount of reorganisation followed, but Shaw suddenly resigned in July 1967, for personal reasons and left PNG before the changes he had commenced were working smoothly. C.M.J. Buck was then engaged as Group Merchandise Controller, and J. Fysh and N.Corbett as manager and foreman of the Freezer.

Another new staff member was Peter Wisby, a young man aged 25, who joined Steamships in June 1965, as a cost clerk, spending a year in Port Moresby before transferring to Lae, where he remained for four years. Wisby then resigned to join the newly formed Co-Operative Wholesale Society.

The main block of the new Melanesian Hotel at Lae was completed in October, 1967. As the air conditioning was being installed, first bookings were being accepted as from mid-November. Extensions were made to the Lamington Hotel, and the question of the hotel at Port Moresby was still under active consideration.

Steamships had operated a Travel Agency for many years, on a small scale. The Company was keen to gain affiliation with international tourism organisations, and as a first step to achieving this, Coral Sea Travel Service Pty Ltd was formed with a capital of \$30,000, to take over the services presently handled by the Travel Agency.

Far more ambitious - and costly - were proposals to erect supermarkets (a new concept in PNG merchandising) on sites owned by the Company at Konedobu, and at the new Boroko Shopping Complex, opposite Boroko Hotel and next to the recently completed Post Office. This would require the Lands Department to transfer the police station intended for this site to another location.

The Land Board indicated it would favourably consider a supermarket on the block - allotment 7, section 5 - and the Board decided to invite the architects who had designed the very successful Roselands Shopping Centre in Sydney to send up a representative, to see whether something similar, although smaller, could be erected on the site. F.P. Dick-Smith, a partner of Whitehead and Payne, Architects, duly visited Port Moresby and discussed the proposal with the Board. Preliminary design work was commissioned.

And this was not the end of planned new works. A bulk coffee store would be erected at Lae (where E.R. Pearce was Steamships’ manager), and a big Highland merchandise transshipment store. Negotiations were opened with Graham Goudie at Lae, for the purchase of 1.8 acres of land in Milford Haven Road on which were erected warehouses and residences. The asking price was \$75,000. A large hardware store, 150 feet by 50 feet, would be constructed in the main street of booming Mount Hagen.

The extent of Steamships’ expansion was quite remarkable. A hitherto conservatively-managed company was spreading its wings, with a vengeance. More funds were required to cover the huge capital expenditure programme. In May 1967, the Bank of NSW confirmed an increase in Steamships’ overdraft limit of \$3.2 million, to be reduced to \$2.4 million by 14 July. This was but a temporary measure, and the Board resolved to offer to shareholders 4,235,398 ordinary shares of 50 cents each, in the proportion of two new shares for every five held (the offer closed in July 1967, fully subscribed).

Despite the heavy outlays, Steamships Trading Company was still performing solidly, had excellent future prospects, and had increased its net profits every year since the end of the Pacific War. The 1967 profit was \$981,000, after tax of \$231,000 and depreciation of \$426,000, and a dividend of 6.7 cents per share was paid, but some financial analysts were becoming concerned that Steamships was over-extending. An extreme view was taken by one columnist in the Brisbane *Courier Mail* newspaper in June, 1967:

“Won’t Steamships Ever Be Satisfied? What has come over Steamships Trading Co Ltd in the last year or so? This widely-diversified New Guinea organisation has always shown a tendency towards expansion, but previous efforts pale into insignificance by comparison with the latest, almost frantic, desire to raise more and more cash.

“This company took 40 years to reach the \$3 million mark in ordinary capital, but has suddenly taken off at such pace that it is now raising millions EVERY YEAR...

“Directors have forecast a lower result for the current year and have sliced the dividend from 13.4 to 10 percent. No wonder share prices have toppled from \$1.08 to 60c. They are likely to stay down, too, unless Directors put a brake on their spending, or else show some results to justify this empire-building craze which is starting to look as though it is getting right out of hand.

“Steamships Trading seems to have a finger in everything in the Territory of Papua and New Guinea. It is a wholesale and retail merchant, shipowner, planter, shipwright, general

engineer, stevedoring operator, timber merchant, owner of freezing, cordial and motor works, owner and agent for rubber, copra, cocoa and coffee plantations, owner of a slipway, is distributor for International Harvester Co, agent for cattle companies, is distributor for several different makes of motor cars and trucks, is a quarry owner, has agencies for several shipping lines, is the owner of hotels, has properties which it rents, and is a partner in a new commercial gas undertaking...

“But despite having so many activities to control, Steamships Trading is still not satisfied. It is raising new money from shareholders and other sources at a rate far greater than ever before in its history.

“Go back over the past few years and check the almost limitless demand for cash.

“December, 1963 - issue of 1,193,628 shares at 75c each.

December, 1964 - placement of 300,000 shares at \$1.30 each.

July, 1965 - issue of 1,563,404 shares at 75c each.

November, 1965 - issue of 122,000 shares at 82c each.

July, 1966 - private placement of 1,000,000 shares at 93c each.

“And now to top them all, there is to be a mammoth 2-for-5 issue at par, involving the issue of 4,200,000 new shares.

“As well as those issues to shareholders and private placements, Steamships Trading in the same period has made four new share issues to acquire assets. It has also negotiated a loan of \$700,000, and has leaned on its bankers for another \$700,000, the overdraft being raised from \$1.4 million in 1963 to \$2.1 million at last balance date.

“All for what? A lower profit and reduced dividend...shareholders would be much happier to see Directors make a success of just a few ventures - particularly if the Directors’ desire to move into hundreds of new ventures where they have had no experience, is merely going to mean reduced dividends.”

Del Underwood’s answer to such overstated charges was simple and direct. He told shareholders, “your Directors have aimed at a deliberate policy of diversification, and this policy will be continued. The value of this has been proved beyond doubt in our ability to cushion the reverses which have been occasionally met.”

In truth, Steamships had bitten off a mighty chunk that was taking time to digest, but events would show that Underwood was right, and his critic, wrong.

CHAPTER SIXTEEN

EXPANSION CONTINUES

Del Underwood and the Board were not swayed by the criticisms made by the Brisbane analyst. The 1968-1970 period saw the Company hewing steadfastly to the same path of growth and diversification, with dividends maintained at a constant but moderate rate.

“Directors are not unmindful that shareholders may welcome an increase in dividend as higher profits flow from unchanged capital,” Underwood said in his November 1969, message. “This, however, must be balanced against the internal cash requirements necessary to the continuing expansion and consolidation, and therefore your Directors do not recommend any alteration to the present annual rate of 10%.” This was maintained until 1970, when the dividend was lifted to 11%.

1968 began on a sombre note, with the untimely death of Lloyd Armitage, on 13 February. He was only 46. Armitage had served with 19th Infantry Battalion in the Pacific War, and left a young widow, Muriel. He was replaced as Director by Bruce Blaikie, at the time Group Accountant, who as previously noted had joined the Company in February 1957.

Blaikie was given overall responsibility for Steamships’ branch operations. The Company was being pressed by the Lands Department to develop vacant land it held at various centres, and particularly in the Highlands at Kundiawa, Mount Hagen and Goroka. If the blocks were not developed, they were in real danger of being resumed.

Del Underwood noted in his November 1969, Chairman’s Address:

“It is our constant criticism of Administration policy that the conditions for granting of land under lease do not take into account the expansionary needs of a permanently based and domiciled Company such as ours. This Company is not a land speculator and...the authorities...are basically tied to a system which requires the prompt improvement of granted land, and which allows for little future planning...”

But the Company had to work within the limitations of Administration policy. The Board agreed to a proposal by Blaikie that some \$100,000 be spent on renovations to the retail store at Goroka, and that an additional bulk store be constructed there. A large wholesale bulk store would be built at Kundiawa, plus two flats. Kundiawa was a very promising location, connected with other Highlands centres and the coast at Lae by the Highlands Highway, which was now open to heavy vehicular traffic. The Company did not want to miss out. Architect John Wild visited both towns to prepare plans.

The Company did relinquish several blocks at Mount Hagen, obtained before the Highlands

Highway was completed, and all goods were flown in. The loss to Steamships was trifling: approximately \$3,500.

Preliminary plans were drawn up for a big Arcade of up to 12 shops at Madang, plus a large hardware store. These projects were eventually completed by Madang Contractors Pty Ltd. Surveys and plan layouts were prepared for new retail stores at Samarai and Popondetta.

It was at this time that Steamships entered Bougainville. The Bougainville Copper story is too long and convoluted to be considered in detail here. Briefly, the existence of copper on Bougainville had been known for many years. In 1963 the giant Conzinc Riotinto (Australia) mining company was granted prospecting licences over the Panguna and Kupei areas, and began fieldwork in 1964. By 1968 the existence of a huge, world class, low-grade ore body carrying copper, gold and silver had been proven. In 1969, Bougainville Copper Ltd (BCL, a subsidiary of Conzinc Riotinto) was granted a mining lease over an area of 10,000 acres at Panguna, and in 1972, copper production began.

There were clearly great opportunities for trading companies on Bougainville, and in August 1970, the Board agreed to purchase the existing business of Richard Gault at Kieta, and establish a branch operation there. It was also resolved to purchase the business interests of the well-known Parer family, at Vanimo, in the Sepik District. These were taken over on 14 December 1970.

Steamships now had Branches at Samarai, Popondetta, Rabaul, Madang, Lae, Goroka, Kundiawa, Mount Hagen, Kieta and Vanimo. In this pre-computer era, effective control of



Truck in trouble, Highlands Highway

Photo: Courtesy Jack Bolt

such a sprawling empire from the Port Moresby headquarters was not easy, and Bruce Blaikie spent most of his time traveling between the Port Moresby head office and the Branches.

“That’s why I learned to fly,” he recalled in a 2004 interview. “I got my pilot’s licence, by agreement with Underwood. In those days you spent so much waiting for aeroplanes that didn’t turn up, and the telephones didn’t work very well. I was responsible for the Branches, and I was wasting so much time at airports.

“So I learned to fly, in a Piper Cherokee. If the air fare to Lae, for example, was \$100, by agreement with Del Underwood I spent those dollars on flying lessons, instead. That’s how I got my licence. I flew for a few years and then gave it up, because I was dangerous! I wouldn’t fly for months, then I’d fly 30 hours in a week. Hopeless. And I was President of South Pacific Aero Club!

“But I took part in the Independence Air Race, Brisbane to Port Moresby. Steamships gave me 500 bucks towards it, and gave me a sticker to put on the plane...”

“I used to charter light aircraft and fly myself around to the Branches. I remember once I had to act as a guide. We had an accountant called Eric Marshall, an old Englishman, a good-looking man with silver-grey hair, cheerful, energetic and very likeable. He was married. We sent Eric and his wife to Samarai to relieve Eric Munro. They both loved Samarai, and were very popular with the locals.

“We had a problem at Goroka, and Eric was transferred there as Branch Accountant. His wife went on holidays back to England, and while she was away Eric contracted pneumonia, and died.

“We contacted her in the UK, and she said they had both been so happy at Samarai that she would like him to be buried in the cemetery on the island of Rogeia, just across the channel to the west of Samarai, adjacent to Kwato, the home of Kwato Mission.

“The logistics of moving a body from the Highlands of New Guinea to coastal Samarai were considerable. There were no direct flights, and no commercial airstrips at the Samarai end, anyway. And the distance exceeded the range of a light aircraft.

“Steamships wanted to do the right thing by old Eric, so a single-engine aircraft charter was arranged to fly the coffin from Goroka to Port Moresby, and on to Samarai. I joined the flight there. So the charter pilot and I flew down the coast with our silent passenger. We landed on the short grass strip at Doini, one of our island plantations about 12 miles south of Samarai, which we had earlier sold. I had first visited there in 1957 when Ted Savage was the manager. I used to marvel how he used to travel across the open water to Samarai in a 12ft aluminium dinghy with a small outboard motor. I often wondered where he would fetch up if the motor failed...

“There was a tractor and trailer waiting to take the coffin to the jetty, where Government launches were waiting, and with mourners aboard we made our way to Rogeia. Normally a wonderful boat trip, through blue waters, with islands all around, only this errand was sad, and marked by the gentle singing in harmony of the locals. It was a 20-minute walk from the beach where we landed to the cemetery, through a path freshly cleared through tropical jungle.

“Eric was laid to rest in this lovely and faraway place, with no one present except his Samarai

friends, with the traditional grieving of the Papuans. The Government launch took us back to Doini, and then the pilot and I flew back to Port Moresby. We did not hear again from Eric's widow."

SHIPPING

There was an expansion, also, of Steamships' shipping interests. More of the remaining wooden craft were sold off - the old *Moturina* fetched \$35,000. As noted in the previous chapter, the Company had commissioned the construction of an all-steel craft by New Guinea Shipbuilding Company, Rabaul, and had also decided to construct another at its Port Moresby shipyard. This ship was named *Simon Ruiero*, after one of the Company's old Papuan skippers, and was the first all-steel motor vessel to be built in the Territory.

Simon Ruiero went into service in early 1969, achieving a speed of 8.9 knots, and in general performing very satisfactorily. She was the first of the two new steel vessels to be launched. The Rabaul-built vessel was named *Naime Dogodo*, in honour of yet another of the Company's Papuan shipmasters. A vessel of 42.30 net tons, she was launched in July 1969. *Naime Dogodo* was based in Port Moresby, while *Simon Ruiero* was sent to Madang, where Ken Lee was manager of Steamships' interests.

Madang was a most important shipping centre, serving in particular the copra and native labour recruitment industries. Madang Harbour was one of the finest in the Territory, and many small craft were based there.

There were at that time two slipways at Madang; Madang Slipways, operated by Niel Grieve, an ex-BGD engineer who commenced the business with local partners in July 1951, and another operated by Madang Marine Workshops, started by Jim Duncan in 1953. Madang Marine Workshops was located on three acres of land with a deep-water frontage on the inner harbour. A number of small craft had been constructed there - one a 35-ton steel barge for the Dutch New Guinea Government - and many smaller launches. Steamships needed a Madang base for *Simon Ruiero*, and when the Board heard the business was for sale, Neil Nicklason was sent to Madang to inspect it.

The slip could handle vessels to 150 tons, and a well-equipped workshop and several staff houses were included in the deal, which was concluded in November 1968, for \$40,000. Possession was taken in January 1969. The staff - two Europeans and 13 nationals - were retained, and Don Skeates was placed in charge. The slipway was renovated and a new cradle constructed, which could accommodate vessels of 200 tons weight and 110 feet length. New berthing and fuelling facilities were provided, and a large cargo shed. *Simon Ruiero* was mostly employed on the coast between Lae and Vanimo.

In March 1970, a ship called *State of Sarawak* was advertised for sale, in Ballina, NSW. An almost new twin-screw vessel, built in 1968, it appeared ideal for Steamships' coastal trade. A naval architect, John Dougherty, was commissioned to slip and inspect her. He advised she was lightly built, with few refinements, but could be economically strengthened. The engine room was big and roomy, and the two engines had been recently overhauled, and carried six months' warranty. Some 20 cubic feet of freezer space was available. In Dougherty's judgment, the vessel could be configured to Steamships' requirements, if the asking price, \$180,000, could be reduced.

The purchase of this vessel - or something similar - was urgent, for Steamships had recently

been offered work of immense potential significance. As noted above, Steamships was about to establish itself on Bougainville, where BCL would soon be commencing operations. The Company's involvement on Bougainville would be relatively minor. But examination of another huge copper body had recently begun in the far interior of the Western District of Papua, which would lead to a massive involvement by Steamships, that continues to the present day.

THE FLY RIVER OPERATIONS

In 1967, the giant Kennecott Copper Corporation of America had begun to investigate the headwaters of the Alice (Ok Tedi) River, from where an Administration exploratory patrol had brought back mineral samples, which testing proved were rich in copper. In the following year, Kennecott geologists discovered copper beneath a mountain called Fubilan, in wild, almost unknown country deep in the interior, almost on the present Papua (previously Irian Jaya) border.

The logistical problems were positively frightening, but Kennecott accepted the considerable financial risk and began a diamond-drilling programme which was eventually completed at a cost of \$16 million. By August 1971, a total of 87 test holes had been drilled, some to a depth of over 800 metres, and the presence of a potentially payable copper deposit was proved, although much more testing remained before mining could be contemplated. The Kennecott programme provided for prospecting/testing in 1970-71, evaluation in 1972-73, construction in 1974-75, and production in 1976.

The exploration programme was mounted from a base at Tabubil, near Mount Fubilan. The Administration maintained a station and river port called Kiunga, on the bank of the mighty Fly River, 870 river kilometres from the mouth. Kennecott employed a fleet of helicopters to move in staff, equipment and supplies to Tabubil from Kiunga. The equipment and supplies were delivered to Kiunga from Port Moresby by sea. Immense volumes of cargo would obviously be required during the testing and construction phases of the huge Kennecott programme.

Steamships was offered a substantial share of the Kennecott cargoes, initially 600 tons per month if the Company could handle it, hence the necessity to obtain a suitable ship. So potentially important was the Kennecott work to the Company that at the Board meeting of 6 April 1970, Directors agreed that Steamships' shipping requirements should be geared to Kennecott's indicated programme.

As a preliminary step, it was resolved to call tenders for a 93-foot twin-screw barge in Australia, Singapore and Hong Kong, and further to consider the possibility of constructing the barge in Steamships' own Shipyard. A smaller vessel for general trading would also be built, or acquired.

Captain Ray Taylor was the senior Steamships skipper, and he was sent down to Ballina to examine *State of Sarawak*, and recommend to the Board whether she should be purchased or not. "She had been built in Singapore," Taylor recently recalled, "a beautiful two-hold cargo vessel, built to run to Malaysia. These people in Ballina, the Foyster Group, had bought her for dredging sand for silicon, with a crane and a grab.

"I examined her, and found she would be ideal for us, shallow-draft, ideal for the Fly River. So we bought her. I went down with a crew to bring her back to Moresby, but I couldn't get

a Chief Engineer. It was just on Christmas. There were plenty of captains, but no chief engineers to give me a hand to deliver the ship.

“I held engineer’s certificates, so I signed off as Captain, and signed on as Chief Engineer. When we got to Port Moresby, I signed off and went back to Captain. We changed her name, to *Papuan Explorer*.”

The ship went into service on the Fly River run, carrying between 300 and 350 tons of Kennecott cargo per trip. With a loaded draft of just five feet, *Papuan Explorer* had a good turn of speed, and was soon making two Port Moresby-Kiunga trips each month. Unfortunately for Steamships, for various reasons this lucrative trade was short-lived. Steamships’ further involvement with the great Ok Tedi project will be referred to in later chapters.

Unfortunately, too, the new *Naime Dogodo* had a short life. She was lost in heavy seas in the Gulf of Papua in July 1970, barely a year after she was launched. As a matter of Company policy, all Steamships vessels were generously equipped with inflatable life rafts, and all hands were saved. The craft was insured, and tenders were immediately called for a replacement.

Both the twin-screw barge and the replacement vessel were finally constructed in Australia. A tender of \$165,000 by Clarence River Engineering Pty Ltd for the barge was accepted, and



The launching of the *Ame Rupa*

Photo: Courtesy Del Underwood

another, of \$77,126, for the *Naime Dogodo* replacement by Perrin Engineering Co Pty Ltd of Brisbane. Steamships’ Shipyard Manager, R. Lapsley, went to Brisbane to supervise the construction, for an expected period of six months.

The replacement vessel was to bear the name, *Naime Dogodo II*. Generally similar to the original vessel, 70 feet long, she would be constructed to Lloyd’s survey requirements. On the advice of naval architect Dougherty, she was to have twin skegs, a forward ballast tank, a modified stern, an enlarged rudder, and hydraulic steering.

Construction of the twin-screw barge proceeded rapidly. The barge, named *Ame Rupa*, was due to be launched on 16 April 1971, and sail to Port Moresby on her maiden voyage at the end of that month. But Clarence River Engineering got into financial difficulties, and construction slipped behind schedule. *Ame Rupa* was finally launched on 11 May, by which time the Company had gone into liquidation. The barge experienced engine trouble on the delivery voyage, was laid up for repairs at Mackay en route, and did not go into service until late May 1971.

Much more severe problems were experienced with *Naime Dogodo II*. Her construction proceeded slowly, and the appearance of the vessel was poor. She was dogged by all sorts of inadequacies, and after a close inspection of progress, Lloyd’s Surveyor Porter declined to furnish a report. A large number of items were incomplete and many defects had to be rectified, some by Perrin Engineering, and others, later, by Steamships’ own shipyard. Her launch date was several times postponed, and she did not finally arrive in Port Moresby until 24 February 1972.

THE HOTEL IMPERIAL ABANDONED

During this period, planning for the proposed Hotel Imperial at Port Moresby steadily proceeded. The estimated cost had risen to \$3,857,000 by November 1968, and the Board formally resolved to accept the project in principle. Stuart Bros Pty Ltd were asked to act as construction managers. Detailed plans were prepared. All that remained was to secure finance, for which Stuart Bros were responsible.

Steamships was not in a position to accept the entire cost of so large a project. For some time negotiations had been under way with a powerful Japanese company, Kanematsu Goshō Australia, which were derailed when that company got into difficulties, and was hit by a writ for a million dollars. Many other problems emerged, which ultimately proved insoluble. In April 1970, the Board bowed to the inevitable, and abandoned this project (which as we have seen had its beginnings before the Pacific War) “owing to the lack of success in obtaining suitable finance.”

However, the Company’s existing hotels were all upgraded. Demand for accommodation in Lae was so great that a large new wing was added to the Melanesian Hotel, and extensions were also required to the Lamington Hotel, Popondetta, and the Mount Hagen Hotel. Boroko Hotel, now 95% controlled by Steamships, was trading very profitably.

PLANTATIONS

There were significant developments in the Plantation Division. The rubber and copra market had been stagnant for a long time, and the Linga Linga copra plantation, acquired in the Colyer Watson takeover, was sold to J.H. Adams and O.I. Ashton for \$60,000. This was

a long-established property, with most of the coconut palms at least 60 years old. Production had been declining for years, and the Board was glad to get rid of it. The small Puni Puni Plantation, Milne Bay District, was also sold as it was deemed too small for economic operation.

Huiva Plantation was also shed. This Gulf District property, acquired in 1950, was sold in May 1969, to the Catholic Mission, Yule Island, for \$50,000. It, too, was in decline. The manager's residence was due for replacement, and new vehicles and machinery were also required.

LIFE ON HUIVA

Huiva was a much different plantation to Mamai. It was a beach property, far smaller, growing coconuts exclusively. It will be remembered that in the mid-1950s, Edgerton Fitz-Gibbon had been transferred from Mamai to Huiva as manager, with his wife, Joan, and son, Ray. Their experiences there were typical of those of Steamships' plantation managers on remote properties.

The family traveled from Port Moresby to Kerema in an ex-wartime Catalina flying-boat operated by Qantas. Catalina services were also provided to Samarai. Many ex-Steamships employees have fond memories of travel in Catalinas.

“Our Catalina was moored just at the end of the jetty,” Ray Fitz-Gibbon recalls in his memoir. “My mother said it looked like an ugly duckling. Its fuselage sat low in the water while its wings were fixed high on a thick pylon which protruded from the top of the fuselage. There were two large propellor engines just outboard of the wing pylon. Just forward of the big tail were two large observation blisters. The only concessions to its civilian use were the Qantas name, and the red flying kangaroo tail.

“We boarded by motor boat, and had to clamber through the open observation blister. Inside it was bare of any luxury fittings. It was like our house at Mamai, it had no internal lining. All the ribs and structures were exposed...one of the most intriguing things about the Catalina was that the flight engineer sat inside the pylon, with his legs dangling down into the cabin. I now had a new and exciting piece of machinery to focus my imagination on, other than the *Doma*, which I would probably never see again.

“Not long into the flight the co-pilot came aft, leant over me and yelled over the roar of the engines, ‘Would you like to come up and see the cockpit?’ I was told to sit in the co-pilot's seat while he went back to talk to the passengers. The pilot, who was sitting in the right-hand seat, gave me a quick sideways glance and nodded. He was cool and calm. The expression on his face remained unchanged. It was like he did not consider it unusual that a little boy should climb into the co-pilot's seat and take over the controls of the plane.

“There was a blue cattle-dog curled up asleep under his seat. It eyed me suspiciously. The controls consisted of a wheel like the steering wheel of a truck, on top of a long pole which protruded up out of the floor beneath my legs. The pilot's controls were exactly the same...I finally plucked up enough courage to ask the pilot what some of the instruments were for. I had to yell over the sound of the engines....‘Would you like to take over the controls?’ he said. ‘Just keep it on that course.’ He pointed to the compass. I gingerly put both hands on the wheel and felt the movement of the plane through them. The pilot sat back, and took his hands off the controls. The plane seemed to be flying itself...I thought about what my

mother had said about Australian pilots, she seemed to have an unshakable faith in their ability...I regarded the pilot in the seat beside with awe...”

The Catalina landed in Kerema Bay, and the final stage of the journey to Huiva was made by canoe across the Bay to Petoï, and on to Huiva by vehicle. The family was met by the outgoing manager, who was waiting on the beach alongside a rusty old Willys jeep - another wartime survivor. “Heat shimmered off the sand,” Ray Fitz-Gibbon remembers, “which made both he and the jeep appear to float on liquid air...the man began walking towards us; he greeted us, shook hands with father...we loaded our luggage on the back of the jeep, and my father and mother climbed into the cabin with the manager. I had to sit in the back with the luggage, the natives, and the dog...

“The road along the beach was 12 miles of hard black sand, the pounding surf on one side, and the endless dark green jungle and creeper on the other. It was the last leg of our long and tiring journey to Huiva, our new home...as the jeep sped along the verge of hard sand at the water's edge, millions of tiny crabs...would run en masse first one way, then the other; one stalk eye on the approaching jeep, the other searching for their holes...

“The plantation ran along just inland of the beach for some distance. The entrance to the house was half-way along. There was a gap in the thick green creeper which marked the vehicle track in. We turned up and onto the hot dry sand...the jeep lurched up over the soft sand, and as we did we disturbed thousands of big green grasshoppers...they flew up in a confused cloud of clicking wings and legs.

“A long road led from the beach through row upon row of tall straight coconut trees, past a couple of tin sheds and on to the plantation house...it was a big house, much bigger than the house at Mamai. It was as usual built on high stilts, and was surrounded by neatly cut lawns which were edged by gardens of croton, hibiscus and frangipani...the house featured the usual awning shutters as windows, which were propped open with the standard wooden props. The difference with this house was that these awning windows extended continuously around all four sides. When all the shutters were open, which was all the time there was not a storm, the house had the feel of a big veranda. The cool, salt-laden sea breeze would blow straight through...

“Our plantation was the only plantation along 24 miles of beach between Petoï at the Kerema end, and Ihu - the Government station on the Vailala River - at the other end. Because we were positioned almost half-way between Petoï and Ihu, we became a sort of half-way house. Every traveler along the beach would call in. My mother would make them a pot of tea and a batch of fluffy white scones with melted butter and raspberry jam...everyone knew they were welcome, from Government patrol officers, missionaries of all faiths, to other plantation people. Often you could hear a jeep or motorcycle coming for miles along the beach...if anyone drove past without stopping she would take it as a personal insult, and wonder for days who they were, and why they didn't stop...”

Some time after the Fitz-Gibbon family arrived at Huiva, the Willys jeep finally gave up the ghost. Motor vehicles had a short life on the beach, quickly falling victim to salt-water corrosion. Steamships firmly declined to provide a replacement, and Edge Fitz-Gibbon - who had served in the Army for the six years of World War II and was very handy with tools - found and restored an old Royal Enfield motor-cycle that was lying in a shed, with no wheels and hundreds of engine parts scattered about. He searched out bits and pieces, and rebuilt the clutch plate, using corks from whisky and gin bottles, thinly sliced and glued to

the plate. Steamships relented, and sent in a pair of wheels from Port Moresby. A plantation manager did indeed need to be a jack-of-all-trades in those days.

The family experimented with a trip on the Royal Enfield, with Joan on the pillion seat and Ray between the handle-bars, but it was an uncomfortable experiment that was not repeated. Thereafter, the family depended on the plantation tractor, a red International with attached trailer, as found on many PNG plantations at that time.

Unlike Mamai, there was no harbour at Huiva. Loading and unloading of vessels lying offshore in the open sea had to be done using surf-boats, propelled by oars. “My father would tune in to the ‘sked’ on the Eddystone radio,” Ray Fitz-Gibbon remembers, “listen to the shipping news, check out the sea. ‘Calm as a mill-pond’ he would say, with satisfaction...he would get...the surf-boat out from under the house, and take it down to the beach on the back of the trailer. The boys would load it up with bags of copra, push it out into the surf and row out to the waiting boat. My father would stand on the beach, shouting instructions. Sometimes the boat would go sideways in the surf, and capsize. My father would swear!...

“Unloading the 44-gallon drums of petrol was much easier than loading the bags of copra. They would roll them off the deck and let the surf wash them onto the beach. My father would drive along the beach on the tractor, and pick them up. I could never understand how a heavy drum of petrol did not sink to the bottom. My father explained, it was because petrol was lighter than water, but I still could not follow the logic.”

One of the prerequisites of managing a Steamships plantation was the right to run the plantation trade store, and retain the profits. All plantations - whether on the coast, or inland - had trade stores, stocked with basic food items, coloured cloth, knives and tomahawks, cooking utensils, small suitcases, lanterns, trade tobacco, and hundreds of other items, dear to the heart of the plantation labourer. Highlands labourers in particular were always keen to exchange the modest amount of cash earned by their work on coastal plantations for a variety of items from the plantation store, to take home to their families in the remote Highlands valleys on the expiry of their contracts.

“At Huiva the trade store was a little red-painted corrugated-iron shed on short stumps, fronting onto the compound playing field,” Ray Fitz-Gibbon records. “It had a lift-up shutter at the front, which when opened formed a sort of awning over the opening. Built into this at waist height was a rough wooden bench, which served as the counter. Inside the rough wooden shelves which lined each wall were stacked with the stock: tinned fish, cans of bully beef, camp pie. There were an assortment of leather belts, knives and axes. Brightly coloured laplaps and meri blouses (a shapeless top made out of the same calico as the laplaps, and popular with the women) hung from wire hangers. On the rough wooden plank floor off to one side of the counter stood two 44-gallon drums, with their tops cut out. One was filled with flour and the occasional weevil, the other with rice and the occasional weevil.

“On the floor next to the drums of rice and flour was a damp bag of salt, which seemed to attract large amounts of moisture and perspired a salty liquid. A waxed cardboard box of stick or twist tobacco sat on the floor on the other side...

“My mother ran the trade store. She would enter the daily takings in an exercise book. She would open for an hour a day, and on pay days. On pay days my father would pay the plantation workers down at the bulk store and they would wander across the compound playing-field to the trade store, and spend all their money there. There was no other trade

store for 20 miles, so it was a captive market...

“One day my mother went down to the trade store to find a long queue of agitated local villagers lined up, waiting for her to open. They all wanted kerosene and rice. She could not understand what was happening. She eventually found out that they thought the sun was going to die, and they wanted kerosene for their lamps and rice, because they would not be able to fish in the dark.

“It turned out that one of the kiaps [patrol officers] from Kerema had told them of an impending eclipse. Trying to explain to them in Pidgin English he had said, ‘Sun em bai dai pinis!’ The ‘pinis’ was the fatal word, as finish meant that it was going to die altogether. My father had to come down and explain the sun was not going to die...”

Occasionally a band of the fierce little mountain tribesmen then known as Kukukuku would come down to the plantation from their settlements in the interior to seek steel axes and knives. Reports of bloody raids by Kukukuku bowmen on peaceful Gulf villages go back to the early years of the 20th century; indeed, Kerema Station itself was established largely to bring these wild mountain warriors under Administration control, a task that took half a century to accomplish.

“They were very short, almost pygmies,” Ray Fitz-Gibbon remembers. “They wore capes of beaten bark and carried long bows almost twice as long as they were tall...the plantation workers were terrified of them and would, as my father put it, often ‘shoot through’ when they appeared on the outskirts of the plantation.

“Some of the more entrepreneurial plantation workers, however, would stick around and trade money for bird of paradise plumes and cuscus furs....the Kukus would then come to the trade store with their money and buy what they had really walked all that way for: the much-valued axes and machetes. They could not speak Pidgin, they could only point at what they wanted, and nod or shake their heads. They had no idea of the value of the money they had traded their feathers for...”

COFFEE

In the Highlands, Steamships continued to penetrate the coffee industry, which was continuing to be acceptably profitable. A 40% interest in Wahgi Valley Coffee Co Ltd was purchased, and Ian Downs installed on the Board as the Steamships representative. One of the shareholders, Peter Howard, held a substantial block of shares, and the Board resolved to make an offer for these, for the purpose of obtaining management control (this was achieved in May 1970, the Steamships shareholding then standing at 53%).

On 14 August 1968, Ian Downs formally submitted his resignation to Del Underwood. His wife, Judy, was desperately ill, and Downs wanted to relocate to Australia, where he could devote more time to her. There is also no doubt that Downs - a proud, stubborn individualist, with a remarkable record of achievement in the Eastern Highlands - found the constraints of working within a large, structured company like Steamships to be irksome. Moreover, in 1964 he had been elected to the first House of Assembly, was President of Highlands Farmers & Settlers Association, and a member of the Administrator's Executive Council, all of which necessitated frequent absences from Goroka, which created strains in his relationship with Steamships.

Downs asked to be retained on a part-time basis, commuting from Australia as required, but



Port Moresby, late 1960s

Photo: Courtesy Del Underwood



Port Moresby Harbour, late 1960s

Photo: Courtesy Del Underwood



Goroka 1968

Photo: Courtesy Alan Caudell

this Underwood felt he could not accept. Downs was, however, retained as an advisor on an annual allowance. He had built up an intensely loyal following among the staff of the plantations with which he was associated, and Underwood told Downs, frankly, that he was being offered the retainer “specifically to hold the staff together.”

Downs resigned as a Director of Korfena Plantations Ltd, Kami Coffee Estates Ltd and Gisumonoso Plantations Ltd, but remained a Director of Goroka Coffee Producers Ltd, Wahgi Valley Coffee Co Ltd and Coffee International Ltd.

Unfortunately, his departure from Steamships was not amicable. Because of his wife’s terminal condition, Downs resigned just short of the minimum time required for him to qualify for a superannuation payout. In consequence, he lost what was to him a considerable sum of money. A slight relaxation of the rules of the Steamships Superannuation scheme would have allowed a payment, but for legal reasons the Company found this to be impossible.

1970 saw Steamships European staff attain a level, 710, that was unprecedented, and never again exceeded (European staff were increasingly being referred to in PNG as “expatriates”, a term which will be used from this point on). National staff numbers substantially climbed, to 3,506. Total wages paid exceeded \$3.861 million.

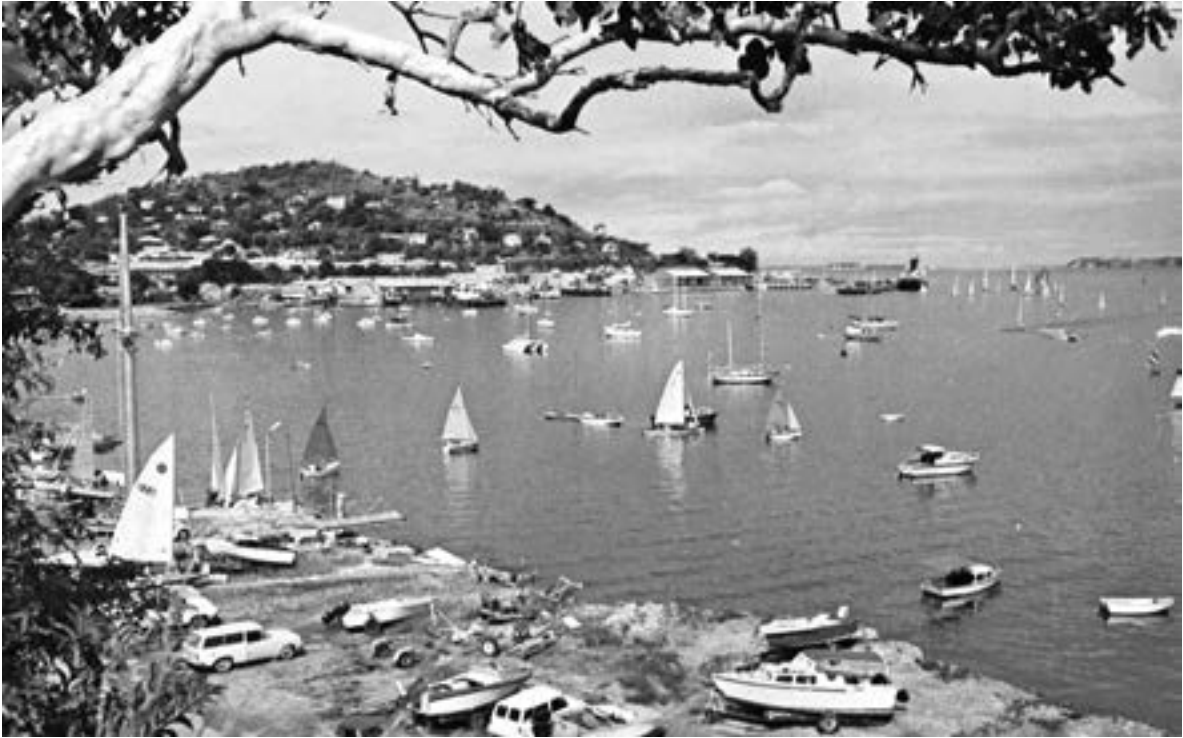
The number of expatriate employees was remarkable, for political and other developments in PNG were beginning to deter Australians from seeking employment in the Territory. The commencement of the great Bougainville Copper project had distorted previous wage structures, and was making it harder for companies like Steamships to attract and hold qualified staff.

As noted previously, Steamships was a strong supporter of the apprenticeship scheme, but skilled national tradesmen were still in insufficient numbers to replace qualified expatriates. During 1969 the internal training programme for nationals was also extended. There were over 400 graduates from the various courses conducted by Steamships training staff during 1969, and some 40 apprentices were undergoing training.

The interests of expatriate and national staff were carefully considered. The construction of residences, flats and accommodation units was accelerated. A house and land owned by Del Underwood on the cool Sogeri plateau was purchased for \$7,500, and made available to staff as a leave house. Steamships’ Sports and Social Club was given control of the letting and other uses of the property. The Company had long supported and encouraged the many sporting involvements and activities of staff, both expatriate and local.

COMPUTERS

The question of the administration of the far-flung Steamships enterprises was also addressed. The age of the personal computer, which would transform the way in which companies world-wide would do business, had not yet dawned. The first computer that could be termed “personal” was produced in France in January 1973, but the rest of the decade was dominated by Apple computers. It was not until August 1981, that the giant IBM company unveiled its IBM 5150, the computer that started today’s incredible personal computer age, affecting every aspect of professional and domestic life.



Port Moresby late 1960s

Photo: Courtesy Del Underwood



Return of Captain Fitch to Port Moresby 16 March 1971. L – R: Bruce Blaikie, Kay Blaikie, Norm Johnson, Barbara Underwood, Kevin Smith, Hazel Nicklason, Don Harvey, Captain Fitch, Mrs Cecilia Fitch, Neil Nicklason and Mavis Harvey.

Photo: Courtesy Del Underwood



Captain Fitch and Captain Pipi Gari (Steamships’ first Papuan skipper).

Photo: Courtesy Del Underwood

In the meantime, the computers that existed were commonly giant, complicated, unreliable monsters, far beyond the financial reach of individuals. Most international companies began to computerise their records and transactions in the 1960s and 1970s, using this technology.

Steamships began its move into the computer age in September 1969, when Electronic Computers Pty Ltd was asked to computerise the Merchandise Costing section. The technology involved was primitive, the confirmed cost being just \$3,920, with a monthly operating cost of \$400. In November, Cooper Bros were engaged to conduct a computer survey, to determine a master computerisation plan for the Steamships Group.

1970 ended dramatically for Steamships' Branch in Madang. At approximately 3.55 am on 1 November, Madang was rocked by a violent and destructive earthquake. Volcanic eruptions, often accompanied by minor earthquakes, had been a factor of life in Madang District from time immemorial, but this 'quake was extremely severe, rated at 7.1 on the Richter scale, the highest recording anywhere in New Guinea since 1906. A huge tidal wave followed.

Given the scale of the disaster, it is extraordinary that the loss of life was so low: eight villagers drowned, although many others were injured, and 13 coastal villages were badly damaged. Fissures 50 feet long and five feet deep opened in many roads, bridges collapsed, and innumerable buildings and installations were demolished.

Steamships escaped relatively lightly. The earthquake shifted the pillars of the new Company store, and these had to be tied with bond beams. It was decided to convert the whole of the bottom floor of the store to office space. No staff were injured.

Because of the rapid pace of constitutional change, and resulting uncertainties about the future of Papua New Guinea, investors were becoming reluctant to finance new ventures in the Territory, and in his 1970 Address to Shareholders, Del Underwood warned that the future expansion of the Company within PNG would probably be more limited than the opportunities available.

For the first time, serious thought would be given to the possibility of expansion outside PNG.

CHAPTER SEVENTEEN

A TIME OF CHANGE

1970 -1975 was a time of extraordinary change for Papua New Guinea - and for Steamships Trading Company. These momentous years saw the final end of the colonial era, and the launching of the independent State on a wave of hope, optimism and belief in the future - which, sadly, time would not fulfill. It was a heady time to be living in PNG, when all seemed possible, and no dream too extravagant for fulfilment.

Steamships' operations during these years were played out against a backdrop of rapid constitutional, political and social evolution, and it is necessary here to give a brief outline of principal events, to appreciate properly the Company's position.

Power passed rapidly into the hands of national politicians during these years. In the life of the first House of Assembly (1964-1968) a Select Committee was appointed, headed by John Guise (later, Sir John, first Governor-General of PNG), to consider and report on future constitutional change. As a result of the Committee's Report, the Australian Government accepted an enlarged parliament of 94, all but 10 elected, and the appointment of Ministerial and Assistant Ministerial members, to understudy the Australians then heading the various Departments of the Administration.

The second House of Assembly (1968-1972) contained 20 elected European members, the balance being nationals. The third House, elected in February-March 1972, was composed of 82 members elected from open electorates, 18 from regional electorates, with only four members appointed by the Administration. The first woman, Josephine Abaijah, was elected. The number of elected Europeans fell to just nine, plain evidence of the swiftly declining influence of the white man in the constitutional affairs of PNG.

The 1972 elections were contested by four political parties. The most conservative of these, the Highlands-based United Party, won 44 seats, and PANGU - still advocating immediate self-government - 31. But in a display of the bewildering political manoeuvring and back-room dealing that has characterised PNG politics to the present day, the PANGU leader, Michael Somare, was able to stitch together a coalition government of 59 members, with the support of the New Guinea National Party, the People's Progress Party, Mataungan Association members and a group led by John Guise.

The old Administrator's Executive Council now began to function as a virtual Cabinet, under the control of Somare and his Ministers. The ultra-conservative Minister for Territories, C.E. Barnes, had been replaced by the young and charismatic Andrew Peacock, who quickly demonstrated an uncommon ability to work with national politicians uncertain of their powers and responsibilities.

Early in the life of the third House, a Constitutional Planning Committee was formed, charged with the duty of consulting with the people of PNG and framing a Constitution for the emerging nation. It was to prove a protracted, exhausting, frustrating task. The Committee toured widely, seeking the views of all sections of the community, but the Constitution was a long way from completion when political events in Australia changed the PNG situation, terminally.

PNG affairs had been treated in a bipartisan way in the Australian Parliament for many years. This ended abruptly with the two visits of the then Leader of the Opposition, Gough Whitlam, to the troubled Gazelle Peninsula, where the followers of the Mataungan Association were locked in savage conflict with the Administration over several issues. During these visits, Whitlam abandoned the bipartisan policy, and openly supported the Mataungan Association against the Administration and the elected Local Government Council, and announced that if Labor gained power in the forthcoming elections in Australia, Independence for PNG would swiftly follow.

The Labor Government did come to power, in 1972. The drive towards self-government and independence gained momentum. Whitlam announced that Australia would withdraw from a colonial role that was becoming increasingly unacceptable to the Labor Party, and would aim at independence within the life of his Government.

There was a great deal of opposition within PNG, particularly in the Highlands (opened to the outside world only since the mid-1930s), where the tribesmen feared that Independence would come before they had had time to catch up with the rest of the country. The House of Assembly, too, was bitterly divided, but self-government duly came, on 1 December 1973, with the Constitution still not completed, and opposition to the final step, Independence, still strong among the more conservative sections of the community. Despite dire predictions of violence and bloodshed, Self-Government Day came and went in peace and harmony.

The office of Administrator was now abolished, and Australia was represented in Port Moresby by a High Commissioner. Almost all powers - apart from foreign relations, defence and a few other matters - were formally transferred to PNG. Michael Somare became Chief Minister, head of Cabinet, and de-facto ruler of PNG. No major decisions affecting PNG were henceforth taken by the Australian Government without first consulting Somare and his team.

The final transition to formal independence was rapid, marked by harsh dissent and argument among politicians, and the people, about various aspects of the Constitution, particularly the question of citizenship and the situation of Papua. Whitlam applied unrelenting pressure on Somare to accept Independence at a pace determined by Australia, while Somare vowed this would come only when PNG wanted it.

Independence Day 16 September 1975, was calm and peaceful. The Australian flag was lowered with due reverence, and replaced by the flag of PNG in a moving ceremony in Port Moresby (repeated throughout the country), attended by many distinguished guests, including Prince Charles, representing Queen Elizabeth II, for PNG had elected to join the Commonwealth of Nations. Michael Somare became the first Prime Minister.

This rush to Independence naturally caused many stresses and strains among the expatriate community of PNG. New government regulations were introduced, designed to force the pace of localisation by restricting various categories of employment to nationals only. Price

controls were imposed on many basic commodities. Minimum urban wages were introduced. Many older residents left the country, fearful of the future, unable to accept such precipitate change, taking with them a wealth of invaluable experience and much-needed capital. Others decided to hang on for a while, and see how things worked out. A minority committed themselves to the new nation, and applied for citizenship.

The powerful drive to localise expatriate positions, both in government and in private enterprise, was so successful that soon after Independence, PNG was shocked into a realisation that many experienced people who were desperately needed, had gone (in Steamships' case, expatriate staff fell from 710 in 1970, to less than 500 in 1974).

PNG was, in many ways, woefully unprepared for the Independence that had come far more rapidly than most had expected. The nation was fragmented, divided into hundreds of mutually distrustful tribal groups. Law and order problems were emerging. The economy was largely controlled by foreigners. There were very few qualified national professionals; very few experienced managers, accountants, administrators and businessmen. PNG would clearly be dependent on costly imported expertise for a very long time.

Del Underwood saw Steamships through this difficult time of change. By the time he retired, on 31 October 1976, problems resulting from premature Independence were already apparent.

As the decade of the 1970s opened, Steamships Trading Company was a large, structured conglomerate, controlling a number of subsidiary companies, each with its own management but responsible to the parent Company. This complicated arrangement had evolved more by accident than design, as businesses were acquired over the years. For the record, these subsidiaries were:

Bain Dawes PNG Pty Ltd
Boroko Hotels Limited (95% owned; the 4,950 outstanding shares were almost all purchased in October 1972)
Bulk Transportation (PNG) Pty Ltd
Brown River Timber Company Limited
Coastal Motor Ships (PNG) Limited
Colyer Watson (New Guinea) Limited
CO2 & Dry Ice Limited
Gisumonoso Plantation Limited
Goroka Coffee Fermentary Limited (65% owned)
Goroka Coffee Producers Limited (80% owned)
Highland Coffee Mill Limited (99% owned)
Kami Coffee Estates Limited (67% owned)
Kerema Rubber Limited
Korfena Plantations (New Guinea)
Limited Lae Hotels Pty Limited
Lamington Hotels Limited Liquid
Air Pacific Pty Ltd
Lolorua Rubber Estates Limited
Mango Avenue Motors Limited
Mariboi Rubber Limited
Mount Hagen Hotel Limited

Nebiri Quarries Pty Limited
Rabaul Stevedores Limited (70% owned; the other 30% was held by RB Holdings, the McKenzie family company)
Sagarai Estate Limited
Steamships Hotels Pty Ltd
S.O. Svensson (N.G.)
Limited Toba Pty Limited
Wahgi Valley Coffee Company Limited (56% owned).

This situation remained unchanged for some time, but in November 1971, the Steamships auditors, Cooper Bros & Co (which changed its name to Coopers & Lybrand on 1 April 1973) recommended to the Board that the Company structure should be streamlined by reducing the number of subsidiary companies. Directors began to study the possibility of liquidating Mango Avenue Motors Ltd (acquired in the Colyer Watson takeover), Gisumonoso Plantation Ltd, Highlands Coffee Mill Ltd, and Sagarai Estate Ltd. Nebiri Quarries Pty Ltd was another possible target. Early in 1973, a new reporting and accounting system was installed, to adapt the Company to the rapidly changing circumstances. Two new ICL 2903 computers were purchased.

Steamships’ diverse Highlands coffee interests were also addressed. Coffee was always a volatile product, with wildly varying prices prevailing on the international market, which was highly competitive. Although 1970 -71 coffee returns were profitable, there were strong indications that a price depression was coming. ANGCO had recently made an offer for the



Main Store circa 1970

Photo: Courtesy Ray Taylor

Company’s shares in Goroka Coffee Producers Ltd and Wahgi Valley Coffee Ltd, which were operating marginally. The offer, of \$166,810, was accepted, in September 1971. The big Highlands trading firm of Collins & Leahy Ltd also made an offer, but this was rejected (this was the first move by Collins & Leahy towards a shareholding in Steamships Trading Company).

Steamships also held 40,000 shares in Coffee International Pty Ltd. Gollin & Co Ltd held 43,805 shares, and Cord von Enden, 26,500 shares. When von Enden decided to return to Germany in March 1972, he sold his shares to Gollin, leading to a decision by the Steamships Board to bail out of Coffee International. The Company shares were also sold to Gollin, in September 1972, for a dollar a share.

The Company’s investments in copra and rubber plantations had returned very little over recent years, with rubber the main loser. In 1971, \$100,000 was written off the value of the Steamships investment in listed rubber companies.

There was considerable discussion at this time about a possible expansion to Gove, near Darwin, in the Northern Territory, and Bruce Blaikie was sent to investigate and report on the prospects of an operation there. The Board eventually decided not to proceed.

The Company also looked at the possibility of moving out of trade stores. As noted in an earlier chapter, Steamships had from the beginning operated a number of these small stores. In late 1967, Peter Best was appointed assistant to Joe Roach, who was then overall manager of the Trade Store division.

PETER BEST

“Steamships has always been a great company to work for,” Best recalled in a 2004 interview. “I remember when I left the Country Orders department to work for Burns Philp, I was put in charge of their Company Orders department. I had made the change to BPs with the blessing of Del Underwood, the Managing Director.

“I chanced to meet him late one afternoon walking along the waterfront, exercising his dogs. He asked me, ‘How’s working for BPs?’ and I said H.D., it’s taking me some time to get used to it. Here I am in BPs Country Orders, and somebody in the bush calls in to place an order. I am saying, ‘Hello! Steamships Trading Company!’ ‘Oh, you’re back there, are you? Well, here’s my order!’

“‘Who was that?’ Del asked. I said, come on, H.D., I can’t give you a company secret like that! ‘Go on!’ he said, ‘I wont tell anybody’. So I told him who it was and he said, ‘Oh, good - we closed their account last week.’

“When I went to the trade stores, the position entailed the supervision of the stores at Badili, Boroko, Konedobu, Koki, Seven Mile and Nebiri. This last one was very interesting, because the quarry was very busy then. In the Badili store we had mainly efficient young ladies, with an indigenous manager. I went down there every fortnight with their pay, and I noticed one of them was away. The other girls told me she was in hospital, having a baby. I didn’t know she was married, to a policeman, and I thought, well, I’ve failed there, I should have known a bit more about my staff.

“So I said, get me a list of everybody here who’s married, and I got a lot of baby things and took them up to the hospital and gave them to her, with her pay. She was marvelous. We had

some very, very good, really fine people working in the stores. I was very concerned about security for them. I made special provision for those stores that stayed open late at night...”

Changing circumstances were now making it politically unwise for large companies like Steamships to operate these small stores (which were in any case only marginally profitable), and preliminary discussions were held with K.G. Crellin, Managing Director of the PNG Development Bank (set up in 1967, primarily to lend money for developmental projects under more liberal criteria than those normally applied by commercial banks). Steamships proposed to sell the trade stores to indigenous entrepreneurs, if finance could be arranged (the trade stores were all eventually handed over to national owners).

THE BIG FIRES

In the midst of all this restructuring came two blows, one fairly severe, the other extremely so. The first happened in Mount Hagen. On 3 January 1971, fire destroyed the bar, kitchen, dining-room, main entrance and the first accommodation block of the Mount Hagen Hotel. On 3 November the Mount Hagen Hardware store was totally lost in another fire. Both premises were insured, but there was inevitably a large profit loss.

Plans were immediately put in hand for the rebuilding of an enlarged Hardware store, but at the time of the hotel fire, a Commission of Inquiry into Alcoholic Drink was hearing evidence throughout PNG on the effects of alcohol on “economic circumstances, health and social behaviour, including crime” in PNG.

The ending of Prohibition had brought a great deal of trouble and unhappiness to the ordinary villagers of the nation. Licensed premises of every sort were proliferating, and excess consumption of alcohol was leading to wide-spread personal, family and social disruption, and fuelling outbreaks of crimes of violence.

There was a public outcry, so great that the Administration was forced to set up the Commission, headed by Mr Justice Clarkson of the Supreme Court. It was an extremely thorough Inquiry, which over a period of three months took evidence from 386 witnesses and received 1,100 replies to a questionnaire sent to community groups throughout the country. The Commission established the astonishing fact that the average PNG wage-earner was spending some 20% of his income on alcohol. The Highlands’ tribesmen were particularly hearty beer-drinkers.

The Report of the Commission made a great many recommendations, designed to reform the operations of the Liquor Licencing Commission and bring more control over almost every aspect of the liquor industry. The significance of the liquor and associated industries to the PNG economy was, however, acknowledged. It was calculated that these were contributing some 12% of the internal revenue of the nation.

The Board resolved to leave the question of rebuilding Mount Hagen Hotel until the Commission had completed its findings. 1971-72 was shaping up as a bad year for the PNG economy, with falling prices across the board for the basic commodities which accounted for the major part of the country’s output. Steamships’ profits were, as a result, slipping - the profit for this year, \$820,000, was down 41% over the previous year, and in April the Board agreed that “full consideration” would have to be given to any future capital expansion. All major expenditure and planning would immediately cease, except for the rebuilding of the Mount Hagen Hotel. However, the Liquor Licencing Commission demanded the provision of an extra four bedrooms at the Lamington Hotel, and the Board agreed to provide these.

The work was eventually done by Morobe Constructions Ltd, at a cost of just under \$30,000.

There had been a change in the management structure of the Company. N.V. Johnson retired from the Board on 31 July 1972, after 12 years as a Director. At the time, Norm Johnson was the longest-serving member of the Board and of the European staff, having joined the Company in 1946, and Del Underwood paid tribute to his “judgment and wise counsel”.

To this point, all Steamships Directors had been recruited from its executive staff, which was the main reason why Director’s fees were moderate by large company standards. (This was an unusual situation. A large company Board consisting of purely Executive Directors would not be tolerated today.) The time was overdue for the appointment of a non-executive Director, and A. de V. Stewart-Richardson was offered - and accepted - a seat on the Board. He had until recently been General Manager of the Bank of New South Wales, and was also a Director of a considerable number of other companies, He thus brought a wealth of experience and knowledge to the Company. John Kevin Smith was appointed as an additional Company Secretary, for the purpose of signing every instrument to which the Company seal was to be affixed.

It was not until early September 1972, that preliminary agreement was reached with Watkins Overseas Ltd to rebuild an expanded Mount Hagen Hotel. Just a day later, the second disaster struck the Company.

THE SECOND FIRE

At 6.45 am on Saturday, 9 September, fire again broke out, this time in the Main Store in Port Moresby, consuming the Supermarket, Ladies’ Wear, Packing Room, Country Orders, Office and Reserve Stock areas. The overall damage was massive. There was also a great deal of water damage to stock and fittings in other sections of the store.

Steamships staff swarmed in to help the clean-up. Typical of the general reaction was that of Peter Best, who was about to re-join the Company from Burns Philp. “The whole place was full of water,” he remembered. “So I went down there, went into the store, grabbed a broom and joined everybody else, sweeping the water out the front door. And who should have a broom next to me but Del Underwood! The Managing Director! He said, ‘Hello, you back with us again?’ I said, not until Monday, sir, but I thought I’d come in and safeguard my interests!”

Loss assessor H.W. Swanton was quickly on the scene. There was a huge sale of damaged stock at heavily discounted prices on 15-16 September, and the store re-opened for normal business on a reduced scale on 21 September, although turnover was down by 50% in general merchandise, and 65% in the Supermarket.

Despite the unfavourable economic climate, it was plainly essential that the Main Store be rapidly replaced. Much of the loss would be covered by insurance, and the Board acted quickly. Architect John Wild drew up alternate plans for redevelopment, and shop-fitter Callaghan of the firm of R.M.S. Kingfisher was asked for his recommendations and costings.

Wild submitted three plans to the Board, of which Plan C was accepted, for a two-story reinforced concrete structure with a flat roof for a car park. His preliminary cost estimate was \$345,000, plus shop fitting of \$104,000, plus refrigeration and air-conditioning. The work would take 44 weeks to complete. It was expected that insurance payments would probably



Main Store fire in Port Moresby, 1972

Photo: Courtesy Del Underwood

amount to about \$380,000 for the building alone. An immediate progress sum of \$250,000 was approved by assessors. Coopers & Lybrand were appointed to look after Steamships' interests.

The job went to tender, closing 15 December 1972. Eight tenders were received for the first stage of the rebuilding, and the job was awarded to R.J. Leys Constructions. It proved to be a long, weary business. Initial progress was satisfactory, but by October 1973, completion was already well beyond the contract date, and penalties of \$2,000 per week were being applied.

All kinds of problems were emerging. Air-conditioning units were late in arriving from America. The new ground floor was condemned because of cracking of the concrete. Builder Leys admitted errors in the columns on the first floor, which had to be rectified by him. Finally, the next-lowest tenderer had to be called in, to complete the work. A Queen's Counsel was brought up from Australia to clarify doubtful legal issues, and eventually a writ was issued against R.J. Leys personally, and his construction company. (Sadly, Bob Leys, a popular figure in Port Moresby, died when he was electrocuted by a defective power cable, on 25 October 1974.)

The new Main Store did not partly open for business until July 1974. Steamships' final fire damage claim amounted to \$1.3 million dollars. The Mount Hagen Hotel project, however, went according to plan. Architects' drawings were delayed for various reasons, but the job finally went to tender in February 1973. The work was completed ahead of schedule by Watkins Overseas Ltd at a cost of around \$300,000, in June 1974.



After-fire sale

Photo: Courtesy Del Underwood



Rebuilding Main Store, 1973



Photo: Courtesy Del Underwood

TAKEOVER?

To this point there had been little change in the shareholding of Steamships Trading Company. The 20 largest shareholders between them held just over 30% of Steamships’ shares, and there had been little movement for years past. However, in August 1972, Edinburgh Nominees Pty Ltd began to accumulate Steamships shares, and by December had put together a parcel of 310,100. A search failed to reveal the beneficial owner. By April 1973, the shareholding had increased to 556,000. Director Stewart-Richardson reported to the Board that he thought the buyer might be the Slater-Walker group.

Rumours of a possible takeover bid began to fly. There were further Share Register movements in mid-1974. CBA Nominees Pty Ltd were holding 1,188,100 shares of the total 7,411,948 Steamships shares, which were believed to include the holdings of the “mystery buyer”. Don Harvey informed the Board that he had been approached by representatives of Corporate Concepts Pty Ltd, representing several large Japanese companies. Steamships was in danger of takeover through stock exchange movements, and he suggested that a tie-up with a large organisation could be to the advantage of the Company.

Then secretary Kevin Smith reported that he had been contacted by representatives of Martin Corporation, who said that the venerable Jardine Matheson company had looked at the Company, but had backed away. Their principal was “a very reputable company, old and staid, who did not wish to get into an open market battle”.

An article appeared in the *Financial Review*, mentioning the possibility of a takeover of Steamships. Clearly, something was in the wind. The Company was in a vulnerable position, with rich assets, falling profits, a shortage of liquid funds, and uncertainly as to the future. The Board began serious discussions on a plan of action.

Del Underwood had several meetings with Cooper Bros, who recommended a realignment of internal responsibility. As a result, management in specified areas was placed under the control of Neil Nicklason, Bruce Blaikie, Don Harvey, J. Foster, E.W. Thacker, J.L.

DeLange, K.L. Curtis and J. Schwartz, who in turn reported to the Managing Director.

There was much discussion about what would happen to the Superannuation Fund if the Company was taken over. The Steamships Superannuation Fund was held with National Mutual Life Association, with the balance at 30 September 1972, standing at \$1,299,480.

Local participation in Steamships had long been under discussion. It appeared more than likely that government business would become far more significant in the future than in the past, and would probably be channeled towards companies in which the PNG Government or its citizens had an interest. Although Steamships was entirely domiciled in PNG, it was coming to be regarded by politicians as a foreign company. The Board resolved to set up a Trust, to purchase shares in Steamships for eventual resale to local people and staff.

As noted previously, the Company had long encouraged staff to take up shares. By April 1975, 125,000 Steamships shares had been purchased by the Trust, and 200 applications received from staff. At Independence, some 267,000 shares were held by 400 employees. Approved employees were granted Company loans on favourable terms to allow them to take up shares. Dividends were paid through the Trust. J. Schwartz was placed in overall control of the scheme.

Training of national staff was stepped up. J. Boddington was engaged to take over clerical and accounting training, while W.A. Weise looked after the industrial tradesmen and apprentice categories. No planning had yet been undertaken into higher management training, and the Board resolved that this question should be closely studied.

The entire question of staff recruitment came under intense scrutiny. It was becoming harder to attract skilled staff from Australia, as PNG’s law and order situation worsened, and uncertainties about the future intensified, made worse by unbalanced Press reports, which concentrated on the negative rather than the positive aspects of this time.

Moreover, Steamships’ executive salaries had failed to keep up with rapidly escalating scales in Australia, which made it all the harder to attract new staff. The Board resolved to increase salaries by 15%. The minimum urban wage in Port Moresby and other centres had recently been increased, inflating the national payroll throughout the Company by some \$400,000 annually.

The Administration had already turned to the Philippines and India for skilled staff, to be paid at a level between that applying to nationals and expatriates. The Company applied for permission to recruit staff overseas, in the same category. Approval was given to recruit up to 55.

In November 1974, Del Underwood and Neil Nicklason visited Singapore, Pakistan and the Philippines. They found that high-quality staff were available in Singapore, with plenty of skilled workers also offering in Pakistan. Wages demands were acceptable. The Philippines offered the least attractive opportunities.

Checking of individual applications would obviously be very difficult, and the accommodation question would also have to be sorted out. Initially, accommodation would be offered to accountants only. By June 1975, there were 25 Filipino and Singaporean staff members working with the Company, and further recruitments were in hand.

MORE DEVELOPMENTS

Despite the hard economic conditions, the Company did make several project commitments. Discussions were opened with Partnership Pacific Ltd - a Bank of NSW subsidiary - for the erection of a licenced motel of 80 rooms, on allotments 12 and 13, section 5, Port Moresby. The possibility of building a 102-room hotel in Port Moresby was also discussed. A loan of \$250,000 on 24-hour call was arranged with Partnership Pacific, which was quickly repaid. A proposal by the National Bank for a joint two-story office block at Boroko eventually lapsed.

In June 1973, C.H.V. Carpenter, Chairman of the W.R. Carpenter Group, called on Del Underwood. His company had decided to dispose of all of their merchandising outlets in PNG - stocks, premises and debtors. Carpenter proposed that Steamships take over stock and debtors, and lease whatever premises would be required, with payment to be made in Steamships shares, or convertible notes. Underwood said he would discuss the proposal with his Board. It has already been noted that Del Underwood regarded Carpenters with suspicion.

The Board concluded that Steamships “had little to gain, and a lot to lose” from Carpenter’s proposal, which appeared to be aimed at obtaining a large minority interest in the Company. The Carpenter Group was formally advised that Steamships was not interested.

Coral Sea Travel Service Pty Ltd was taken over, and became a Steamships subsidiary on 1 January 1975. An offer of \$105,000 was made for the Cosmopolitan Hotel, Rabaul, which was accepted. The Board commissioned plans for a redevelopment of this long-established hotel, and approval for the transfer of the lease was obtained. However, this project eventually came to naught.

The price of rubber improved, and the Steamships interest in Mariboi Rubber was increased to 161,400 shares, 20.5% of the issued capital. Coffee was continuing to drive the economy of the Highlands, and more land was acquired at Mount Hagen, from the Seeto family.

THE HIGHLANDS HIGHWAY

The opening of the Highlands Highway, the repeal of Prohibition and the rapid acceptance of coffee as a cash crop by the Highlanders, created something of a bonanza for Steamships’ Lae Machinery Division. Lae was now the principal seaport for the Highlands Districts, and inward and outward cargoes were now being transported along the Highway in heavy trucks, which had largely replaced the aircraft of old. There was a constant stream of vehicles on the Highway.

Jack Bolt was now manager of the Machinery Branch in Lae, located in the Scott building in 9th Street. “Kath and I moved into a house on the corner of Coronation Drive and Huon Road, and we spent five happy years there,” he recalls. “I was able to get Ron Ringuet transferred to Lae. Eric Pearce was the Steamships Lae manager. A new building was erected for the Hardware Department in Milford Haven Road. Later a new building was erected for the Machinery Division, opposite Toba Motors, near the New Guinea Industries’ bottling plant.

“Ron was provided with a Mitsubishi-built jeep with a diesel engine, and he very successfully travelled the Highlands Highway to generate business. The good coffee prices in the early 1970s generated a lot of cash - and demand for vehicles and BEER!!! It was not uncommon for a village group to come down to Lae and buy a Mitsubishi Canter or Toyota 2.5 ton long-

wheelbase truck, fitted with a locally built wooden tray. They’d load the truck with beer and return to their villages...

“I recall scenes at the end of the old disused Mount Hagen airstrip in town, with large groups of villagers waiting for the coffee buyers. We sold portable Salter scales in large quantities, also imported coffee pulpers. I vividly remember the large numbers of local women working in the coffee sorting sheds in Goroka.

“Most of the early vehicles were Toyotas, and they sold in large numbers. We didn’t have a ute in the Mitsubishi range until the early 70s. Utilities were a very popular vehicle for transporting village groups. When the Highlands Highway was upgraded vehicle sales really took off, both ute and truck sales boomed. We also sold the large Mitsubishi trucks to the transport companies. These were a well built and good quality vehicle, that stood up to Highlands’ roads - and the drivers, mostly expats at first, but nationals later.

“A highlight I can recall was the elephant brought to New Guinea by South Pacific Brewery as a sales promotion stunt...”

JUMBO THE ELEPHANT

The annual Highlands’ Agricultural Shows, held each alternate year at Goroka and Mount Hagen, had become a tremendous tourist attraction. Overseas visitors were particularly enthralled by the massed dancing of thousands of exotically-decorated tribesmen that was a major feature of the Shows - the “sing-sings”, featured in tourist brochures sent all over the world. Steamships was always represented at the Highlands Shows.

It was Hagen’s turn to stage the Show in 1973. A suggestion made in jest to the Show Committee, that an elephant be brought in as the star attraction, was eagerly adopted. The people of the Highlands had never seen an elephant. How would they react to their first sight of one of these great beasts?

Bruce Flynn, general manager of South Pacific Brewery, was captivated by the idea, and agreed that his company would sponsor the event. Bullen’s African Lion Safaris at Beenleigh, Queensland, had a female elephant, with the brilliant name of Jumbo. They agreed to loan Jumbo for the Highlands adventure.

The only means of transporting Jumbo from Brisbane to Lae was by sea. Here Steamships became involved, as agents for NGAL - New Guinea Australia Line. Jumbo travelled to Lae in the NGAL vessel, *Island Chief*. “All discriminating elephants travel NGAL!” boasted a Steamships advertisement in the *Post-Courier*. The vessel arrived off Lae on the evening of 20 July 1973. Jumbo was deposited onto the wharf in a giant cargo sling. She stood, swaying gracefully, for many minutes while she recovered her land legs.

“The wharf was jammed with expats and locals,” Jack Bolt remembers, “and when the elephant backed out on the wharf apron loud shouts of awe and wonder echoed over the wharf. The locals couldn’t contain themselves, and surged forward to get a closer look. The elephant trainer gave the animal a drink, which she duly sprayed all over the gathered throng. It was as if a wave had hit them, and everyone retreated...”

The progress of Jumbo the Elephant, draped with a huge SP banner on the back of a low-loader, up the Highlands Highway to the Hagen Showground, was a triumph. Both sides of the Highway were lined with villagers, goggling in amazement at this gigantic animal. The

excited Highlanders were carried away by the sheer bulk and imposing presence of the largest beast they had ever seen. Every available policeman was on duty to maintain order.

Jumbo was an old pro, her life spent in appearing before audiences of boisterous Australian children, and she took it all with great calmness. (The author was District Commissioner, Eastern Highlands, at the time, and well remembers the extraordinary reaction of the Goroka people as the Jumbo cavalcade passed through town.)

Jumbo was without doubt the star of the 1973 Mount Hagen Show. The villagers never tired of watching her, all day long and into the nights, wondering whether it would be possible to build garden fences strong enough to keep out what they reckoned must be a strange new species of monster pig. A group of elders was overheard, pondering the difficulties of butchering and cooking such a colossal beast. What a horrible amount of work would be required to dig a big enough earth oven!

Jumbo stole the Show, which will for all time be remembered as the Show of the Elephant.

SHIPPING LOSSES

There were also some reverses, mainly in the Shipping Division. The operation of coastal vessels had been at best a marginal operation for several years past, with the Division consistently reporting losses, or very small profits. In spite of the new vessels that had joined the fleet, total revenue had not increased. Tonnages carried decreased, and wages and repair costs increased.

The success of one particular competitor was particularly galling. The beautiful old *Laurabada*, Sir Hubert Murray's official yacht, had been retired from government service as far back as May 1951. She was old and worn-out, full of dry rot, and it seemed she had come to the end of the road. But the lovely little vessel was purchased by E.H. Yabsley, a Port Moresby businessman with a sense of history. He spent the next eight years restoring *Laurabada*, as a coastal trader, with most of her shapely superstructure removed, but her superb hull intact.

Yabsley handed over the restored *Laurabada* to the famous retired Administration officer and explorer of Papua, Ivan Champion, who captained her on voyages along the coast. She seemed to receive preferential treatment, and made money, which caused the Steamships Board to brood darkly.

Then on 5 May 1972, MV *Kobo* was lost. The 56-foot K-boat was on a regular voyage from Ihu, Gulf District, to Port Moresby with a cargo of timber and rubber. "She was going into Malalaua, and had to cross over the bar," Captain Ray Taylor recently recalled. "You get these big seas in the Gulf, and they tried to ride the waves over the bar. If you don't wait until you get the tide right, you hit the bar..."

The *Kobo* struck, the engine-room flooded, and she went aground on a sand-bar in Motu Inlet, Freshwater Bay, 20 miles east of Kerema. The New Guinea skipper, Captain Laurence Wale, abandoned the vessel and with the six crewmen struggled through heavy surf to shore, where they were given shelter at Koaru Mission, near Kukipi.

Steamships had recently expended some \$14,000 on a complete refit of *Kobo* (which had been built in 1953), and were reluctant to lose her. Steamships' Coastal Shipping Manager David Middlebrook sent Ray Taylor and a team of salvage experts to attempt to haul her off

the sandbar. The Burns Philp coaster, *Bulolo 1*, and the Co-operatives vessel, *Hiri*, hastened to the scene, and several attempts were made to drag *Kobo* into deep water.

"We have a fair chance of getting her off if the weather holds good," Middlebrook told a reporter. But all attempts failed. The water near *Kobo* was too shallow to allow the rescuers to get within useful distance, and the ship was washed further and further into the shallows by waves and rising tides. The salvage team advised the Company to abandon the vessel. She was stripped of her engine and useful fittings, and abandoned, a total loss (which was mostly covered by insurance).

Barely a fortnight later the 60-footer *Peter Ikori* ran aground at Cape Possession, 90 miles north-west of Port Moresby, at 2.30 am. This time the crew were able to wade ashore at low tide, and David Middlebrook immediately dispatched the tug *Vanape* to the scene. She succeeded in towing *Peter Ikori* into deep water at high tide, with little damage.

Partly as a result of these incidents, the Division lost money in 1972, and it was decided to reorganise operations, reduce maintenance costs, increase freight rates, impose a fuel levy, and curtail services to several ports. As a result, the Division was trading profitably when more disasters occurred.

On 23 June 1974, MV *Locheil* grounded and sank off Boera Head. She was under the command of veteran Papuan skipper Peter Ikori. There was no loss of life, and the vessel was subsequently raised and towed back to Port Moresby, where examination revealed she was too far gone to be worth rebuilding. She was covered by insurance, and was written off.

Less than a month later Steamships' largest coastal vessel, the *Papuan Explorer*, was lost on Dart Reef, off Cape Vogel. She was refloated in a salvage operation costing some \$15,000, and towed to Port Moresby. But she had suffered such extensive damage that she, too, was scrapped. She was insured for \$125,000, and the full amount was paid by the underwriters. South Pacific Brewery lodged a claim for lost cargo against Steamships for \$85,000, and Queensland Insurance Company lodged another claim, in the amount of \$2,000, so the loss of the *Papuan Explorer* was an expensive business for Steamships.

PNG coastal shipping was split into two sectors. Feeder services were to plantations, sawmills and other small coastal businesses and villages; main port services operated between coastal towns. The *Papuan Explorer* had proved to be too large for the feeder service, and too small for an inter-main port service. Neil Nicklason considered that the Government would soon be nationalising inter-main port services, and he recommended to the Board that the Company abandon this sector, and concentrate on the feeder service. The *Papuan Explorer* should be replaced by a barge in the 120-150 ton range.

No suitable second-hand barges appeared to be available. Those offering were all around 15 years old, and the asking prices, \$100,000-120,000 with considerable maintenance obviously necessary, were too high. Nicklason recommended that a new twin-screw barge of the *Ame Rupa* type, but larger, be constructed in a Singapore shipyard. Plans of *Ame Rupa* were forwarded to Conan Wu & Associates, naval architects, Singapore.

Nicklason went to Singapore to discuss the construction of the stretched *Ame Rupa*-type barge. He visited the shipyard, which was of a very high standard. The original barge cost \$216,000; the stretched version, modified to carry 150 tonnes, would cost about \$400,000.

The Company invited tenders from other builders, which came in at between \$400,000 and \$500,000.

Steamships was currently short of liquid funds, and Independence was nigh. The Board decided to curtail all new capital expenditure until the cash situation stabilised. Proposed major extensions to the Rabaul store were put on hold, and the commissioning of the new barge was deferred until the inter-main port situation was clarified. In the meantime, Atlas Barge Company purchased a 350-ton vessel, *Moana*, which by agreement with Steamships operated on the *Papuan Explorer* licence. Steamships would act as the managing agents.

New national currency was introduced on 19 April 1975, replacing the Australian dollar. The new unit was the kina, composed of 100 toea. When it was issued it was at par with Australian dollars and cents, but in the years ahead the value of the kina would rise substantially, before it eventually fell, as we shall later see. The Board resolved that all share certificates should be re-printed before the end of 1975 specifying the par value in kina and toea. All future dividend cheques would be issued in kina.

COUNT-DOWN TO INDEPENDENCE

As Independence loomed, problems over land tenure were emerging all over PNG. Local landowners were demanding the return of land they had sold years before, particularly for the development of plantations. The *Lands Acquisition Act* enacted in 1974 by the House of Assembly gave the Government power compulsorily to acquire virtually any freehold or leasehold land and return it to traditional owners, with compensation set by the Government and not by market forces.

As luck would have it, during 1974 record prices for coffee and copra enabled all the coffee and copra plantations to return excellent results. The rubber market again slumped, and combined with higher labour costs resulted in a heavy loss from the rubber plantations, Sagarai Estate in particular. A Minimum Wages Board inquiry into rural wages had resulted in increases in labour costs of up to 60%.

The high prices being paid for coffee was well known to the Highlands tribesmen, and the Steamships Korfena Plantation group came under heavy pressure from the traditional landowners. Threats were made against the manager. Del Underwood visited Goroka to try and settle the problem, with no result. Underwood informed the Board that it might be wise to consider selling the plantation.

Plantation profits fell sharply during 1975, the historic year of Independence. Recognising the fragile position of plantations generally, the Board wrote down the value of Company plantations by K100,000. A million kina was also set aside to provide for depreciation on buildings, and amortisation of leasehold property unprovided for in recent years.

Despite all the problems of this stormy period, 1975 was a highly successful year overall for Steamships. The consolidated pre-tax profit, K2.162 million, was the highest in the Company's history, and a dividend of 10.5% was paid. All Divisions apart from Plantations made profits, although the result for Coastal Shipping and Hotels was disappointing. PNG was receiving mostly adverse publicity in the overseas Press, mainly over the increasing law and order problems, and tourism was suffering heavily as a result which of course affected the profitability of the Company's hotels. Much of the improvement came in increased Merchandising and Automotive sales, fuelled by the large increases in wages granted since

August 1974. The danger of resulting inflation was considerable. Del Underwood said in his Address to Shareholders:

“One can only be apprehensive therefore at future taxing policies of this Government to enable it to meet its commitments, particularly in view of recent wage tribunal decisions to grant generous long service and annual leave benefits, luxuries this new nation cannot afford.”

Independence Day came at last, on 16 September 1975. The celebrations were well supported by Steamships, with an initial cash donation of K2,500, and later donations of cash, goods and services.

Del Underwood would soon be retiring. He had been a notably successful Managing Director, skillfully steering the Company through difficult times, and presiding over massive expansion. In his last pre-Independence message he wrote:

“The larger companies of Papua New Guinea have sometimes been criticised for the profits that have been made. We do not have to justify the profit motive, and it should be sufficient to stress that without reasonable profits, all development funds dry up, confidence is eroded and the lack of cash flow will bring the undertaking to its knees. In this respect, it is interesting to note our present profit represents about 3.3 toea in each dollar of sales, and a return of 8% on stockholders’ funds - a return which is well below the yardstick of 15% stated by the Government to be reasonable...

“I am often asked...what the future holds for Papua New Guinea generally, and Steamships in particular. As is well known, our Company has always identified itself with this nation and its people, and unashamedly we state that our fortunes are tied completely to those of Papua New Guinea.

“Whilst at present this country is dependent to a large extent of its budget on generous Australian aid, emerging nationalism will ensure that by the time this aid ceases there will be sufficient development of its resources to fill the vacuum created. Resources, no less important than the Bougainville copper deposits, are known to exist and include the Purari hydro-electric scheme currently under survey, the Ok Tedi, Yandera and Frieda River copper deposits, as well as vast natural gas and timber stands.

“The future, then, holds tremendous promise, and this Company looks forward to its participation in that future.”

PART 4

THE INDEPENDENT STATE OF
PAPUA NEW GUINEA

CHAPTER EIGHTEEN

END OF AN ERA

In spite of dire warnings of the economic consequences of premature Independence, the first decade of PNG's nationhood was notably successful. The wave of optimism and enthusiasm that had swept the young country from colony to State virtually overnight did not abate. Catapulted from a primitive subsistence economy into the modern world within the space of a single lifetime, PNG faced immense problems. Many mistakes were made, but under the circumstances it is remarkable how much was achieved.

From the beginning of Independence, PNG established strong democratic institutions. There were cracks and severe strains, but in 1985 the young nation remained united. Michael Somare and his Government lost power in 1980 as a result of a vote of no confidence in Parliament. Sir Julius Chan became Prime Minister in a transition of power entirely in accord with Westminster traditions. There was no hint of the type of military coup so common in other Third World countries. There was complete freedom of the Press, and of assembly and movement. Trade unions existed and the economic climate was generally stable. The value of the kina had been preserved, and business was free to make and remit profits. The judicial system was firmly based on British common law, with the independence of the judiciary recognised by the State. The Defence Force stood apart from politics. An Ombudsman Commission further protected the rights of the people.

It is true that the nation remained dependent on foreign economic and manpower aid. The economy was still largely controlled by non-nationals, and the law and order problem was worsening. Liquor consumption remained excessive. Inflationary pressures were building. Labour costs were very high by Pacific standards. Corruption was beginning to appear. But the mineral wealth of PNG was immeasurable, the prospects boundless, and any impartial reading of the balance sheet in 1985, 10 years after Independence, would surely return a favourable verdict.

STEAMSHIPS' FORTUNES

The first year of Independence saw Steamships Trading Company return record trading and profits. The consolidated pre-tax profit of K2.793 million exceeded that of the previous year by 29%. The after-tax and extraordinary items of profit of K1,841 million compared with K1,308 in 1975, an increase of 40%. An annual dividend of 12.5% was paid; the highest since 1966.

It was a fine time for Del Underwood to hand down the direction of Steamships Trading Company. He had almost reached the Company's retirement age of 55, and at the Board

meeting of 23 March announced that he would retire as Chairman and Managing Director on 31 October. He would not seek re-election to the Board.

The Board appointed D.N. Harvey to replace Del Underwood. Bruce Blaikie was appointed to the newly created position of Assistant Managing Director (the position became Deputy Managing Director in 1976).

Underwood went out on a high note. Soon after Independence Day, Steamships obtained possession of a bulk store at Kieta from Bougainville Beverages Pty Ltd. The final transfer of the Scott Building in Lae from Arthur Scott was finalised. By the time of Underwood's retirement, some 530 employees were holding 372,000 Steamships shares. Underwood was able to inform the Board that Steamships' great rival from the early days, Burns Philp (NG) Ltd, was about to pull out of Samarai. The transfer of the Sydney office to the 6th floor of PNG House, 225 Clarence Street, Sydney, had been made.

The Steamships Superannuation scheme had been liberalised. Neil Nicklason had proposed an upgrading of the ship repair facility, and submitted to the Board a feasibility study by the international firm of consultants, Rendel & Partners, to allow the shipyard to handle vessels of up to 3,000 tons, which would involve a very substantial capital investment. The cost would be extremely high, perhaps as much as eight or nine million kina, and after Underwood departed another study was commissioned. The capacity of the Madang No.2 Slipway was also increased, primarily for the servicing of Government-owned vessels operating out of the port.

The Board approved the construction of the Boroko general store, at an estimated cost of K630,000. A large number of capital projects were approved - K100,000 for a store at Vanimo, K70,000 for the Rabaul store, K60,000 for work at Kundiawa, K25,000 for Brown River Timber Co, K70,000 worth of new motor vehicles for various Divisions, K30,000 for a new bulldozer and half a million kina for extensions to the Cordial Factory, to include a new bottling line. Discussions were under way with L.J. Hooker International for a joint development of some of Steamships' residential blocks in Port Moresby (although this was later abandoned).

There were, or course, some reverses. Hotels occupancies fell considerably, mainly because of decreased business and Government travel after Independence, lower tourist numbers and reduced trading hours imposed by the Liquor Licencing Commission. Results from the Plantation Division were in profit solely because of continuing favourable coffee prices. The rubber and copra plantations all reported losses, and future prospects were depressing to contemplate.

Results from the Coastal Shipping Division were also disappointing, with low profits in relation to investment and the volume of freight carried. Wages, fuel and maintenance costs increased alarmingly, whilst freight rates remained static, controlled by the State.

The situation was exacerbated by the loss of another of the K-boats, MV *Kone*, in July 1976. She was driven aground in heavy seas near the mouth of the Vailala River, in the Papuan Gulf, but there was fortunately no loss of life. The vessel was declared a total loss for insurance purposes. The underwriters paid the full insured value, K10,000, plus salvage costs. The Board decided that *Kone* would not be replaced, in view of the coastal shipping situation.

In his concluding Address to Shareholders, Del Underwood said:

“On this, the last occasion of my service as Chairman of the Company, I must refer with pride to the outstanding loyalty I have received from the entire staff during my fifteen years as Managing Director. The activities of our Company are many and varied, and entail the employment of almost every skill and trade that is to be found in Papua New Guinea, and to each one of these staff members in every corner of the nation must go the recognition for the year's record profit.

“May I also pay particular tribute to that hard core of devoted executives who have so often worked under conditions of great handicap, for a job well done.

“Mr Harvey, my successor as Managing Director, has worked with me for twenty years and is most knowledgeable of the Company's activities. I know the affairs of the Company are in good hands.”

CHAPTER NINETEEN

HARVEY TAKES OVER

Don Harvey was to serve as Chairman and Managing Director of Steamships Trading Company for seven eventful years - from December 1976, to December 1983 - and then continued as a Director and non- executive Chairman, until 1986. He was thus the last of the Steamships chief executive officers to combine the two top positions, and the last to serve the Company in both the pre and post-Independence period. His time in office can be regarded as the swan-song of the traditional, pre-computer, hands-on style of Steamships management, begun so long before by Captain Algernon Sydney Fitch.



Don Harvey

Del Underwood had steered the Company through the dying era of colonialism and the turbulent pre-Independence period, with conspicuous success. Harvey's task was in many respects even tougher.

The first few post-Independence years - 1977/1980 - were to be difficult and uncertain in numerous ways, although Steamships doubled its net profit during this period, and increased its authorised capital to K15 million. The net profit for the 1979 year was K4.7 million, an increase of 27.6% over the previous year.

Although entirely based in PNG and with all its assets in the country, Steamships was increasingly seen by many in this new era to be a foreigner, and as such a standing target for politicians and nationalists looking for an easy score. The fact that Steamships directly and indirectly contributed some K4.5 million per annum in taxes to government revenue in 1977 alone was unknown - or ignored.

It required a range of skills of an unusual order to defend, preserve and advance the Company's position under such circumstances. Harvey had to cope with a situation that changed rapidly after Independence. Many instruments for economic and financial management were set up by the PNG Government, with a Ministry of Finance possessing great powers, a Central Bank, a National Planning Office, Exchange controls, and most significant of all, NIDA - the omnipotent National Investment and Development Authority, set up to control investment activities. The PNG Investment Corporation was formed, to acquire equity in important foreign-owned companies, on behalf of the Government and the people of PNG.

And there was another level of government that had to be contended with, which was to prove unpredictable and, all too often, corrupt and inefficient: Provincial Government. Every Province had its own Provincial Government, each under an elected Premier, each with its own elected politicians, its own grant from Central Government, its own Budget, its own public servants, each raising its own provincial taxes. (The Provincial Government system has in most respects been a disaster for PNG. It is not appropriate to consider the matter further here.) Local Government Councils were still in existence, adding their own taxes, regulations and requirements to the overall mix.

Everything that the Company did had to be measured against the requirements of different levels of Government in a newly independent, constantly evolving State, where everyone from politicians to provincial public servants were uncertain of the limits of their powers and responsibilities.

DEL UNDERWOOD DEPARTS

The Board bade farewell to Del Underwood, acknowledging the “tremendous” contribution he had made to Steamships. He was presented with a commissioned oil painting of the view from the house he had occupied with his wife, Barbara, and a set of six mint K100 gold coins as a parting gift. A house on Ela Beach - Kailaki Cottage - owned by Barbara Underwood and under lease to the Company, was purchased for re-development.

Underwood's departure meant that only three of the five Steamships Directors were now resident in PNG - Todd and Stewart-Richardson lived in Sydney, and visited Port Moresby for Board meetings. Harvey, Nicklason and Blaikie resided in Port Moresby. Moreover, Bruce Blaikie had also taken on the job of Company Secretary, previously held by Harvey. To ease the burden, a second secretary was appointed: K.L. Curtis.

The annual fees paid to Directors were still exceedingly modest by big company standards: just K4,800 in total per annum. At the first post-Underwood Board meeting, Stewart-Richardson pronounced this level of fees to be “ridiculously low”. One of the first resolutions was a recommendation to increase the fees to K25,000; still a very moderate figure.

Director's fees were paid in kina. Standing at par with the Australian dollar when introduced, the kina had since moved upwards, by a premium of 5% in early 1976, and on the devaluation of the Australian dollar in November 1976, by approximately 14%. Stockholders living outside PNG benefited accordingly. But the staff Superannuation Fund was invested in Australia, and the Company was obliged to cover the shortfall.

The Superannuation scheme was also amended at a cost of more than a million kina, to provide for changing employment conditions, and for employees who had reached the retirement age of 55, but wanted - or were requested - to stay on. To retain senior staff superannuation became available after 20 years service. The Government introduced a Work Permit system, and expatriate staff levels continued to fall, standing at 360 at the end of December 1977, compared with 3,134 nationals - in other words, the numbers of Steamships' expatriate staff had fallen by almost half since 1970, although expatriate numbers subsequently increased slightly.

In the latter years of the Australian colonial era, cash and air fare subsidies had been paid by the Administration to the parents of children attending secondary school in Australia, in recognition of the lack of suitable facilities in PNG. The PNG Government withdrew this

subsidy on 1 January 1977. Fees were now being charged for primary schools. The Board considered the Company “had no alternative” but to provide a new scale of education allowances for employees.

NIDA required all individual companies to be registered, a process that involved extensive and expensive documentation. Had Steamships been required to register each of its subsidiary companies individually, the burden would have been considerable. However, after lengthy negotiation NIDA agreed (in January 1977) to register Steamships Trading Company as a total entity.

Pressure on wages levels and employment conditions continued. A 1977 Minimum Wages Board decision provided for wages to be adjusted over the next three years each six months, in line with increases in the consumer price index. At the end of 1980, inflation was running at double the rate of the previous year.

SAMARAI

The Samarai situation remained uncertain. The Government was going ahead with the development of Alotau as the new headquarters of Milne Bay Province (the Districts of colonial days became Provinces after Independence, with no change in boundaries), and sooner or later Steamships would have to make a decision about the future of the Samarai branch. As noted in the previous chapter, Burns Philp were in the process of pulling out.

Samarai was still an active Branch, although the marine authorities had decreed that the handling of overseas shipping would be transferred to Alotau, leaving Samarai to handle only



Samarai

Photo: Steamships archives

coastal vessels. The copra and rubber plantations serviced from Samarai were generally losing money. There was still sufficient business offering to keep the branch running at a small profit, but the book value of Steamships fixed assets in Samarai were written down to K150,000 in mid-1976.

Samarai continued to be a much-desired posting for Steamships’ staff. One such was Maggie Charlton (nee Wroe), who lived and worked on the island from 1972 to 1979. She recalled how she came to join Steamships in a recent letter. Her experiences will be recognised by many Steamships people:

MAGGIE’S RECOLLECTIONS

“In December 1972, I was seventeen, and I decided to travel from Melbourne to Samarai to visit my sister and her family for a three-week Christmas holiday - which turned into a fifteen-year stay in PNG! I flew to Port Moresby, and found that my flight to Gurney airport in Alotau had already left. After many hours of feeling scared and alone I was advised there was a Talair flight later that day that I could catch.

“We landed on the grass strip at Gurney and I was driven down to the wharf, where *Blue Peter* was waiting. Luckily, I had been able to contact (with much difficulty) my brother-in-law, John Kennish, who was Steamships’ shipping manager, and he had asked the captain to wait for me.

“So I left for my four-hour boat trip to Samarai, sitting in amongst the copra. My sister had sent food and water for me on the boat, thank goodness. So that was my very traumatic introduction to PNG.

“After the Christmas festivities were over, I was offered a job as a typist by Fred Huller, the then manager of Steamships Samarai. The main store sold clothing, household goods etc at the front, with groceries taking up the back. Behind the milk bar on the left of the shop was the drapery and grocery manager’s office, and beyond were the storage and distribution areas.

“To the right of the main store was the cashier’s office, behind which was the Country Orders area and the manager’s office. Directly above Country Orders and the manager’s office was the shipping office, and behind it the accounts office. Directly opposite the main entrance to the store was the hardware store, and the Bank of New South Wales. Burns Philp and Customs were on the opposite corners.

“The whole of the main Steamships building was built within a couple of metres of the seafront, with the Steamships wharf directly behind, and the main wharf alongside it. The view from the accounts office was truly amazing, looking straight out over the crystal clear waters of the Coral Sea, with the mainland only five kilometres away, and various beautiful islands scattered all around.

“When I arrived there were about fifty expatriates living on the island, most working for either Steamships or Burns Philp, although there were bank officers, a schoolteacher, Copra Marketing Board manager, Customs officers, and some others. Like the other companies, Steamships supplied housing for their staff, and the island was so small there was no need for a car - in fact there was only one car on the island, belonging to the Steamships manager. A few people owned boats, but even that was not really necessary, as a Steamships or Burns Philp boat was often made available at weekends, for picnics and fishing trips.

“After six months as a typist, I was promoted to manageress of Country Orders, after Lorraine Dowling and her husband left the island. Around this time Fred Huller also retired, and Don [Dauncey] English was promoted to Steamships manager. I loved working in Country Orders. I had a staff of three teenage typists - Marjorie and Maggie Tanaka, and Lynette Wesley. We processed orders from trade stores and individual customers throughout Milne Bay Province. The orders often came in by two-way radio, other orders came in on the various boats.

“These orders were processed and packed in the various departments, and then returned to Country Orders. Once we received the orders back, we typed the invoices and the bills of lading. When a boat was in port we worked extremely hard, often ten-hour days, for the boats were only in for a couple of days, and the voyages took up to three weeks to complete.

“The Steamships boats that I remember were the *Pipi Gari*, which sailed between Samarai and Port Moresby; the *Dusty Miller*, which sailed mostly between Samarai and Lae; and the *Blue Peter*. The Burns Philp boats were the *Laba*, the *Ruru* and the *Lakatoi*, which sailed from Samarai west to the Louisiade Archipelago, to Misima and Rossel, north to the D’Entrecasteaux Islands of Fergusson, Goodenough and Normanby, and to the Trobriand and Woodlark Islands.

“The people of Milne Bay Province and the trade stores relied on Steamships and BP’s to supply them with most of their needs. The most popular items were rice, tinned mackerel, tinned corned beef, flour, sugar, tea, and Sunlight soap, but they also bought cloths, enamel cookware and hardware items. Their main source of income was from copra, trochus shell and beche-de-mer, brought in to Samarai in ours or BP’s boats, or their own village boats...

“Once a month, one of the *Chief* boats from Sydney and Brisbane docked in Samarai - the ones I remember were *Coral Chief*, *Papuan Chief* and *Island Chief*. There was always great excitement amongst the expatriates when these ships arrived, as it meant fresh meat, fruit and vegetables. The Bank Line ships came from Europe and Asia about every three months...

“Life on Samarai was idyllic. With no television we made our own fun, with regular dart and snooker competitions at the Samarai Club, and weekends were always spent picnicking and swimming on some glorious island. We had to make do with whatever clothes we could find in either Steamships’ or Burns Philp’s stores, or we made our own. It was amazing how the skills we were taught at school and hated, came back. Haircuts were out of the question for women, so we all had long hair. Shoes were extremely hard to come by, and were soon ruined on the coral roads, so everyone wore thongs.

“I loved all my years on Samarai, and I often think of the unique situation we all found ourselves in there...”

THE MAIN STORE FIRE

1977 was an eventful year for Steamships. The most traumatic event occurred on the night of 23 September, when fire again devastated the Main Store at Port Moresby. Part of the retail trading area was totally destroyed, as was the Head Office and almost all Company records.

“It took out the whole of the Head Office,” Don Harvey recalls. “We lost the share registers of the rubber companies, we lost the special computer room, it wasn’t burned but a lot of smoke got into it. There were two other companies using those ICL 2903 computers, one



Main Store fire 1977

Photo: Courtesy Ray Taylor



Main Store fire 1977

Photo: Courtesy Del Underwood

was Air Niugini, the other was Collins & Leahy, and they lent us time to get our records back up on their machines. From memory, that took about three weeks. The main thing we wanted up, of course, was the debtors. If we hadn't have got them up there is a chance we would have got close to going out the back door, because nobody would have paid their accounts....

“We were terribly lucky. Fortunately, the Steamships share register was held in the Sydney office, but we had to reconstruct the share registers for those rubber companies. We had the bulldozers in next day, clearing the site, and we got people out of one of the blocks of four two-bedroom flats we had up on Douglas Street, and that became our temporary Head Office. We converted the top floor of the Machinery Division warehouse, which was at the bottom of Hunter Street, into the new Head Office, and moved the Machinery Division out to a new building we had erected at Waigani.

“The top floor of that old Machinery building had floors nine inches thick, built to take bulldozers and other heavy equipment that we used to handle historically. It was unlined, so we lined it and air-conditioned it. Steamships had never gone for lavish premises, for luxury, or anything like that. We tried for functionality. We were there to do business, and as long as we did that, that was the main thing. We were not out to impress people. But it was comfortable. We had a very torrid time for months, getting back on deck...”

The occupation of the old Machinery Division building as the Main Office was completed in December 1977. The new Machinery Division building at Waigani was constructed by M.A.H. Birner Pty Ltd for K325,000, ahead of schedule. The fire damage was covered by insurance. The Main Store rebuilding was carried out by Barclay Bros (NG) Pty Ltd at a final cost approaching two million kina (it was completed and occupied in May 1980).

THE SWIRE MOVE

The second major event of the year was of far greater significance, for it marked a move by John Swire & Sons Pty Ltd, Sydney, into a major position in Steamships Trading Company.

As noted in the previous chapter, nominee companies had been acquiring shares in Steamships since 1972. By 1974, the top 20 shareholders held parcels ranging from 56,909 to 1,018,100 shares (CBA Nominees Pty Ltd). These 20 shareholders held a total of 5,035,909 stock units, representing 33.9% of the total number of 14,823,896 issued stock units. There was intense speculation in the financial press about the identity of the “mystery bidder” who was steadily acquiring more shares.

Although a listed company, it is remarkable how little was known by many otherwise well-informed observers of the internal operations of Steamships Trading Company. The columnist Pierpont, writing in the issue of the *Bulletin* on 1 October 1977, headed his column with the words, “A Raider rustling in the Money Jungle...Steamships is one of those companies which Pierpont knows nothing about, but which raises powerful images in his mind. Actually it does not trade steamships (or not very much anyway) but is what is called an island trader.

“When Pierpont first heard this description in his youth, he thought an island trader must be some type of exotic real estate salesman who bought and sold coral atolls, perhaps with a blue lagoon and Jean Simmons thrown in. But the reality is even more picturesque, because Steamships Trading and its ilk are the Trader Joes of the Pacific, going up-country in dugout

canoes to barter beads and pieces of cloth in exchange for pearls and copra.

“In his mind's eye, your correspondent can see the Steamships Trading man with a pith helmet and a suntan, perhaps a small muscle twitching in his jaw, sitting in the stern of the boat with his trusty Askari, the blades of the paddlers flashing as his keen blue eyes detect the crocodiles lurking on the river bank.

“Around the bend the chief's village glides into sight, but instead of a welcoming party of bare-bosomed maidens, the landing is lined with warriors daubed with ochre, leopard skins over their shoulders and spears glinting ominously in the bright sunlight. War drums are beating in the jungle-clad slopes of the far volcano, and the Askari begins to tremble. But Trader Joe, one hand resting lightly on the well-worn butt of his Navy .45, says coolly, ‘Show no fear, remember white man has powerful ju-ju.’”

Pierpont was, of course, having his bit of fun. He went on to note that Steamships had been in PNG for a great many years, from the days when some of its employees must indeed have been Trader Joes, in a land which was still partly unexplored, where spears were sometimes plunged into unsuspecting white men. He referred to the “rather half-hearted bid for the Company by W.R. Carpenter Holdings Ltd back in 1962”, and said that since then, Steamships had been left “much to its own devices, running coffee plantations, hotels, trading stores, stevedoring and a soft drinks factory.

“But as Somerset Maugham could have told them, tropic paradises don't last forever, and now Steamships finds itself confronted with takeover problems again. For the past three months, a mysterious raider has been mopping up Steamships shares like some sinister leopard-man moving through the jungle with his jaws sharpened...”

Pierpont noted that Steamships' shares were selling at 75 cents, were still yielding 8.3% and were half a dollar below asset backing of K1.26. Given these figures, Pierpont said it was a wonder some leopard-man had not crept in long ago and “disemboweled” the Company. Another financial observer noted that during the 1970s, Steamships had “sustained one of the most consistent earnings growth patterns of any listed company.”

Pierpont followed up his story in the 29 October 1977, issue of the *Bulletin*. After the “war paint and eagle feathers” were peeled off the leopard-man, wrote Pierpont, “he turned out to be Edward Scott, an urbane 37-year-old Englishman, who is Chairman of John Swire & Sons Pty Ltd...the most fascinating aspect of the whole situation is that Mr Scott, who engineered the whole acquisition so smoothly, is not a merchant banker by training, but a history graduate whose specialty is 19th century diplomacy. But then, considering the way the shipping world operates, a grounding in Bismarck, Metternich and Talleyrand is probably about the best training ground one can have...”

In June 1977, the identity of the “mysterious raider” had been revealed. John Swire & Sons announced it was holding approximately half a million shares, and the Board was formally advised that Swire intended substantially to increase the holding.

On 3 October 1977, the Board was informed by John Swire & Sons that two million Steamships shares had been acquired, through four nominee companies, at 60 cents each. For confidentiality reasons, the project had been referred to as “Paddles”. In October 1979, the shareholding in “Paddles” was increased to 3,968,358 shares, or 22.9% of the total capital, at an average cost of 87 cents each. This was overwhelming proof of the confidence

the Swire group had in Steamships, and the future of the Independent State of Papua New Guinea.

The Swire group was the largest shareholder that Steamships had ever had, and although there was no pressure from the Group, it was obvious that it should be represented on the Board. A vacancy occurred in December 1978, when A. de Vere Stewart-Richardson resigned. He was 72, and although a recent medical check had given him a clean bill of health, he decided the time had come to depart. He left in March 1979. Don Harvey thanked Stewart-Richardson on behalf of the Board for his six and a half years service, and particularly for his “penetrating observations on financial matters.”

EDWARD SCOTT

The vacant position was offered to Edward John Rankin Scott, Chairman of Directors of John Swire & Son Pty Ltd, who had planned and executed the purchase of the Steamships shares. He took up the position on 1 April 1979. As noted in an earlier chapter, the Scott family had very long connections with the Swire group, and Edward Scott was a notable addition to the Steamships Board.

Born in London in 1939 and educated at Eton College and McGill University, Canada, Scott joined the Swire group in 1960, and after postings in Hong Kong and Japan was sent to Australia for three years. He returned in 1967, and in 1974 become Chairman of John Swire & Son Pty Ltd, with responsibility for the diverse operations of the Swire group in Australia and the United States.

Scott paid his first visit to PNG in 1966, in connection with the NGAL shipping service, and subsequently made many scores of visits. He had a strong interest in all PNG shipping activities. As time went by he also became an increasingly influential presence on the Steamships Board - indeed, he was to remain on the Board for many years, until shortly before his untimely death.

MORE SHIPPING DEVELOPMENTS

As we have seen, the Steamships-Swire relationship had begun in 1952, when NGAL - New Guinea Australia Line - began its Australia-PNG service. NGAL had been incorporated as a company registered in Port Moresby on 29 September 1970. The Chairman was Martin Speyer, and among the initial Directors was Sir Donald Cleland, retired and much respected Administrator of PNG. The others were Del Underwood, representing Steamships, Edward Scott, and G.R.C. Shakerly, seconded from Swires, Hong Kong, who became the NGAL General Manager, in Port Moresby (Underwood later withdrew from the NGAL Board, but remained an advisor).

In March 1977, the Board was advised that John Swire & Sons were building new container vessels for the Australia-PNG run. These would be operated on a charter basis, one vessel each by NGAL, CONPAC (Container Pacific Express Lines) and the Papua New Guinea Shipping Corporation. The PNG Shipping Corporation was 100% owned by the PNG Government, and had been set up following Independence.

(It should be noted that Burns Philp had withdrawn from the Australia-PNG run in December 1970, although the company continued to operate its PNG coastal fleet. In November 1979, Don Harvey reported to the Board that Burns Philp appeared to be on the

brink of a major expansion. A huge warehouse had been purchased at Badili, another at Lae; 50 expatriate-standard houses had been acquired on Badili Hill, Tutt Bryant (New Guinea) Ltd had been taken over, a vessel - *Aya Irogon* - had been purchased, and up to seven barge-type cargo carriers would be obtained. Burns Philp had also taken a one-seventh interest in Consort Express Lines Pty Ltd.)

Two of the vessels, the *Papuan Chief* - the third to carry this name - and the *Coral Chief* were built by the Miho Shipyard in Japan. (It should be noted that ships' names frequently change and re-changed as they were sold, chartered or discarded). This joint venture became the Swire Group subsidiary company, Chief Container Service, or CCS, in which Steamships became a partner.

To handle the container vessels in the ports of Port Moresby, Lae, Madang and Rabaul, Steamships entered a stevedoring consortium through its subsidiary, Rabaul Stevedores. The consortium was registered under the name Port Services PNG Pty Ltd. Don Harvey was Chairman. Steamships had a 30.4% shareholding, Burns Philp 28.6%, Robert Laurie Carpenter 16%, the PNG Shipping Corporation 12.5 % and a trade union group, 12.5%.

Since the smaller PNG ports had no crane facilities capable of handling containers, a simple, strong, ingenious method of loading and unloading had been invented and patented by Geoff McKenzie, called the "Arbilift". This allowed standard 20-ton containers to be loaded with an ordinary six-ton forklift, using a system of mechanical advantage. Prior to the introduction of the Arbilift, port authorities were obliged to employ large, and very expensive, 25-ton forklifts, which stood idle for much of the time, and could not be used on wharves of limited capacity. The Arbilift was eventually installed at almost all small ports throughout the Pacific, and was coming into use in Africa when, for various reasons, production ended (though many remain in service to the present day).

COASTAL SHIPPING

Apart from its agency connection with Swires and other overseas shipping companies (including Karlander New Guinea Line Ltd, a recent addition to the list), Steamships was still running its own coastal fleet despite the historically low profit margins, for coastal shipping was the very soul of the Company. David Middlebrook was appointed Marketing Manager, to strengthen the Shipping Department. Telex facilities were installed at the Rabaul, Madang, Lae and Kieta Branches, primarily for shipping support.

In September 1977, the assets of Madang Slipways Pty Ltd were purchased for K135,000. It will be recalled that this slip and marine workshop had been established by Niel Grieve in 1951, and was adjacent to Madang Marine Workshops, which Steamships had acquired in January 1969. The two businesses were now combined. The Madang Slipways slip was considerably larger than the one attached to Workshops, and took pressure off the Port Moresby shipyard.

The Company now had a considerable shipbuilding capacity, and was in a position to accept work from outside. In June 1977, Hornibrook Constructions secured a contract for the building of eight small steel workboats for the PNG Government. Steamships was awarded a sub-contract for the fitting-out of the vessels at the Madang complex (this work was successfully completed at an overall profit of K70,000, the last vessel being handed over in September 1978).

A little later, the Government called tenders for a number of larger vessels, classed as A and B types. New Zealand shipyards were awarded contracts for six of the B class requirements, and Hornibrook approached Steamships with a proposal to form a joint venture to tender for two modified B class ships. Hornibrook had a steel fabricating plant in Madang and would be able to tender competitively.

While the Board was considering this, Neil Nicklason (who was still Director in charge of the Shipping Department) submitted a report to the Board, in which he noted that seven of Steamships' small coasters were now very old, and beyond economical repair. Moreover, indications were that the Government was becoming reluctant to re-issue the coastal trading licences of older vessels. He suggested they be sold or scrapped, and replaced by one new, larger vessel of some 4,000 cubic metres cargo capacity. Construction of such a vessel was beyond the capacity of the Company's own yards, and design studies for a new ship were commissioned. The possibility of further extending the Paga Point shipyard was also examined.

Steamships' shipbuilding capacity was further increased in August 1979, with the purchase of the assets of Hap Hing Shipbuilding Co Pty Ltd, Rabaul. In this month, too, Geoff McKenzie's company, RB Holdings Pty Ltd (the McKenzie family company) sold its 30% shareholding in Rabaul Stevedores to PNG Shipping Corporation. It was agreed that McKenzie would carry on as general manager until his retirement in two years' time.

Several of the old vessels were quickly disposed of. One was the K-boat MV *Kaia*, which had recently been so badly damaged in a grounding that she had to be written off, although the engine and other fittings worth some K10,000 were salvaged. Another K-boat, *Kuku*, was also prepared for scrapping, but at the last moment an offer of K23,000 was received from a buyer in the Philippines, and she was thankfully sold. In March 1978, MV *Dusty Miller* was sold on an as-is basis for K5,500, for it would have cost some K30,000 to put her back into survey. *Koki* was sold in December 1978, for K5,700. *Kano* went in June 1979, for K21,000. In February 1980, *Blue Peter* dragged her anchor and broke up on a reef off Samarai, and was a total loss.

NAMASU

Meanwhile, Steamships entered into a joint charter arrangement with NAMASU (Native Marketing and Supply), an organisation created in the late 1950s by the Lutheran Mission under the management of Wilhelm Fugmann, to provide basic trading and marketing services to villagers in the more remote parts of Morobe and Madang Districts. NAMASU became a separate company in March 1959, with 1,000 villager shareholders and working capital of some 30,000 pounds, two-thirds contributed by Lutheran Mission. By 1966 there were 5,141 native shareholders, and NAMASU capital stood at \$137,000. Lutheran Mission retained a 38% shareholding.

NAMASU was an extremely successful multi-layered business in its earlier years, involved in trading, marketing and transportation. Several small coasters were put into service over the years: MVs *Morna*, *Mula*, *Sio*, *Salankaua* and *Kauri*. NAMASU and Steamships now took over a joint charter of the 400-ton barge *Niugini Trader*, with NAMASU the agent for New Guinea, and Steamships for Papua.

NEW TONNAGE

A number of tenders were received for the proposed new coaster, and after much deliberation the Board decided to accept the tender of Tech and Marine (Pte) Ltd of Singapore, for a 45-metre 500-tonne capacity cargo vessel. Don Harvey and Neil Nicklason went to Singapore to finalise arrangements.

Construction began almost immediately. Shipyard manager Ken Small visited Singapore in June 1978, and reported that progress was satisfactory, and the workmanship very good. It was decided to name the new vessel *Hiri Chief*.

Captain Ray Taylor, Steamships’ senior master, was sent to Singapore to keep an eye on the work. “I lived over there with Ken Small while the ship was being built,” he recently recalled. “I went back with a crew after she was launched, took her out on the trials, then the fun started. Being a new ship we had to fit her out, with all the cooking utensils in the galley, all the tools in the engine-room, all the ropes and stuff on deck, then deliver her to Port Moresby...”

A licence was received, allowing the new ship to trade from Alotau to all ports to Kiunga. But the Government controlled freight rates, and refused to grant a much-needed increase. The Board decided that if *Hiri Chief* were to survive in the coastal trade, it would be necessary to place her in a shipping pool, and have her managed by the PNG Shipping Corporation.



Hiri Chief at Port Moresby

Photo: Courtesy Ray Taylor



Hiri Chief at Port Moresby

Photo: Courtesy Ray Taylor

Construction of *Hiri Chief* fell behind schedule, but she was finally handed over on 3 December 1978. Everything about her was “first class”, Ken Small reported. Captain Taylor and engineer Towson brought the new ship back to Port Moresby. The final all-up cost was approximately K720,000, and an option was secured for a second 39-metre barge-type vessel, at a delivery cost of K600,000.

Hiri Chief was chartered to Mainport Cargoes Pty Ltd, a subsidiary of the Shipping Corporation, for six years on a bare-boat basis, at K500 per day, which provided Steamships with a return of about 18% on capital cost after depreciation, calculated over 12 years. She was initially under the command of Captain Taylor.

In June 1979, Captain Peter King, Managing Director of PNG Shipping Corporation, wrote to Captain Taylor, advising that in recognition of his services to coastal shipping and PNG in general, the Boards of the Shipping Corporation and Mainport Cargoes, in agreement with the Board of Steamships, had officially appointed him Commodore of the fleet.

The Steamships Board resolved to proceed with the construction of the second vessel, which would be named *Gulf Chief*. It was expected she would cost K1.4 million.

Ken Small returned to Singapore to inspect vessels in the 200-ton class available there for sale. Tentative arrangements had been made to sell *Pipi Gari* and *Peter Ikori* for K90,000 each, and replace them with a single Singapore-built vessel, to be modified to Steamships’ requirements under the supervision of Singapore naval architects, Conan Wu & Associates, to Lloyd’s A class. The total cost was estimated to be around a quarter of a million kina.

A contract was signed in September 1979, for a 39-metre landing craft type cargo carrier, to be named *Motuan Chief*. The modifications were to be completed by 14 November 1979, at an all-up cost that had escalated to K600,000. *Motuan Chief* was completed ahead of schedule, and arrived in Port Moresby on 26 December 1979. She immediately went into service, showing a good profit on her first eight weeks’ operations.

The giant Ok Tedi copper project referred to in Chapter Sixteen was about to be launched, in which Steamships would have a prominent part (the Ok Tedi project will be described in the following chapter). At an important Board meeting in March 1980, it was decided that Steamships had to remain in the coastal trade, particularly in view of the forthcoming Ok Tedi work. Three more Steamships vessels were coming to the end of their economic lives, and larger replacements would soon be required.

It was decided to sell *Ame Rupa*, *Naime Dogodo II* and *Simon Ruiero*, and have three new 31.5 metre barge-type dry cargo carriers constructed in Singapore by Land and Sea Construction Ltd under the supervision of Conan Wu, for an estimated cost of K600,000 each delivered to Port Moresby. Deliveries were promised between January and June 1981. It was hoped that these measures - aided by the first freight rate increases to be granted since 1975 - would return Coastal Shipping to profitability for the first time in years.

STEAMSHIPS MANAGEMENT

At the beginning of 1978, Steamships had in place a strong management team, some with many years of seniority in the Company. Over the years, thousands of expatriates worked for Steamships, at all levels. It is obviously impracticable to name them all, but at this point a number of the key people in management may be identified.

At Head Office, Port Moresby, were Managing Director Don Harvey, Deputy MD Bruce Blaikie, and Company solicitor N.A. Malik (Malik died suddenly, in February 1980. He had served the Company for six years. He was replaced by David Houseman). Divisional Controllers were J.E. Bolt, A.B. Parry, T. Hannam, E.W. Thacker, J. de Lange, J.H.R. Schwartz, and K.L. Curtis (Curtis was also Deputy Company Secretary. He resigned for family reasons in September 1978, and was replaced by Clifford Hawkins). J.E. Malins headed the Accounts Department, K. Horne was manager of Accounting, and Branch Store managers were R. Cato and N. Corbett.

Brown River Timber Co Ltd was managed by J. Timbs. Captain S. Olsson was manager Coastal Shipping and I.A. Miller was in charge of the Coca-Cola and Cordial Factory operations, assisted by N.T. Cassidy. J. O’Brien headed Coral Sea Travel Agency while R. Galama ran Country Orders. The Customs Department was headed by P. Jeffs. R. Loseby was manager of the Freezer, and K. Smith was manager of the Hardware and Paint Division.

Honda Centre & Marine service station was run by W. Waters, while E. Kaibikwa was supervisor of Import Cargo Office. K. Kainzinger was manager of the Liquid Air Pacific factory. J.E. Bolt was Controller of Machinery Division, assisted by section managers P.E. Bett, S. Menezes and G. Ferguson.

J. Bannister headed the Merchandise Office, with J. Metzner Electrical Group manager. L. Majkic ran the Moulding Factory and Nebiri Quarries while J. Pearson headed Office Equipment. J. de Lange was Controller of the Plantations Division assisted by accountant J. Catt. E.W. Thacker ran Overseas Shipping Division, assisted by M. Brown, while A. Bath was manager Stevedoring division. Ken Small managed the Shipyard, assisted by M. Park,

K. Porret and T. Thomas. Various sections of Store Departments were headed by Mrs E. Hannam, E. McKeown, Miss M.E. Roberts, T. Hurst, R. Magiro, Mrs C. Minns, Mrs Y. Whalley, T. Powell, F. Gibson, and R. Remphrey.

D. Gnutzman and J. Nurthen ran S.O. Svensson, while F. Doyle headed Staff Department, assisted by D. Green, Miss M. Dredge and A. Woodlock. Toba Pty Ltd was managed by H. Kirk, assisted by G. Buenaventura, W. Goggins, and W. Evans. H.T. Bowan managed Wholesale Division, and D. Wright Transport, with L. Caughey and V. Miller.

The Branch management teams were:

Steamships Goroka: I.S. Nathan, T.P. Kelly, J.M. Quiazon.
Steamships Lae: R. Meyer, K. Lincoln, R. Ringuet, M. McCohen.
Steamships Madang: K.W. Lee, H.W. Sawicki, T. Wong, Yin Wah, N.M. Manickam, W. Marr (Ken Lee retired in September 1978, after 28 years in PNG, 18 of them with Steamships).
Steamships Popondetta: W.V. Jeager, F. Hirst.
Steamships Kieta: D.E. Haviden, F.G. Pollie, L. Spence.
Steamships Rabaul: J.R. Smith, F.J. Madero, I.C. Humphries.
Steamships Samarai: D.W. English, H. Castles, S. Timmins.
Steamships Mount Hagen: I. Robinson, P. Boardman, B. Goss.
Steamships Vanimo: R. Zinner
Steamships Kundiawa: A. Bell
Boroko Hotel: J. Durrant.
Manager’s Account: D.N. Harvey, C. Fitzgerald, B. Dwyer, H. Rogers.
Melanesian Hotel: W. Robertson, T. Abberton, M. Mansfield.
Rabaul Stevedores: G.F. McKenzie, R.G. McKenzie, F.M. Cohen.
Coral Sea Travel: J. O’Brien.

At the end of December, Martin Kugami was appointed Personnel Controller of Steamships. He was a graduate of Steamships’ internal training programme. Another national was made Manpower Development Officer, a sure sign that competent locals were advancing through the Company ranks.

There were staff losses. Arthur Barton died, aged 74, after 20 years with Steamships. Ian Robinson, manager of the Mount Hagen Branch, died at age 53. R. Haise, acting manager Kieta Branch, resigned, as did W.E. Baldwin. Ted Thacker retired in June 1979, after 24 years service. It will be recalled that Thacker joined Steamships as cargo superintendent, in 1955. He was subsequently manager of the overseas shipping operation, before becoming Coastal Shipping manager. He was Group Controller of Shipping when he retired.

“Steamships were a good company to work for,” he recalled recently. “They had things organised. We had various European masters of our vessels, they tended to come and go. Jack Green was with us for a long time, and Alan Bath. He was a Canadian, and was with us quite a while. Very steady...”

Rosalie Thacker was employed by the Company for a number of years. “I worked downstairs in the drugs department,” she remembers. “I couldn’t get on with Doug Spence, and one day we had an argument, and I said, I’m not going to put up with this! And I left.

“Nancy Clayton, who was Del Underwood’s secretary, talked me into coming back when she left. I opened all the incoming mail and distributed it around. Del was fine to work for. Very good. In the morning I used to go in to his office and check the flowers. I always did the flowers for him, he loved his flowers. When I left he gave me a lovely china flower arrangement. I still have it...”

THE LAW AND ORDER PROBLEM

The deteriorating law and order problem was seriously affecting Steamships’ recruitment of expatriate staff. In July 1978, employee Bill Baldwin was shot and critically injured in his home by an intruder, and was flown to Australia where he remained under medical care for months. The Board decided to offer him a “total and permanent disablement benefit” from the Superannuation fund. Such incidents were becoming all too common in several PNG towns, but particularly in Port Moresby. Indeed, in 1979 the Government was forced to declare a brief State of Emergency in the Highlands Provinces.

Throughout PNG, young villagers - predominantly male - were flocking from their homes in the bush to the towns, seeking the bright lights in the fashion of youth in all parts of the world. Very few had sufficient education to secure jobs. Even fewer had land rights. They mostly lived in “squatter” settlements on the outskirts of the towns, where they either depended on their friends or relatives in work to support them - the so-called “Wantok” system, which was the only form of social security that PNG had - or turned to crime (principally breaking and entering) for a livelihood. Media reports invariably concentrated on incidents of violence when reporting on PNG affairs, and the reputation of the country suffered badly.

Problems were surfacing, too, in the Hotels and Plantations Divisions. Trade unions, based largely on the Australian model, had appeared, and industrial action was becoming common, particularly on the Port Moresby waterfront. The Melanesian Hotel was hit by a strike that was held to be “illegal”. The Mount Hagen Hotel had been renamed the “Highlander”. In September 1978, the Board was informed that the local Provincial Government was calling for the return of the land on which the Highlander stood: a demand becoming all too common throughout PNG.

NEW HOTELS

PNG tourism, and hotel occupancy rates, were falling as a result of the adverse publicity that invariably followed incidents of crime and violence. In December 1978, Steamships negotiated a partnership with PNG Banking Corporation, and its travel service became Coral Sea Travel Service Pty Ltd, with PNGBC holding a 74% shareholding, and taking over management.

However, during Don Harvey’s time at the helm, Steamships increased its investment in hotels. Harvey informed the Board at its December 1978, meeting that the Gateway Hotel in Port Moresby, the Huon Gulf Motel in Lae, and Smugglers Inn at Madang might soon come on the market. It was probable, too, that the Lae Services Club would be closing, which would create a need for additional rooms at the Melanesian Hotel.

The Gateway Hotel, built by the airline company, Patair, was now owned by Ansett Hotels Ltd. It was a small, high-class hotel at Jacksons Airport, with only 26 rooms, but considerable potential for expansion. Huon Gulf Motel-Hotel, the first to be established in Lae, had been constructed by Neil Leydon, a builder and carpenter, who with his wife, Betsy, formed a construction company, N.R. Leydon & Co. In 1962, Leydon constructed the Lae Squash Centre, the first of its kind in PNG. He opened Huon Gulf Motel in 1966, and later leased it to Ansett Hotels.

Smugglers Inn had been established in 1962 by Jon and Marcia Bastow, previously managers of Mount Hagen Hotel. It was superbly located on the sea front, imaginative in design and construction, complete with restaurant and high-class guest accommodation. In 1967 the Bastow’s were granted a hotel licence. Smuggler’s was by this time acknowledged to be one of the finest of its kind in PNG. It was eventually purchased by Koitaki Ltd (74%) - a subsidiary of New Guinea Industries Ltd and the Madang Provincial Government.

Smugglers Inn had deteriorated in the intervening years, its owners refusing to commit the funds required to restore it. Steamships eventually secured it for K375,000. “Smugglers was a great place,” Don Harvey remembers, “although there was a bit of a problem with the kitchen, the sea water would come in underneath and every now and then spouted up into the kitchen, so we had to rebuild that...”

In July 1979, Ansett offered the Gateway Hotel and Huon Gulf Motel to Steamships for K1.1 million, plus stock and plant at around K50,000. An examination of the accounts did not support this valuation, and Steamships countered with an offer of K800,000. The purchase of both properties was finally concluded in May 1980, Steamships taking over the Ansett lease over Huon Gulf Motel (which had three years to run) and finally purchasing the property from the owner, Neil Leydon.

Some K160,000 was expended on function facilities and an additional 30 rooms at the Melanesian Hotel. Steamships commissioned a study of Gateway Hotel, seeking ways to turn it into an up-market establishment to compare with leading Australian hotels, with at least another 30 rooms. The Company also came close to acquiring another small hotel, at Mendi, in Southern Highlands Province.

THE SOUTHERN HIGHLANDS

As we have seen, Steamships was well established in coffee in Eastern and Western Highlands Provinces (Goroka and Mount Hagen districts) and in Chimbu Province (Kundiawa). The Southern Highlands was the least developed of the Highlands Provinces, remote from the coast, at the very end of the Highlands Highway from Lae, and a late starter in the coffee industry.

The headquarters of Southern Highlands province were located at the small town of Mendi, begun as an Administration station as recently as 1950, by Assistant District Officer S.S. Smith and Patrol Officer D.J. Clancy. A little later, Smith and Clancy commenced the construction of another small outpost, at Tari, assisted by Patrol Officer R.T.D. Neville.

Ron Neville later resigned from the Administration, and settled with his wife, Colleen, and children, at Mendi. He set about establishing a Southern Highlands business empire based on coffee and tea plantations, a guest house and small hotel, a trucking service, trade stores

and fuel and airline agencies. He stood for the first House of Assembly elections in 1964, and was elected regional member, West Papua Regional Electorate, serving until 1977. He became a PNG citizen after Independence, and was awarded an MBE by the State.

In January 1979, Ron Neville offered his main store and residence in Mendi for K152,000, plus stock to the value of another K50,000. The Board minutes note: “While not over-exciting, it could be considered as an extension of Mount Hagen, supporting the proposed bulk facilities at Lae. The land is a three-block consolidation, and is the best block in the town. Will be further considered.”

A decision to purchase the Neville properties was made in June 1979, and Steamships took possession in November. Neville decided to retain the Mendi Hotel, and his tea and coffee business. I. Nathan was transferred from Goroka to Mendi to manage the new Steamships interests (Ron Neville was killed in June 1986, in a road accident on the Komon Bridge, while driving from Mount Hagen to Minj. His widow and their three children continued to operate the family business. Tim Neville later entered politics, and served as a Minister in the Wingti Government).

Steamships was now represented in all the Highlands Provinces, apart from Enga. The Company was planning the construction of a major store and bulk warehouse at Lae to support its Highlands operations, at a cost well in excess of a million kina, plus an expansion of the existing Machinery building. The work was carried out by Watkins PNG Ltd.

PLANTATIONS

Don Harvey wanted to take Steamships out of rubber and copra plantation ownership. “We were in them from the old days,” he said recently. “For a public company involved in all sorts of things as we were, there was no future in plantations. If that’s all you do, run plantations, you’re probably all right, but you don’t get returns from plantations for quite a few years, and shareholders don’t like that.

“Then there was the pressure from the Government to sell back the plantations, and hand them over to nationals to run. We had the copra plantations, the coffee plantations, the four rubber companies, listed on the Sydney Stock Exchange. We were supporting those rubber companies, and they ended up owing us a lot of money.

“The Government saw a great future for rubber, and they bought the rubber plantations from us. So we got out of rubber, we either sold the copra plantations, walked off them, or gave them away, and later we had to get out of coffee...”

Protracted negotiations with the Government for the sale of the rubber estates - Kerema Rubber Ltd, Lolorua Rubber Estates Ltd, Mariboi Rubber Ltd and Rubberlands Ltd, in which Steamships had the controlling interest - began during 1977. The estates were acquired with all assets and chattels on behalf of the traditional owners, and Steamships bowed out of the rubber business. A profit of K185,000 was realised.

As previously noted, copra and rubber prices were historically volatile, and coffee, too, was unpredictable. Although the PNG product was of high quality, the total output was tiny by world standards. PNG coffee was completely at the mercy of markets dominated by Brazil and a few other giant producers.

But the continuing strength of the coffee market in 1976-77 escalated pressure on Steamships to sell coffee estates back to the Government under the Land Re-Distribution scheme mentioned previously, which was primarily aimed at expatriate-owned plantations. The Steamships Highlands coffee plantations were now under the overall management of John Fowke.

Fowke was born in Sri Lanka and educated in New Zealand. He came to PNG in 1958 as a cadet patrol officer, and spent the next five years in the Gulf District, at Kikori, Ihu, and Beara, in the process transferring to the position of Co-Operatives Officer. Fowke was posted at Ihu when the Steamships vessel Muniara was lost. It was while he was at Ihu that he first met Noel Chapman, then manager of the Steamships M&V (Maira and Vaiviri) Plantation, which had been started many years before by Sir Hubert Murray’s biographer, Lewis Lett. Fowke was introduced to Lloyd Armitage, at the time Steamships’ Plantation Inspector. Armitage offered Fowke a position on a Steamships plantation, which Fowke declined.

Fowke left the Administration in 1964, spent nine months in Australia (during which time he met and married his future wife, Pennie) and on their return to PNG worked for a time for the Highlands trader, Brian Heagney. But Fowke wanted to do some writing (years later he would publish a biography of the Highlands explorer Dan Leahy Snr, entitled *Kundi Dan*), and decided he would ask Lloyd Armitage for a position on a small coastal plantation, which he thought would offer him plenty of time for his writing. Instead he was offered the big Mamai Plantation, where he took up the position of assistant to the manager, Paul Inhelder.

“He was an interesting man, a Swiss, who had grown up in Indonesia and spent most of his life there,” Fowke recalled in a recent letter. “Paul was highly intelligent, and good company. It was not very long before he developed duodenal ulcer problems and left, whereupon Lloyd made me manager, and I spent the next three years working pretty hard - too hard to think of writing.

“Mamai was in a valley seven miles inland from Port Glasgow, and was altogether a little bit of tropical heaven, although very isolated. There was a good 3,000-foot airstrip there, and Ron Firns’ STOL Airways used to drop the mail in, more or less regularly. We had 60-70 head of cattle and we had fresh milk, we made butter and cottage cheese on occasion. We acquired a breeding pair of Tamworth/Berkshire cross pigs from Don Taylor at Mogobu Plantation, just up the coast, and we used to make our own ham and bacon in the rubber smokehouse. Pennie and I built up a herd of 60-plus.

“The labour was almost a hundred percent Highlands apart from two or three locals and a handful of Aroma carpenters and drivers who dated from pre-war days. We had no labour problems as they all liked the place and it was a long walk to Port Moresby...Mamai was a lovely place, and it always remained a fond memory for both of us. A bit isolated perhaps, our son Philip arrived a bit early and was almost born at Mamai, but Pennie managed to hang on through a rough ride in a Cessna 185 very early one Sunday morning, and got to Dr Jim Jacobi and Moresby General Hospital just in time!

“One day a letter arrived from Del Underwood, asking if I’d be interested in managing the then 60%-owned Goroka Coffee Producers, in Goroka. We both rejoiced, because not only was it a step up in the Company, but it was a nice environment, with real shops and a hotel! It was right up my alley because I’d always been keen on getting into the coffee industry - had tried but failed with Chimbu Coffee, before working for Brian Heagney.

“I arranged a direct charter for Goroka. I arrived thinking that coffee was a brown powder in a tin labeled Nescafe. This was 1968. Ian Downs was still involved in Steamies’ coffee interests. He’d just handed over the running of Korfena Plantation to Jack Strohben. He was having his problems with Steamships, the relationship wasn’t very happy and very soon after that they parted company.

“We were with Goroka Coffee for two or three years, then we left and went back to Australia for about five years, in ‘71. We came back just after Independence, and I managed Korfena from January ‘76 to the end of ‘79...”

Steamships was still very active in coffee - some 420 tonnes were produced on the Company’s plantations in 1977 - but had to bow to events. The first property to be targeted was Kami Coffee Estate, 67% owned by Steamships. In mid-1977, the traditional landowners began agitating for the return of the plantation, and Steamships was served notice by the Government to negotiate. The plantation was sold - at a low Government valuation - in January 1978.

Don Harvey noted in his 1977 Chairman’s Address:

“Whilst we can understand the desire to return land to traditional owners, early indications are that the national economy is suffering from reduced productivity and quality following such takeovers.” This was indeed so. Kami Estate production soon dropped to less than half the previous output.

By 1978, 68 expatriate-owned plantations (mostly producing copra and coffee) had been acquired by the State, at a cost of some K4 million, and handed over to national groups, and many others followed. Almost without exception, the plantations managed by nationals began to fail. The new owners lacked the knowledge and skill required for the successful running of a plantation. The scheme was officially abandoned in 1980. By then, many fine plantations lay in ruins.

Pressure on the coffee plantations continued to mount. In March 1978, the Government again approached Steamships, offering prices for the other coffee plantations that the Board rejected as “unrealistic”. The Board Minutes for the meeting on 29 June 1978, noted, “it would appear desirable in view of these pressures and uncertainties to sell the coffee interests, if the price is right. Veimauri is also under threat of acquisition.” Veimauri was of course a copra/rubber plantation.

John Fowke resigned and was succeeded by Ron Godfrey. The 1980 coffee crop was abundant, with an estimated production of 450-500 tonnes, and a good price was anticipated. The Board was loath to part with the coffee plantations. “Our Company will be trading in PNG for ever,” Harvey informed shareholders, “and we have no desire to have our coffee estates alienated. We would be prepared to plant additional areas if acreage can be allocated adjacent to our present operations.” Don Harvey memorably described the acquisition pressures as “somewhat of a cat and mouse game”. In September 1980, the Government offered K1.14 million for the Steamships plantations.

The Company continued to run the coffee plantations, but as noted above, got out of rubber. The copra plantations were another matter. Efforts to sell them were mostly unsuccessful, for the smaller properties were completely uneconomic. A sale of Cutarp finally fell through. The manager of this small plantation, David Flinn, disappeared with four

plantation labourers on 8 July 1979, while visiting a neighbouring estate in a small aluminium dinghy. An intensive land, air and sea search failed to reveal any traces of the missing men. Flinn left a widow and six children.

OTHER DEVELOPMENTS

There were significant developments in the Industrial Division. In July 1979, Steamships sold 50% of its Port Moresby sheet metal shop to John Lysaght PNG Pty Ltd. A new company was formed, Moresby Metal Industries Pty Ltd, under the management of Lysaght’s. This commenced operations on 1 January 1980.

The Timber component of the Division received attention. Port Moresby Mill was upgraded, and improvements were made to the Baimuru Mill. On 1 July 1980, the total issued capital of Pacific Islands Corporation Ltd and its subsidiary, ANG Timbers Ltd, was purchased. This was the largest operation selling into the Port Moresby market, yet it had a chequered history, with a long string of losses behind it. ANG Timbers’ logging areas and mills were at Cape Rodney, and the timber was transported to Port Moresby by barge. The ANG Timbers operation was successfully merged with Steamships’ existing timber business.

NEW GUINEA INDUSTRIES

The biggest expansion of Steamships’ overall operations to this time had its beginnings in December 1977, when W.C. McLellan, Managing Director of the big Lae company, New Guinea Industries Ltd - NGI - was invited to join the Board as a non-executive Director. Bill McLellan was a Queenslander, born in Toowoomba in 1934. He was educated at Southport Boys’ School and Industrial High School, Brisbane, and afterwards joined a firm of public accountants. In September 1953, he went to Bulolo, as a 19-year-old junior accounting officer with Bulolo Gold Dredging Ltd.

“Not long after I joined BGD I met my wife, and we were married in 1957,” Bill McLellan recalled in a recent interview. “My intention was to try and get a dredging ticket, and then move on, perhaps to Bolivia or Malaysia, where mining by dredge was a fairly big industry at that time. However, the BGD general manager, Lars Bergstrand, decided that as I was under 21 he wouldn’t permit that, and I was appointed to the position of assistant paymaster. They had about 650 expatriates at Bulolo on the payroll at that stage; they were building the Plywood Mill for CNGT - Commonwealth New Guinea Timbers. I rose through various positions to field accountant, by which time I had got married.”

McLellan decided to leave the accounting field, and get into management. In 1962 he was offered the position of manager of BGD’s Lae Depot, in charge of warehousing and shipping operations. He moved to Lae with his wife, Iris, and little sons, Ross and Ray; their third child, daughter Kim, was born in June 1962, a month after they arrived on the coast. BGD was also running a sawmilling and timber veneering company called South Pacific Timbers, which operated from a complex at Voco Point.

“They were having some problems,” Bill McLellan remembers, “and management asked me to take an interest in it, and subsequently that ended up being a part of my responsibility in Lae. South Pacific Timbers brought in logs by barge from around the Morobe coastal region, to the south-east. That gave us a raw supply for veneer, and for sawn timber for CNGT in Bulolo. It gave us plywood coming down on the trucking fleet, and veneer back, which made it a pretty cost-effective operation.”

In 1965, the famous old name, Bulolo Gold Dredging Ltd, vanished from the New Guinea scene. The parent company, Placer Development Ltd, took over. The Placer Development Group also included a large cattle property called Leron Plains in the Markham Valley, established by BGD in 1959. By the time of the Placer Development takeover there were almost 3,000 head of cattle on Leron Plains, plus others in a smaller operation around Bulolo.

“I went back to Bulolo as assistant general manager in December 1968 and in September 1969, I was appointed General Manager of the Placer Group,” McLellan remembers. “Early in 1973, Placer sold their interest to a Japanese banking group, Haywasago Bank. Placer remained, on the basis of a management contract for three years, and asked me to stay on, which I did.

“Towards the end of that three years tension was building between Placer and the Japanese bank. I was friendly with Walter Zavatarro, who was a shareholder and Managing Director of NGI. We talked about me perhaps joining his operation. Walter was a great chap - a bit later he was diagnosed with a tumour on the brain, and was given three years to live.

“In 1975, I decided to pursue Walter’s offer, and I went to Sydney to be interviewed by Rheem Australia Limited, which owned 62% of NGI. Broken Hill Proprietary Co Ltd - BHP - owned 66% of Rheems. After some time I said yes, I would resign from Placer, and move to NGI. I gave six months’ notice, and finished with Placer in Bulolo in January 1976, and moved to NGI in February, as Managing Director.”

New Guinea Industries Ltd was founded in Lae in December 1946, by Guiseppe (Ned) Zavatarro. Born in Turin, Italy, in 1901, he was a child of nine when his family migrated to Australia. Ned was brought up on a sugarcane farm near Ingham, in North Queensland. He came to the Morobe Goldfield, New Guinea, in 1935, and joined a syndicate of other Italian gold-miners. He married an Italian girl named Letizia, and they had two children, Walter and Diana.

After the Pacific War, Vic Zavatarro joined his brother and the two began to build up NGI, at first concentrating on buying and selling war surplus materials, in abundant supply in Lae and the Markham Valley after the end of the Pacific War. They moved into coastal shipping and alluvial gold-mining, but gradually concentrated on sawmilling and logging. Ned Zavatarro was killed in a tragic logging accident in November 1954, at the age of 58. His son, Walter, eventually took over as Managing Director of NGI. By 1960, NGI had built up assets of more than two million pounds, and was then involved in sawmilling, cocoa, copra, peanuts, coffee, rubber, cattle, office and shop fittings, steel fabrication and property development, and were employing more than 500 people.

NGI then obtained a Coca-Cola franchise, spent \$500,000 on a modern bottling plant in Milfordhaven Road, established NGI Trading Company, and began to manufacture and distribute Coca-Cola products. Walter Zavatarro was also Chairman of Islands Products Insurance Co Ltd, which erected one of Lae’s most modern buildings, the three-story office complex, IPI Building.

NGI dropped out of primary produce, and became a major investor in the beef cattle industry. The company was running cattle on two Markham Valley properties, Narakapor, and Munum, which manager Peter Ferraris developed into a large operation.

The biggest cattle property in PNG at the time was Gusap Downs. In 1956, the North Queensland graziers, R.L. Atkinson & Son, were granted a 30-year pastoral lease over 22,000 acres at Gusap, in the Markham Valley, and later leased an additional 20,000 acres at Dumpu. An initial 600 head of cattle were brought in from Glen Rooth, the Atkinson property near Mount Garnett. An experienced Queensland cattleman, Syd Staines, was appointed manager of Gusap - he was also a shareholder in the venture.

The Atkinson shareholding was bought out by a group of Lae businessmen, one of whom was Graham Goudie. The property continued to be developed under the management of Staines, eventually becoming Gusap Pastoral Company. Large sums of money were spent on pasture improvement and the beef cattle herd was built up to a strength of around 12,000 head. NGI became the major shareholder in Gusap, with the purchase of the Goudie family shares, plus others.

Soon after Bill McLellan became Managing Director of NGI, he came to the conclusion that for various reasons it would be advantageous for NGI to move out of the timber industry, and concentrate on beef cattle. “So negotiations were commenced with Placer for us to buy the Leron Plains cattle property, some 22,000 acres with somewhere between 5,500 and 7,000 head of cattle, and they would buy our timber operation and timber leases,” McLellan remembers. “This was concluded, and NGI dropped out of the timber industry. Our remaining divisions were now a steel division, a drum-making plant, the property division - which consisted of commercial premises and a picture theatre operation - and the Coca-Cola bottling franchise.”

Soon after Independence, the PNG Government began to consider the possibility of establishing a sugar industry, to free the country from reliance on the imported product. Extensive investigations established that Gusap Downs was ideal for sugarcane cultivation. It will be recalled that the Government had the power to acquire land compulsorily. “They wanted 15,000 acres of our Gusap property,” McLellan recalls, “which would have taken our most valuable land area. At that stage, as well as running around 23,000 head of cattle, we also grew between 2,000 and 3,000 tons of grain each year. So we negotiated.”

In April 1979, an agreement was signed between the Government and NGI for the purchase of the NGI pastoral interests, for K4.9 million. It was on the Gusap Downs land that the great Ramu Sugar industry of today was established.

“So we sold out of the cattle industry,” McLellan continues. “This gave NGI a substantial amount of cash, and we were looking for somewhere to invest it. I had always been interested in Steamships, having been invited onto their Board. We were in a position where we could have launched a hostile takeover bid, or seek to merge the two companies.

“At that time, too, BHP - who owned the majority interest in Rheem, who owned the majority interest in NGI - was involved in negotiations over the Ok Tedi project. I had earlier approached Don Harvey, to see whether we couldn’t put our two Coca-Cola bottling operations together. There were perceived advantages in the use of technical people, advertising and distribution. So the option was chosen to try and negotiate, have Steamships take over New Guinea Industries...”

CHAPTER TWENTY

NEW GUINEA INDUSTRIES, AND OK TEDI

On 30 September 1980, the Stock Exchange was advised that the Directors were having discussions with the Directors of New Guinea Industries Pty Ltd, over a proposal whereby the Steamships Board would invite the shareholders of New Guinea Industries to offer their shares for sale to Steamships.

The Directors of both the companies agreed that an amalgamation of interests made good commercial sense, which would deliver long-term benefits to both. Steamships was a conglomerate, with many and varied interests. NGI were involved in three major industrial activities - the Coca-Cola bottling franchise, steel fabrication and the drum-making plant - all based in Lae. The Coca-Cola operation would be complementary to that run by Steamships; the drum-making and steel divisions would also merge with Steamships' existing interests, and would give access to new fields.

NGI had a large chunk of liquid cash available following the sale of its agricultural division to the Government-sponsored Ramu Sugar Limited (and also its commercial properties to the PNG Investment Corporation, just before the merger). This cash could be more easily deployed through a general expansion of the Steamships Group rather than expansion in its own right. The proposed merger was closely examined by consultants, who confirmed that the minor shareholders in both companies would not be disadvantaged. NGI was performing strongly, reporting an after-tax profit of K900,280 for the year ended 31 May 1980.

There was another factor important to Steamships. At this time, 22.17% of Steamships shares were held locally. There were 396 staff shareholders with 227,000 shares. As noted above, the BHP subsidiary, Rheem Australia Ltd, owned 62% of NGI. After Independence, the PNG Investment Corporation purchased a 24% shareholding in NGI. Another 6% of shares were held by other national groups. A merger would thus substantially increase the local shareholding in Steamships, highly desirable in view of accusations that the Company was a foreign-owned entity. And the Investment Corporation welcomed the proposed merger, as did the present major stockholder, John Swire & Sons Pty Ltd, even though the merger would reduce the Swire equity.

The merger of Steamships and New Guinea Industries became effective on 1 November 1980. Three weeks later, a general meeting of stockholders ratified the action of the Board in issuing 3,987,939 new stock units (which increased the issued capital of the Company from K8.64 million to K10.64 million) and 2,215,522 9% unsecured convertible notes of K1.25 each convertible at the option of the holder on 31 December 1983, to cash at par or

2,215,522 stock units fully paid in Steamships. There was also a one for five share issue at a five toea premium, which closed in June 1981.

“With the merger, Steamships had jumped substantially in terms of its critical mass,” Bill McLellan observes. “Steamships was now Number Two to Burns Philp, and was a strong challenger for the position of Number One trading house in PNG.”

The Steamships Board now invited L. Gordon Darling, CMG, Chairman of NGI and Rheem, to join the Board, with Graham Slee, Managing Director of Rheem, as his alternate, to attend all Board meetings. Edward Scott, representing Swire on the Steamships Board, nominated Graham Harbutt as his alternate, to attend meetings only in his absence Don Harvey was appointed to the Board of John Swire & Sons Pty. The Annual Meeting subsequently approved an increase in the number of Steamships Directors from six to nine, in recognition of the rapid expansion of Steamships over recent years.

The addition to the Board of two strong figures like Darling and Slee made life memorable for the Steamships Managing Director, Don Harvey. “Gordon Darling was the longest-serving Director ever of BHP,” he recently recalled, “he was on that Board for 28 years, and I got him and Graham Slee on our Board! So there was a pretty powerful mix, and of course Edward Scott and Darling didn’t get on too well - Scott used to call Darling the Smiling Tiger!

“So it was an interesting set-up. I’m Chairman, but I’m just a little boy with these big boys. Scott became head of the mighty Swire Group when the two Swire boys wanted to get out of day-to-day management, and Gordon Darling came from a very wealthy family, and was Director of a number of other companies besides Rheem. I’ve got them both, and I’m Chairman!

“When they decided to have a go at one another, it wasn’t easy, but at any rate we handled it all right. I had a good time in that top job. We kept on going up and up...”

Total revenue passed the K100 million mark in 1981, to K101,115,034. The dividend was increased from 16% to 16.5%.

THE NATIONAL DIRECTORS

Neil Nicklason retired from the Board and Steamships following the NGI merger. He had been 26 years with Steamships, 22 years as an executive. His “tremendous assistance” as a Director was acknowledged by the Board, and Nicklason left with his wife, Hazel, for a new life in Australia. He served for a brief period as a Company consultant, and then severed all ties with PNG.

In 1981, Steamships appointed the first Papua New Guinean to the Board. He was Thomas Edova Fox, who served from March 1981, to December 1986. He was one of the eight children of the gold prospector Jack Fox, who with his twin brother, Tom, had been a pioneer explorer of the Southern and Western Highlands in the 1930s. The Fox brothers were the first to penetrate the country between Mount Hagen and the Strickland, during their famous 1934 prospecting expedition.

Tom Fox obtained his secondary education in Townsville, Queensland, and at the University of Papua New Guinea, where he obtained his degree in Economics. After working for a year with the Reserve Bank (now Bank of Papua New Guinea) Fox joined the Investment

Corporation, where he remained for 13 years, the last eight as Managing Director. The Investment Corporation by this time owned shares of some of the biggest foreign-owned companies operating in PNG, as well as Steamships, in which the Corporation had a 10% interest.



Tom Fox

“I went on the Steamships Board through my contacts with some of the business and investment community,” Fox told the author in an interview in Port Moresby in October, 2006. “Steamships were very much a big powerhouse company. They went through their ups and downs, like every company does, but in recent years they have come back into prominence, they have developed new strategies, unloaded a lot of properties, cutting back to the core business of making money!

“When I was on the Board, 1981 to 1986, it was a very interesting time. Merchandising got very competitive during this period. The Chinese started to come in during the early ’80s, and companies like Anderson’s. Prior to that it had been pretty much Steamships and Burns Philp, but when the Chinese came in it got much more aggressive, and Steamships took quite a while to figure out how best to deal with the situation...”

Thomas Edova Fox was awarded an OBE in 1982. He is today a Director and part-owner of the Kramer Group, a Port Moresby-based engineering company that had its beginnings in Madang. He is on the boards of a number of large companies, probably the most significant the Bank of South Pacific. He is a long-time Trustee of INA - Institute of National Affairs.

William Agaru (Bill) Lawrence was appointed in June 1983. He brought exceptionally wide experience and a new dimension to the Board, and was still a Director as these words were being written. He is the longest-serving of the current Steamships Directors.

Born in October 1941, in Port Moresby, Bill Lawrence was educated at University of Papua New Guinea, graduating with a Bachelor of Arts degree, and at Gatton Agricultural College, Queensland. He subsequently obtained a Diploma in Public Administration. He joined the Department of Agriculture, Stock & Fisheries in 1962 as an Extension Officer, and worked in the Gulf, Eastern Highlands and Central Districts until 1967.

In 1968, Bill Lawrence was transferred to the Trade Promotion Division of the Department of Trade & Industry, and between 1969 and 1972 worked his way up to the position of Senior Inspector in the Localisation Section, Training & Recruitment. He was a member of the Public Service Board from 1973 to 1975, when he was promoted to Secretary, Department of National Resources (which at that time comprised the Divisions of Lands & Surveys, Minerals & Energy, and Environment & Conservation).

Lawrence resigned from the Public Service in 1977, and the following year was appointed PNG’s first Alternative Executive Director of the Asian Development Bank in Manila, a post he held for two years. He was recalled to the Public Service in 1980, as Secretary, Department of Primary Industry, but finally quit the following year, after policy differences with members of the Government.



Bill Lawrence

After resigning from the Service, Bill Lawrence became an advisor to a number of prominent companies (and later joined the Boards of Westpac Bank PNG Ltd, Associated Mills Ltd, Travelodge PNG Ltd, Santos Niugini Exploration and GRE Pacific Insurance, and became Chairman of PNG Electricity Commission and the Livestock Development Corporation, the Oil Palm Industry Corporation, and the Cocoa and Copra Industry Corporation).

In an October, 2006, interview, Bill Lawrence admitted that these days he is slowing down. He retains Directorships on the Boards of several companies apart from Steamships, and values his long connection with the Company, having served during the times of several Managing Directors.

Following the merger, Bill McLellan moved from Lae to Port Moresby, where as executive Director he assumed responsibility for Steamships’ various timber interests and most of the industrial operations. Managing Director Don Harvey was at this time principally handling the Hotels Division, and Bruce Blaikie the Merchandising operations of the Company. David Copland became manager of the NGI interests in Lae.

DAVID COPLAND

Copland was born in Fife, Scotland, in 1940, and was educated at Edinburgh University. “There weren’t many prospects in Scotland at that time,” he recalled in a 2006 interview at his retirement home on Queensland’s Sunshine Coast. “I saw an ad for a job with tea in India, so I went there as a tea planter for nine years, from 1962 to 1971.

“It was a great job. There weren’t many Europeans around. My wife, Susie, and I got married in ‘69 and we were trying to get pregnant. I had a job that was taking me round tea estates for two weeks in every month, so that didn’t really work! I had a friend who had gone to PNG, to Ivor Manton’s place, Warrawou, Mount Hagen. He got in touch with me and said they really needed somebody up there with my experience.

“Ivor Manton offered me a job, we accepted, jumped on a plane without looking. Susie was actually pregnant when we left Calcutta, and we arrived in Port Moresby, stayed overnight at the old Papua Hotel, which was quite magnificent in those days, and next day we flew in



Bill McLellan and David Copland on *Ok Menga*

a DC3 up to Hagen, in July 1971. Our first sight when we got off the plane was a Hagen meri [woman], in full splendour. It was quite a shock to the system!

“Warrawou was owned by Ivor Manton and a lot of his Melbourne family friends. So we were there, we had our son in January 1972, we went back to the UK in January ‘73 and had our son christened there, came back to Kenya and were looking at tea machinery there for the factory, and I got a telegram from a guy called Walter Zavattaro, whom I’d never heard of, saying he had something I might be interested in, and would I be interested in talking to him as I was passing through Sydney.

“That was pretty intriguing. The flight from Johannesburg to Sydney was a long one in those days, and our little son didn’t sleep a wink, so I arrived in a bit of a mess, met Zavatarro and two other guys. They took me off to lunch and told me what it was all about. NGI had just taken over Gusap from R.L. Atkinson & Sons, and they were looking for someone to run the Rural Division, which included Munum and Narakapor.

“The background to this was that Gordon Darling and a couple of his henchmen were also involved in Warrawou, and I had taken them around when they came up to look around the tea estates. Gordon was Chairman of Rheem which owned NGI, that’s how they found out who the hell I was.

“So I got offered the job, and we went back to PNG around April ‘73 and joined NGI in the Rural Division. I brought that together, expanded it, went into cropping and so on. We acquired Leron from BGD and gave them our Timber Division. Then the Government decided they wanted a sugar industry, and that Gusap was the place for it. They just wanted Gusap, but I told the Board if you just sell Gusap, you’re cutting off the head - sell the whole lot...

“The thing was eventually settled, and I went off to Mount Eliza in Victoria for a management course and when I came back the merger with Steamships had been concluded. Bill McLellan always said it was a merger, but the reality was it was a takeover. Rheem’s were very smart, they knew the asset they had in NGI and they could never really sell it on the market, but by giving in to Steamships they had something that was highly negotiable. And Walter Zavatarro, who was the real driving force behind NGI, died tragically young. They did a nice deal, got shares in Steamships.

“When Bill went to Moresby as executive Director, I stayed in Lae virtually as manager of the NGI assets there, and I took over the Coca-Cola franchise. We had two Coca-Cola factories, Steamships in Port Moresby, and NGI in Lae. The Moresby one was virtually sitting there like a shag on a rock, nobody really knew what to do with it. So they gave that to me, to combine, bring the two plants together. This was to have an amazing influence on the future of Steamships...

“I crossed swords with Bruce Blaikie over how the Coca-Cola operation in Port Moresby would be run. I was determined it was no longer going to be a very cheap supply of Coke etc for his Merchandising Division. I won that one. Blaikie didn’t like losing, because it affected his Merchandise figures. But it made one hell of a difference to the Soft Drink division, and also to the perception in the marketplace, that it was a stand-alone operation.

I stayed in Lae until the end of ‘83...”

LAE

Lae was becoming more important to Steamships. On 1 January 1981, the Company acquired 26% of the issued capital of Melanesian Soap Products Pty Ltd (which had its factory in Lae) and a seat on its board. MSP was the only soap manufacturer in PNG, and 25% of its shareholding was held by PICA - Private Investment Company for Asia. The MSP market share was small, but there was considerable potential for development with improved technical management, and some upgrading of plant.

Lae was now the largest port for Rabaul Stevedores, and in September 1981, management was transferred from Rabaul to Lae. Unfortunately, PNG Shipping Corporation - for which Steamships acted as stevedores and agents in all ports - was struggling, and the Company was finding it difficult to secure fees owed. On 1 June 1981, a receiver was appointed to the Corporation. A scheme of arrangement was approved whereby the Corporation continued to operate. Management was eventually placed into the hands of the Government's PNG Line and New Guinea Australia Line.

A proposal by Steamships to provide a shipbuilding facility in Lae was rejected by the Secretary for Transport on the grounds that, if approved, it would give Steamships a virtual monopoly.

Following the NGI merger, final drawings for the expansion of the Port Moresby shipyard were completed. The estimated cost was K2.5 million. A new Shipyard office was designed. It was also planned to construct another slip at Rabaul and extend facilities there, at an estimated cost of K325,000. These projects were temporarily shelved. Don Harvey warned the Board that agricultural and mineral export prices were falling, inflation was increasing, and the PNG economy was facing difficulties. Bad debts were climbing; in September 1981, K500,000 in bad debts were written off.

OK TEDI

But a development of huge dimensions, which would have a profound effect on the fortunes of Papua New Guinea, and of Steamships Trading Company, was about to unfold. In the words of Richard Jackson, Professor of Geography at the University of Papua New Guinea, written in 1980, it would be “one of the largest and most complicated mining projects undertaken in the South-West Pacific; a project which is to form a cornerstone of the Papua New Guinea economy; a project in which some of the world's most sophisticated technology is to be used; a project which will cost one billion American dollars to develop, and which will produce over ten billion dollars worth of gold and copper; a project which will generate four billion dollars in revenue for the Papua New Guinea Government...a project that required 60 kilometres of cores to be drilled in its proving; one which will require three million man-days of labour to construct. All this is to take place in an area which was not even contacted by the outside world 17 years ago; in an area which has witnessed virtually no development to date; an area which receives over 10,000 millimetres of rain a year, which is almost entirely without any road; which is 850 kilometres from the national capital...and which is marked by some of the most rugged mountain country in the world.”

The great Ok Tedi mine has in recent years come under sustained attack from many quarters, because of the immense damage the mining process has unquestionably caused to the Fly River and Gulf environment. Demands have been made that it be closed, but the Ok Tedi mine is still so vital to the economy of PNG that mining continues. In hindsight it can be

seen that technical mistakes were made during the construction of the mine, but they were not deliberate mistakes.

Steamships has been associated with the Ok Tedi project almost from the beginning, but only in the provision of logistics. It will be recalled that in 1970, Steamships had been awarded a contract by Kennecott Copper Corporation of America for the transport of supplies and equipment by sea from Port Moresby to Kiunga on the Fly River, to support Kennecott at Tabubil, its base for the initial diamond-drilling programme to test the copper deposits of Mount Fubilan, deep in the interior of Western Province. Steamships had purchased the vessel *Papuan Explorer* to service this contract.

Kennecott planned to prospect and test during 1970-71, evaluate during 1972-73, construct during 1974-75, and commence copper and gold production in 1976. As previously noted, by August 1971, immense reserves had been proved at Ok Tedi.

However, a decision to proceed to the final step, development of the copper mine, depended on further test drilling and the location of additional ore reserves, which would call for the expenditure of many more millions of dollars. This money Kennecott was loath to commit, unless certain assurances were received from the Government. It was already obvious that Independence was coming for PNG in the near future, and Kennecott had recently suffered government takeover of its rich copper mines in Chile. The Corporation was not prepared to accept a similar fate in PNG.

Negotiations with the Somare Government commenced, dragged on for a couple of years, and ultimately failed, principally on the issues of taxation concessions, and what the Government considered was an acceptable level of profits for PNG from anticipated mining revenue. In March 1975, Kennecott withdrew from Ok Tedi.

The immediate cause of the Corporation's cessation of activity was a severe drought in the basin of the upper Fly River. It had been assumed that the mighty Fly would always be navigable, but for five months during 1971 no supply vessel was able to ascend the Fly River, and in September 1972, the river dried up altogether at Kiunga - an ominous portent for the future.

Withdrawal was a severe blow for Kennecott, and was much mourned by the Min tribesmen in the Ok Tedi region, for the Corporation had always treated them generously. Kennecott had borne the enormous expense of the pioneering exploratory work, and had proved the existence of large ore deposits - but there was no going back.

The potential revenue from an Ok Tedi mine was sorely needed by the PNG Government, which announced that international aid would be sought to continue the Kennecott programme. In the meantime, the government formed Ok Tedi Development Company, and resumed test drilling. Further massive ore reserves were uncovered, the total now amounting to an estimated 250 metric tones of 0.85 % copper, 26 million metric tones of 2.33% copper, and extremely rich gold deposits: far more significant than the deposits being mined by Bougainville Copper Limited.

In July 1975, Broken Hill Proprietary Company began negotiations with the PNG Government, and in March 1976, Prime Minister Somare announced that BHP would form a consortium to carry out a technical and engineering study. If this proved favourable, BHP and its partners would develop a mine. The PNG Government would take up a 20% equity,

and the BHP consortium would provide all necessary infrastructure: wharves, roads, airstrips and settlements. In return it would receive tax concessions. The gold cap of Mt Fubilan was so rich that it was estimated this alone would pay for the establishment costs.

The consortium was duly formed, its members the BHP subsidiary, Dampier Mining Co Ltd, a West German company and a subsidiary of Standard Oil Co of Indiana. The study was successfully completed at a cost of K9 million, and in March 1980, the Government gave the go-ahead. Ok Tedi Mining Limited (OTML) was formed, and work on the Ok Tedi copper mine began in 1981. First production of copper was planned for mid-1984. Two giant American joint-venture partners, Bechtel Power Corporation and Morrison-Knudsen International (Bechtel-MKI), were the prime contractors for Stage One - the construction phase. They immediately began to cut a 134-km road from the Fly River port of Kiunga to Tabubil.

The Ok Tedi development created a surge of activity in Port Moresby. Despite the very real commercial risks involved, the Steamships Board decided to tender for the Ok Tedi Logistics contract; the largest yet offered in PNG - too big for Steamships on its own. Many weeks of hard, concentrated work were put in by senior executives, developing the Steamships bid.

The Swire expertise in all things related to shipping was of vital assistance. The Steamships Shipping Manager at this time was Jim Conybeare, seconded from Swire. “We did a lot of work,” Bill McLellan remembers, “Jim Conybeare, Peter Fleming, and a fair bit of input from Bruce Blaikie and myself.”



Moale Chief at Laurabada Wharf

Photo: Courtesy Peter Best

Bruce Blaikie recalls:

“Bechtel called us to Melbourne for discussions. Don Harvey was on leave in Canada, so I went down with Jim Conybeare, and they told us we had to THINK BIG, get up to speed fast! Then we were approached by Brambles, to form a joint venture and go for the contract. It was an unusual JV, in that it was geographic, not financial. Steamships was responsible for everything that happened in PNG, while Brambles were responsible for everything outside PNG.

“It worked very well. We got the contract, the biggest ever signed in PNG. The first JV manager was Barry Williams, the CEO of Brambles. I followed Barry, briefly. I remember him telling me that the Brambles Board had reservations about getting into a JV with a local PNG company like Steamships, which they knew very little about. Barry wanted to go ahead, and he ferreted out and added up the combined resources of all the Swire companies, and the figure exceeded the gross value of Brambles.”

But Brambles Holdings Ltd was indeed a very large company. The “Steamships Brambles Joint Venture for Logistic Support Services to the Ok Tedi Project” (as it was officially called) handled the receipt and shipping of all Ok Tedi cargo from Australia and New Zealand, and of worldwide cargo, for its onward shipment to the Fly River port of Kiunga. The total estimated value of the contract was around K32 million, of which the Steamships share would be approximately 80%. The Joint Venture was officially named Steamships Forwarding Services. In March 1982, Steamships won another contract, for the carriage of bulk fuel to Kiunga. This was for a period of five years, and was worth K6 million.

Steamships was uniquely fitted for its part in the venture: the transporting of supplies, equipment, foodstuffs and fuel from Port Moresby to Kiunga, by sea. We have seen that Steamships had long experience of the Papuan coast, and of Fly River navigation dating back to the mid-1930s, when the auxiliary ketches *Maira* and *Veimauro* transported the men and supplies of the Second Archbold Expedition up the Fly River.

Since then, seamen employed by Steamships had done a lot of work on the Fly, in particular Captain Ray Taylor. He was, in fact, the acknowledged expert on Fly River navigation. “The concept of the way of attacking the deal was very much facilitated by the knowledge of Ray Taylor,” Bill McLellan says, “and by our Swire people, and Jim Conybeare...”

Captain Taylor was by this time a key figure in Steamships’ Shipping Division. He had been transferred from Samarai to Port Moresby in 1969 as the Company’s Marine Superintendent, a position he occupied until 1973. During this time he took over the Steamships Nautical Training School, which by 1982 had 80 national seamen under training; 14 national captains had also graduated. He was skipper of *Ame Rupa* from 1973 to 1978, with periods ashore as Acting Manager, Coastal Shipping. In June 1979, Captain Taylor was officially appointed Commodore of the fleet.

Captain Taylor recalled his Fly River survey work in a December, 2005, interview:

“When we were working for the other mining company, Kennecott, in the 1970s, we used to transport all their equipment, and we’d go with them up the Alice River - the Ok Tedi - to the Mission station at Atakamba, where we had small New Zealand jet-boats, fitted with Holden six-cylinder engines. We’d discharge all our cargo at Atakamba, put it in these little jet-boats and take them right up to what is now Kiunga, over the bar.



Captain Ray Taylor

“They had made these big cement heli-pads, and all the cargo would be transferred to helicopters at Kiunga, and they would fly it in to Tabubil in these big helicopters. In ‘69, Kennecott employed me to do a hydrographic survey of the Fly River, from the mouth up to Kiunga. I was with Steamships of course, and they chartered one of our vessels for the survey.

“I installed a tide-pole at what we called the Rock Bar, five miles below Kiunga, and used that as our datum point. It is still used today. If it was two metres on the rock bar, you could load a ship to a draught of two metres, get over the bar, and then you’d be able to go right up and down the Fly River.

“When Steamships came back into it I was called in to do another hydrographic survey, draw all the new charts. I had to come down to Sydney and do a special course to find out all about solar panels, because I had to put in leading beacons in all the tidal sections of the Fly, so the deep-draught ships that would be loading the copper concentrate could get up and down the river, 24 hours a day.

“I had to drive piles for the beacons, every beacon on the river bank had a solar panel with a big bank of batteries. We had white, red and green lights, all by international standard, and



Captain Taylor with wife, Lucy, and Highlanders

Photo: Courtesy Ray Taylor



Bernard Frank towing loaded barge over rock bar

Photo: Steamships archives

the whole river was marked every five miles by a big white disc. Every ship operating on the Fly carried a big searchlight forward, and they would light up these marks which all had numbers, what they called ARM - adapted river miles - so they would know exactly where they were, manually, they didn’t have to worry about radar, or echo-sounders...

“Even today all our beacons for crossing-over in all these shallow waters are still there, installed by Steamships in 1980-82...”

That first river survey, for Kennecott, took six weeks’ to complete. The vessel used was *Pipi Gari*, with Captain Taylor at the helm. Echo sounders were employed, mounted on outriggers on either side of the craft. The charts Taylor produced, covering 500 miles of the Fly, were regularly updated in future years, and are in use to this day. Steamships also provided some logistics support for the huge Freeport Copper Mine in Irian Jaya, and Captain Taylor became familiar with the navigational problems of that part of the New Guinea mainland coast.

Ray Taylor was due to retire in 1981, but his experience was urgently needed for the critical Fly River work, and special arrangements were made to retain his services (even today, at the age of 80, Captain Taylor still occasionally performs special navigational tasks for Steamships).

NEW TONNAGE

As previously noted, the Company had been steadily disposing of its small wooden coasters, replacing them with all-steel vessels. It will be remembered that *Hiri Chief* and *Motuan Chief* were in service before the start of the Steamships Brambles Joint Venture. Mainland Cargoes, to which *Hiri Chief* was on charter, went into receivership in September 1981, and the ship was returned to Steamships and was put into service on the Kiunga run.

The three new 31.5 metre barge-type dry cargo carriers mentioned in the previous chapter had been launched. They were given the names *Erima Chief*, *Agutoi Chief* and *Moale Chief*. They were delivered between February and November 1981, and were ideally suited to the Ok Tedi work, for they were shallow-draught. *Naime Dogodo II* was sold, as-is, for K30,000 in June 1981 - her book value was only K10,740. *Ame Rupa* went for A\$100,000 - her written-down value was K17,366.

Simon Ruiero was lost. “She was on the normal weekly run from Moresby to Daru, with Milton Cottrell as master,” Captain Taylor remembers. “He discharged all his cargo there, then left for Baimuru, to load timber at the Steamships Mill. On the way back they struck this bloody storm, it came out of nowhere, and rolled the ship upside-down.

“They had life rafts. In those days when a ship turned over, the life raft would float away, on a line made fast to the ship, so that when the ship sinks the life raft pulls on the rope and it explodes, and comes out of the case. They all got into the life raft. There was a south-easter blowing, and it blew them right in to the sawmill. They all got safely ashore, it was a Sunday, and they got on the radio to Port Moresby. Steamships rang me to say the *Simon Ruiero* had rolled over, and was drifting around the Gulf of Papua, upside-down.

“So I went down and jumped into the *Kuku*, with my oxy-acetylene gear. I knew *Simon Ruiero* was insured for total loss only. If some other person had found her drifting and towed her back to Moresby, they would have given her back to Steamships, and there wouldn’t be any insurance payment.

“When I found her, I was going to burn a hole in the bottom, let the air out, and let her sink. But before I got there she had blown ashore and the mast pushed a hole right through the bottom, and she was a total loss...”

More specialised vessels were required to service the Logistics and fuel contract, and for the second stage, the transport of copper concentrate down the Fly, which Steamships hoped to secure in due course. These would be costly. In November 1981, John Swire & Sons



Agutoi Chief, Erima Chief and Moale Chief in line abreast

Photo: Courtesy Ray Taylor

purchased a further 375,349 shares in Steamships. Development funds were difficult to find within PNG, and arrangements were made for an offshore borrowing of \$US6 million, to finance equipment purchases and provide working capital for the Ok Tedi programme. The next six months would be “tight”, Don Harvey warned the Board, for the kina was on a slow downward trend against the “basket” currencies, the US and Australian dollars.

Steamships secured permanent representation in Asia. The then Wholesale Division manager, H.H. Bowan, was due for retirement, and intended to set himself up as an agent in Hong Kong. “Company interests would be best served by having him working for us rather than against us,” the Board minutes noted. Bowan had developed considerable expertise in the Asian region. He would be primarily used for wholesale merchandising purchases, but would be available to represent Steamships’ general interests. K.D. Small was appointed Steamships’ attorney in Singapore.

Plans were prepared for “dumb” barges (i.e. with no engines) for ore carrying, to Lloyd’s A1 classification, to be constructed in Singapore. The American advisors to BHP, Amoco, had recommended the use of pusher-barges, as used on the Mississippi River, whereas Steamships, acting largely on the advice of Ray Taylor and Jim Conybeare, believed that this would be impractical on the Fly. “I flew up and down the Fly with them,” Ray Taylor remembers, “from the mouth to Kiunga. The river is so windey and the corners so sharp that it wasn’t practicable to use pusher-tugs.” Steamships’ recommendation, to employ dumb barges towed by tugs, was accepted.

New tonnage was rapidly acquired to service the Logistics contract. Steamships commissioned the construction of two 23-metre 1,075 hp ocean-going tugs, *Ok Menga* and *Ok Tarim*, for delivery in 1982, as well as a number of dumb barges. Pending their arrival, the Company temporarily chartered three tugs from the Philippines, as well as four large dumb barges.

Both the Steamships tugs were built in Singapore, by Thai Hong Shipbuilding (Pte) Ltd, for K1.2 million, with supervision by Conan Wu & Associates. *Ok Menga* was in service by April 1982, and *Ok Tarim* two months later. The dumb barge *Steel Navigator*, 150 feet long with a bulk fuel capacity of 1,400 tonnes, entered service in March 1982. She, too, was built in Singapore, at a cost of K160,000. Steel Ranger, a 120-foot dumb barge costing K120,000 arrived a few weeks later. Two used steel barges, Union 52 and Union 55 were purchased for some K250,000.

A landing barge, *Bernard Frank*, was purchased for K170,000, as a “snag boat” - specially fitted to haul off craft striking the innumerable logs and snags in the Fly River, particularly when the level was low. She was an ex-Australian Army twin-screw steel barge, some 60 feet long, built in Tasmania. Bernard Frank was fitted by Steamships with a crawler crane and a powered grab. She proved to be a very successful craft.

By the end of March 1982, both the Steamships tugs, six chartered tugs, and 16 barges (seven of them chartered) were at work on the Fly, and the contract was running smoothly. To the end of May, 79,206 tonnes of cargo had been moved, about 18.4% of the estimated contract tonnage, earning Steamships K7.037 million. Hiri Chief was sent to Singapore Slipway & Engineering (Pte) Ltd to be “jumboised” at a cost of K400,000 - extended to increase her cargo capacity to around 1,300 tonnes, with no impediment to speed or draft.

There were indications, however, of possible shoals ahead (literally and figuratively).

The level of the Fly dropped for three weeks in July 1982, following an unusual dry spell. For 22 days, vessels were unable to travel the river. This was a serious setback. It was known that the Fly was subject to dry seasons - these had occurred in 1972 and 1978 - and this could spell trouble once the carriage of copper ore commenced. There were further spells of dry weather later in 1982, and some of the barges suffered damage from striking snags.

Despite this, Don Harvey informed shareholders at the Annual Meeting that “the operational performance of equipment and staff has been excellent on this contract, with its hazards and difficulties.”

It was immediately obvious that additional slipping facilities were required to service the rapidly expanded fleet, and a special barge slip was provided at the Port Moresby yard, by upgrading the under-used No 4 Slipway, at a cost of K150,000. A new, mostly locally-owned company, Kiunga Stevedoring Co Pty Ltd, was formed in October 1981, to handle all general stevedoring at Kiunga, apart from the Ok Tedi consignments. Steamships took a 25% interest. In September 1982, a company called Progressive Traders Pty Ltd was also set up with Cloudland Investments Pty Ltd to operate a supermarket at Kiunga, with Steamships providing the management. The Company also took a 25% equity in shares and loan funds.

PETER BEST

When the Logistics contract work got under way, Peter Best was appointed Senior Cargo Coordinator of the joint Steamships Brambles JV. He remained in the position until 1986. He remembered those days in a June, 2005, interview:

“During this operation I had a lot to do with visiting overseas ships, to confirm cargo for Ok Tedi - this, that and the other. I was meeting captains and pursers and all sorts of people, and I was quite often asked to assist with getting hold of duty-free spirits and anything else they might need from our store. I established a good routine for these matters.

“Bechtel was adamant about everything being absolutely correct. If there was a comma out of place in their manifests, they'd send it back, and you'd have to do the whole thing over again. Most of the cargo went by barges, but a certain amount had to go under cover, on the coastal ships. It was absolutely vital that the cargo left our shed in good order and condition, and was not left hanging about on wharves in the Coastal Shipping department, where it could be damaged if it rained. If that happened, we had to wear the blame.

“On one particular occasion I was given the order to send down quite a few pallets of cargo, which were to be loaded into the hold of the ship. I went down to make sure everything had been loaded. I walked along the waterfront, and it was coming on to rain, and there I saw all our cargo, scattered along the roadside.

“So I raced upstairs to the Coastal Shipping manager's office yelling, ‘About time you lot got your act together!’ And there was Don Harvey, the Managing Director! He said, ‘OK, Peter, I've noted your remarks!’

“Most of the shipping people seemed to feel a special dedication to the welfare of the Company. It had been so when I was with Burns Philp, but very many of the BP people were very close to retirement age, and there wasn't the same degree of training of up-and-coming youngsters as there was in Steamships...

“A lot of the cargo shipped up the Fly River to Ok Tedi had to be handled in particular ways. One of our big problems was eggs. We tried all sorts of things with eggs. We first of all tried sending them in pallets on the coastal ships, but they had to stay on the hatches and by the time they got 750km up the Fly they weren't in very good condition!

“Then we thought we'd try to fly some up. It might have worked, but unfortunately when the container was loaded on the aircraft it was accidentally put in the wrong way, and when they opened the back door they couldn't get into it, and the eggs had to be flown back to Moresby.

“Then we decided to put the eggs in freezer containers, specially adjusted to be only coolers. One of the crew members on the barge thought the freezer wasn't working properly, so he turned it up to full freezing. There's nothing wrong with frozen eggs - until they thaw! I was blamed for this...

“Cement was always a problem. We finally got it cling-wrapped, and that helped a lot, it stabilised the bags on the pallets, and kept the weather off. Fruit and vegetables were always flown in. And sometimes we would get absolutely urgent demands from the bosses at Tabubil to get urgent cargo up. I remember once they screamed for some special vehicles. I went to Tabubil to make sure they arrived safely, and there they all were, all still parked, covered with dust and never used! We had a good word with the prime contractor over that one...”

In June 1983, Don Harvey was able to report another record profit for Steamships, despite a depressed PNG and world economy. The operating profit of K7,142,000 was 25% ahead of the previous year. Trading revenue increased 9.9% to K134,109,000, and the dividend rose from 17.5% to 19%.

The major single contributor to this result was the better than expected return from the Ok Tedi contract, which was still in progress. “The contract was always deemed to be a hazardous adventure,” Harvey noted in a report, “working up an 800km river with vessels and tonnages far larger and greater than anything conceived for this waterway previously... it could have gone horribly wrong, even with our vast PNG shipping experience, for no contract of this magnitude had ever been awarded in PNG before.

“We would not wish to over-emphasise the impact of that contract on profits, for in our more traditional activities we generally performed well. The Company now has ten operating Divisions...and whilst many management experts are advising companies to concentrate on that which they do well, the spread of activities of Steamships has been its great strength, giving many years of steady growth rather than spasmodic ups and downs...conservative management policies over recent years have also avoided some of the problems which we understand have beset other traders.”

(Steamships' two great rivals had just reported adverse results, Burns Philp a loss in PNG of K1.135 million, and W.R. Carpenter Holdings a net profit drop from K3.88 to K2.75 million. Don Harvey was entitled to his gentle dig!)

“Some overhead costs continue to escalate. We had another exceptional increase of 39% in electricity tariffs, making a total of about 150% in three years...the National Provident Fund continues to be a bone of contention in these tight times, and the Company contribution to this was K509,000 for the year. Property revaluations caused a considerable increase in lease

rentals, and of course interest rates were high in the early part of the year, but have since abated in accord with the world trend.

“We are proud of our management at all levels for having successfully handled these problems.”

The good result was assisted by the Government’s hard kina policy, which had kept inflation to an acceptable 7% (up from 5% the previous year, although the value of the kina had weakened against the major trading currencies, except Sterling). The political climate, too, was as stable as it ever got to be in PNG. In the 1982 national elections, a coalition led by Michael Somare and his Pangu Pati had been returned to power after two years on the back benches. Somare was once again Prime Minister. The Provincial Government system was, however, running into deep financial and administrative trouble.

Port Moresby had for years past been plagued with an inadequate and unreliable power supply, and companies like Steamships were virtually forced to spend large sums on stand-by generators to cope with emergencies. The Electricity Commission was aware of the harm being done to industry in general, and steps were being taken to correct the situation, but power disruptions were to be a feature of life in the capital for years to come.

The National Provident Fund had come into force in July 1981, initially applying to urban workers only and later extended to rural workers. Contributions to the Fund were compulsory, based on a percentage of company wages, with contributions from employees. Those covered by the scheme would receive a lump sum at age 55. The intention was to help nationals who had moved away from traditional village life to re-adjust after retirement.

THE DIVISIONS

The Steamships Divisions at this time were: Beverage, Hotels, Industrial, Automotive and Machinery, Merchandise, Plantation, Shipping and Transport, Steel, Timber, and Computers.

Steamships had fully embraced the computer age. The computers being used to 1981 were of an early generation, and were relatively inefficient. In November 1981, the Board commissioned Coopers & Lybrand to make an examination of the Company’s structure, and recommend a major computer re-equipment programme, aimed at better and faster management reporting over a broader sphere of Company activities, employing the latest and best available technology. The Merchandise Division, under Bruce Blaikie, was the principal user of computer technology, and Blaikie was given the task of developing the programme with Coopers & Lybrand.

Coopers & Lybrand recommended a computer network manufactured by Honeywell Information Systems, at an estimated installed cost of K1,375 million. Contracts were signed with Honeywell in June 1982, with the main installations to be located in Port Moresby and Lae. The upgrading was part of a draft Five Year Plan presented to the Board by management, covering shipping, agencies, stevedoring, road transport, forwarding services, coastal shipping, project development and staffing, designed to place Steamships in a position to take advantage of changing markets. It was agreed that Steamships had to stay in coastal shipping, with a continuing updated listing of the fleet to include such things as year built, depreciated value, and market value. This would provide adequate warning before replacements were required.

The Honeywell system gave trouble right from the start. Bill McLellan reported to the Board in June 1983, that the Honeywell performance was “not good” - an understatement. The iconic IBM 5150 Personal Computer had appeared in August 1981, and was changing the world-wide face of computing. Dissatisfied with the Honeywells, Steamships purchased two of these revolutionary machines. Planning for the vital Stage Two of the Ok Tedi Logistics contract had begun, and the modelling was done on one of the small IBM computers, rather than the much larger and vastly more expensive Honeywells.

The Board decided it was time for the Company to get into the computer business. Edward Scott suggested that Steamships should acquire an agency for personal computers, and Ossie Todd felt that the Sharp range would be worth looking at. (In September 1984, Steamships was awarded the sole distributorship for PNG of the prestigious range of IBM Personal Computers.)

The other Divisions had mostly performed satisfactorily. The Ramu Valley sugar project was in production, and to protect it the Government had introduced a total ban on the import of A1 grade sugar, used in the manufacture of soft drink. This required the Company to install additional filtration equipment in the Beverage Division factories to handle the local product, for the Ramu sugar was refined to a lower standard. Despite this, the Coca-Cola and soft drink plants in Port Moresby and Lae increased output. Work commenced on the conversion of the old Ela Beach retail hardware store ground floor as a liquor outlet at a cost of K200,000.

The Hotel Division - comprising the Gateway and Boroko Hotels in Port Moresby, the Melanesian and Huon Gulf in Lae, Smugglers Inn at Madang, the Highlander at Mount Hagen, and the Lamington Hotel, Popondetta, with a total of 304 rooms - all suffered from the downturn in tourism, and a clampdown on Government and business travel. But the hotels were in good shape after a heavy maintenance programme. Alterations and extensions to the Melanesian Hotel had been completed. The Gateway extensions - a new accommodation wing with 29 rooms and two suites and a large swimming-pool - had been completed by Madaka Constructions Pty Ltd at a cost of almost a million kina, lifting its standard considerably.

More staff accommodation was constructed in Port Moresby, Arawa, Kieta and Lae. Two Property Divisions were created, one at Lae under David Copland, the other at Port Moresby, under Bill McLellan.

The Port Moresby Shipyard had a good year, aided by the additional vessels engaged on the Ok Tedi contract, although little work was offering for the Madang and Rabaul yards. Coastal Shipping revenue, too, improved through the Ok Tedi connection, the “jumboising” of *Hiri Chief* and the 7% increase in freight rates granted by the Government. The same applied to the Port Moresby stevedoring operation. Additional heavy trucks and mobile cranes capable of handling loads up to 70 tonnes, principally for Ok Tedi cargo, were added to the Steamships transport fleet.

The Merchandise result was satisfactory, aided by an increase in price-controlled margins, the closure of several smaller stores, and the upgrading of the Kundiawa store. As noted by Tom Fox, competition was increasing, and the Board decided that in future, Steamships would concentrate on the larger departmental store type operation. Working drawings were prepared for a major retail development at Lae, at an estimated cost of K1.25 million.

The Plantations Division had a mixed year. Three plantations were disposed of - Veimaui (which fetched K150,000), Sagarai, purchased by the Government for K80,000, and Baramata (K80,000). Sagarai Plantation was located on the fringe of a huge Oil Palm development, being strongly pushed by the Government. The small Maira and Vaivari copra plantations were presented to the Salvation Army, as an outright gift.

The coffee scene was relatively robust, with acceptable profit margins, but cherry stealing was becoming a problem, and landowners were continuing to demand the return of their land. The Timber and Steel Divisions were the worst-performing, due mainly to the depressed state of the economy.

The success of the Ok Tedi Logistics Contract was a pleasant end to the 1983 financial year for Don Harvey. He was approaching his 55th birthday (which would occur on 7 December 1983), the Steamships retirement age. In November 1981, his Deputy, Bruce Blaikie, had presented Harvey with a gold Omega watch on behalf of the Board, to mark his 25th year with the Company. Harvey returned the compliment the following March, presenting Blaikie with a watch to mark his completion of 25 years of service.

The two men had worked closely together for many years, although they were of markedly different temperaments. Bruce Blaikie today retains great respect for Harvey, despite an event which will be mentioned in the next chapter. “He’s dry, old Don,” Blaikie recently recalled. “I think he was quite brilliant as a businessman. And he was very correct, very straight.

“I remember after the second big fire, when we both had worked so hard to get things up and running again, the Board gave us both an open order, to take a holiday anywhere we wanted in the world, all expenses paid. Don thought this was a terrible thing for the Board to do! But I grabbed mine, went round the world and charged it all up to Steamships. Harvey thought this was dreadful!”

CHAPTER TWENTY-ONE A DIFFICULT TIME

At the Steamships Board meeting of March 1983, Don Harvey notified his retirement from Steamships and the position of Managing Director, to take effect on his 55th birthday, 7 December. But his deep knowledge of Company affairs and his wide experience as a Director of other big companies was recognised by the Board, and Harvey agreed to continue as non-executive Chairman, commuting as required from the residence he established in Brisbane with his wife, Mavis, and children Karen and Dean (their son, Stephen, born in 1961, died at a tragically young age, in June 1974).

Harvey's Deputy Managing Director was Bruce Blaikie. A deputy normally takes over when the principal departs, but the Board refused to appoint him, and Blaikie thereupon resigned on the spot and left the meeting, and the Company.

In an interview many years later on Queensland's Gold Coast, Bruce Blaikie still vividly remembers this dramatic incident. “After the Board meeting was finished, I was asked to stay back, and they told me I wasn't going to be Managing Director, it was going to be Bill McLellan. They didn't give me a reason that I can recall.

“I was stunned, of course, and I resigned on the spot. I gave them a month's notice, just packed up, and left with my wife and family within a month. They gave me all my entitlements, they didn't try to deprive me of anything. I had long service, and the superannuation scheme wasn't bad if you'd been there for more than 20 years, and I was in my 25th year. I was upset. None of them knew the Company like I did. I was the one who spent all his time in the branches, and knew everybody...

“When I left the staff gave me an album of photographs of every staff member in Merchandising, all 800 of them! You can imagine leaving...there were tears, crying...I thought it was my Company, I helped rebuild it after the two fires...so I came back to Australia. I was born in 1931, so I was 53. Everyone in Australia then wanted someone aged 35 with an MBA from Harvard. Hard to make a fresh start at my age...”

Bruce Blaikie went on to carve out another successful career as a senior executive officer with AusAid and the International Labor Organisation, in Burma and Cambodia. Today, in retirement, he spends half of each year on a house-boat on the canals of France, and the other half in a home unit at Broadbeach, Gold Coast. “These last few years when I go to and from France, I try to go somewhere different, rather than just getting on an aeroplane,” he says. “Last year I went via Alaska, this year it will be via South America...”

Why was he not appointed Managing Director? The reasons were not spelled out, but the fact that Blaikie was within less than two years of Steamships’ retirement age had a lot to do with it. The Board naturally wanted a Managing Director with a reasonable length of tenure. Managing Directors tend to develop their own individual style, and take time to bed things down. Had Blaikie been appointed, the whole process of selecting another Managing Director would soon have had to be gone through again, with another unsettling adjustment period. The Board knew they would have a six-year tenure with Bill McLellan.

Looking back with the hindsight of the years, Blaikie now admits, “I was a bit of a maverick, that’s probably why I didn’t get the big job. Bill McLellan was a better front man than me, and he was on this committee, and that committee. And he was the nominee, I guess, of the big interests...”

There is little doubt that the BHP and NGI presence on the Steamships Board had a strong bearing on the decision to appoint McLellan. As Don Harvey says, “When it came to the Bruce Blaikie matter, Edward Scott, Gordon Darling and Graham Slee were a powerful voice...”

(Gordon Darling had resigned from the Board in June 1982, to pursue private interests. Graham Slee, Managing Director of the substantial Steamships shareholder, Rheem Australia Ltd, was appointed to fill the vacancy. He resigned from the Board in September 1984, citing overriding business interests in Australia as the reason for his departure.)

There was initially a great deal of suspicion among senior Steamships staff over the McLellan appointment. Some executives felt that there had been a takeover of management by NGI.



Steamships Machinery Showroom, Port Moresby

Photo: Steamships archives

Control of the Company was now divided. Historically, the position of Chairman and Managing Director of Steamships had been held by the same man, exercising a great deal more authority than a typical CEO in Australia. Now Harvey, a Steamships man, was Chairman, and McLellan, from Placer and NGI, was Managing Director. And Don Harvey had a far greater knowledge of the history and background of Steamships than McLellan (it can be noted here that two later Steamships Managing Directors also came from an NGI background: David Copland and John Dunlop).

McLellan was due for leave. “Following that Board meeting I departed on leave, and by the time I got back, a month later, Bruce Blaikie had left the Company,” he recalls. “Bruce had been heading up the computerisation of the Company, we were about to put a number of Honeywell machines into service. So I now had to pick up that role, as well as Merchandising, the retailing and wholesaling that Bruce had been handling. We had some good staff in the retailing area and the task was shared, but being the senior executive responsible it was a very steep learning curve. I had David Copland relocate from Lae to Port Moresby, and he took over as General Manager of Industrial and Manufacturing...”

Copland recalls that the new position “gave me a tremendously broad scope, one of the greatest jobs ever, it wasn’t defined, it covered just about everything...” Jack Bolt was appointed Controller Merchandise Division New Guinea Region, and Lloyd Morris Controller Papua Region, reporting directly to Bill McLellan. Peter J. Jobson replaced Bruce Blaikie as Company Secretary.

After the dust had settled, Steamships got on with business as usual. Bill McLellan was fortunate in taking over at a time of steady but minor economic growth in PNG, which was reflected in Steamships’ performance. There was a slight increase in after-tax profit, and the dividend improved to 20% for the 1984 year, compared with 19% for the previous year.

Best results were achieved in the Automotive and Machinery, Hotels, Industrial and Merchandise, and Shipping Divisions. Two more vessels, *Moresby Chief* and *Lae Chief* had been purchased in the United States, at a cost of more than two million kina. They were each of around 2,900 tonnes. *Lae Chief* arrived in Port Moresby in September 1983. Both were immediately chartered into the Papua New Guinea Shipping Corporation at a favourable rate. The two stevedoring companies performed well, and in June 1984, the purchase of 50% of Pacific Towing PNG Pty Ltd was finalised, at a cost of K166,000. This company was the tug operator in Port Moresby harbour.

Business in the Rabaul region was severely affected by warnings that there was a real risk of another serious volcanic eruption occurring, similar to that of 1937, which had caused much loss of life, and extensive damage to property.

In October 1983, the Government had declared a Stage Two alert on Vulcanological Observatory advice, which was still in effect when Bill McLellan took over. A general emergency evacuation plan had been drawn up by the Government. Under the leadership of Steamships’ Rabaul manager, J. Thurston, a Company evacuation plan was prepared, and a camp established at Ulaveo Plantation, 40 kilometres from Rabaul, to which Steamships’ staff and their families could be withdrawn in case evacuation became necessary. Emergency supplies were packed into containers and delivered to the camp - it was later discovered that heavy pilfering took place during this transfer.

A very heavy insurance levy was imposed on all Steamships’ (and of course, other companies)

business and residential properties in Rabaul, which combined with the uncertainties and worries associated with the alert, made it impossible for Rabaul branch to operate profitably - indeed, the Branch lost around K650,000 for the year. (The danger passed and the alert was called off, but as we shall see, Rabaul would indeed be convulsed by another huge volcanic eruption, ten years later.)

Steamships was still highly regarded by the investment community. An article in the *Financial Review* on 2 May 1984, noted that Steamships was listed as Number Eight on the Sydney Stock Exchange in terms of investment performance over a 10-year period.

The Ok Tedi logistics contract was still the single biggest earner for the Company. Ok Tedi contract tonnages started to wind down in the latter part of 1983, although over 190,000 tonnes of cargo were moved during 1984. Tight and efficient management enabled the venture to run very smoothly. The fuel cartage contract benefited from an OTML decision to install a diesel power station, rather than the hydro-electric plant originally specified.

Steamships was thus well placed to obtain Stage Two of the Ok Tedi contract. The Joint Venture partner, Brambles, had been having problems, and indicated to Steamships that it did not want to continue in the venture. However, Steamships and Brambles together formed another freight-forwarding operation, Chards Forwarding Services Pty Ltd, with offices in Port Moresby and Lae. This acquired and amalgamated the interests of M & W Chard Pty Ltd, Lae, and Steamships Forwarding Services.

Planning for a purely Steamships submission for Ok Tedi Stage Two began - but then came a serious reverse.

THE CYANIDE SPILL

On 14 June 1984, the barge L43 was on a voyage from Port Moresby to Kiunga, partly loaded with 15 standard steel containers of sodium cyanide, used in the Ok Tedi mining process. “As she was approaching the mouth of the Fly, very bad weather came up,” Captain Ray Taylor remembers, “and the deck-load of cyanide containers were washed overboard. There they were, all those containers of cyanide, some of them at the bottom of the Fly River. The Steamships people were very, very worried, because there were all these foreign fishing vessels prawning there, using big steel otter trawls, otter boards which they used to keep the prawn nets separated, and if one of those otter boards hit a container, it would open it like a tin-opener, and then you’d have all that cyanide released into the sea...

“I was in hospital in Brisbane at the time, having an operation on my hand, and they wanted me to leave hospital and fly up to Port Moresby, and go down and salvage all those bloody containers, some of which were floating all round the Gulf of Papua! But the doctors wouldn’t let me leave the hospital. They never did recover all the containers...”

The Board was right to be worried, for cyanide is a deadly poison, although it rapidly degrades in salt water. “There was great concern over this spillage into the river, which will not help our situation,” the Board minutes note.

Salvage operations began immediately the report of the incident was received. This was the first major cargo loss in just over three and a half years’ operation of the Ok Tedi contract, but Steamships came under severe attack in Parliament, and in the Press. Steamships was put under notice by the Bureau of Water Resources. The Company exerted every possible effort to locate the missing containers. Helicopters were chartered to search the Fly River mouth,

the coast and the open sea. The Department of Transport issued an order, forbidding Steamships - and other shipping concerns - from carrying sodium cyanide on barges.

A number of containers were recovered, but some remained on the bottom, and have never been found. Some K700,000 was expended by Steamships on the initial search and recovery effort, which was followed by a continuing programme of inspections of villages and the Fly River and Gulf environment. “We spent a few million kina trying to make sure none of it washed ashore,” Bill McLellan recalls, “and on monitoring the situation for many years, and there has been no major impact on the environment.”

This incident was a wake-up call, and foreshadowed the later, far more serious effects of the Ok Tedi mining on the Fly River and Gulf environment that has become so widely publicised in recent times. The Government appointed a Marine Board of Enquiry into the cyanide spillage. Steamships was represented by the legal firm of Stephen Jacques Stone & James, of Sydney.

The barge was found to be correctly loaded and the containers properly secured. The spillage was caused by the violence of the weather, which was beyond the Company’s control. However, as a result of the incident the Government enacted legislation covering the carriage of dangerous chemicals on vessels, which confirmed the Department of Transport order.

The cyanide spill occurred at a bad time for Steamships. Tenders for the second stage of the Ok Tedi Logistics contract were due to close on 14 December 1984. It was known that serious competitors were also preparing to submit tenders: Burns Philp (New Guinea) Ltd, Papua Lombardo Marine Services, Mayne Nickless Ltd, Robert Laurie Carpenters Pty Ltd and Tradex Pty Ltd. These were big companies, with large resources. On the other hand, Steamships had carried out stage one of the contract with conspicuous success, marred only by the cyanide spill. OTML announced that the best price would win the new contract.

In anticipation of the contract, Steamships obtained a bare-boat charter of the LCT *Kiwai Chief*, for \$US800 a day. On 9 January 1985, Steamships was awarded the contract, which provided for the carriage of a maximum of 140,000 tonnes of cargo for three years, 1 March to 28 February 1988. The transition from the construction to the production phase of the OTML project meant that a substantially lower volume of cargo would be transported, which would reduce revenue from the new contract, and incidentally from Steamships’ stevedoring and shipyard activities. But the tonnages were expected to be more consistent than during stage one, which would permit some rationalisation of equipment.

Unfortunately, during 1984 world prices for copper plunged to the lowest level for 50 years, and the PNG Government developed a severe case of the jitters. OTML plans provided for the initial mining of the rich gold cap of Mt Fubilan, which would fund the infrastructure for the mining of copper, the real wealth of the Ok Tedi project. It was now feared that OTML would mine the gold - and abandon copper.

There had been ongoing problems and divisions over the question of the hydro-electric plant, the construction of a tailings dam, and the method of transporting the copper concentrate (planned to come on stream in March 1987). In February 1985, Prime Minister Somare presented Ok Tedi Mining Ltd with an ultimatum: come up with an acceptable development plan, or cease operations.

In March 1986, the Government temporarily closed down all activities pending a decision,



Photo: Courtesy Post-Courier

Kiwai Chief

and OTML gave notice of termination of the logistics contract, effective on 7 July 1986. OTML announced it intended to operate its own logistics service with chartered tonnage. All Steamships vessels previously operating on the contract were placed on short-term charter to Ok Tedi Mining Ltd. The volume of cargo transported to Kiunga dropped drastically.

POLITICAL DEVELOPMENTS

This was a tumultuous time in PNG. During the last months of 1985, little heed was paid by the PNG Government to the running of the country. The attention of politicians at all levels was narrowly focused on parochial issues. The third session of Parliament, which ended on Friday 23 August, left the Somare Government in an extremely precarious position, without a working majority.

Then, on 21 November 1985, the Government lost power in one of the endless no-confidence motions in Parliament that had bedevilled the political process in PNG since Independence. The Western Highlands politician, Paias Wingti, became Prime Minister of yet another Coalition Government, and the usual protracted and unsettling division of political spoils began, further delaying Government activity on a wide range of issues.

The domestic business climate deteriorated during 1985 (although the discovery of the Juha oil and gas field in the Southern Highlands raised exciting hopes for the future, provided the ongoing exploration programme proved the field to be commercially viable - which it eventually did).

Steamships' results reflected the overall decline. Consolidated pre-tax profit fell drastically, by 61.45% (down from K10.7 million to K4.125 million - from revenue of K147 million!). The cash position was tight, and Government spending on capital works contracted sharply, adversely affecting Steamships' Steel, Timber, Shipping and Merchandising operations, in particular. Exports of primary products, including timber, fell. The law and order situation deteriorated to the point where a State of Emergency was declared in Port Moresby on 13 June 1985. The situation was well handled by the authorities and a fair degree of success was obtained, but this was a band-aid solution to an ongoing problem, and public confidence in the Police Force and the Government had been severely shaken.

The direct cost of the State of Emergency to Steamships was formidable. Over a million kina was spent on all aspects of security, costs that were virtually unrecoverable. Apart from the money cost, there were other less tangible effects. Concern about personal safety increased staff turnover, and consequently recruiting and training costs. There were direct losses from theft, and damage to property.

The Company set up Steamships' Security Service to handle in-house requirements, and began to consider the purchase of Moresby Night Patrol Pty Ltd, in association with the Brambles subsidiary, Transurety, and Pagini Transport Pty Ltd, for the security business was one of the few fast-growing segments in the economy.

Many expatriate staff left Steamships and PNG because of the personal security problem, but others had no worries whatsoever. Paul and Jackie Barker joined Steamships in January 1979. Paul had been working in the supermarket field in Adelaide, but saw no future there. "One day I saw a Steamships ad in the Adelaide *Advertiser*," he remembers, "and I applied for the job, and got it. Grocery manager of the new Boroko store. When we got to Port Moresby we found that the builder who was building the store had gone broke, and they had to get another to finish the work. So for three months, while waiting for the new store to be finished, I was put in charge of the local trade stores. I was based at Koki, and I used to go round daily, checking on them. All national managers, some good, some bad, but mostly good.

"I remember an incident when a snake, a python, got into the rafters of one store. Someone spotted it, yelled out in Motu, and the store cleared so fast...! So eventually the new store was finished. I had 70 staff, it was a very busy store, but it settled down very quickly. The staff worked hard. It took a couple of years, but we built up a dedicated team, absolutely dedicated.

"I was told right from Day One that my real job was as a teacher, to train nationals to replace expats. I had to impart all the skill and knowledge I had learned in supermarkets in Australia, and I like to believe that I did that, quite successfully..."

Jackie Barker, too, began her time with Steamships as a teacher. "Paul's boss asked me if I could put together a programme for training young Papuan girls as checkouts in the supermarket," she says. "I did, it was approved, and I became a training officer for Steamships. We had training sessions virtually every day. We found that if we kept the training sessions short and frequent it was best, for the longer we kept the sessions, the more we lost their interest.

"We put together training manuals, in English, Pidgin and Motu. Then my job was handed over to a national! Steamships was putting in a three million kina tender for the fitting out

and supply of crockery, cutlery and furniture for the new National Parliament, and I became Assistant Project Coordinator, which was very, very interesting, I thoroughly loved it. I worked on that contract right up until we left PNG in 1984. They asked me to stay on for another year, but you know when the right time has come to leave...

“In all the five years we were there, we never had any trouble, never had anything stolen, or broken. The nationals idolised my three daughters, all blue-eyed blondes, they love children. My youngest daughter, Julianne, went to Korobosea Primary, she spoke Pidgin before she spoke English.

“To be honest, I think the nationals either liked you, or they didn’t. They accepted you, or they didn’t. If you treated them as equals, were not superior, did not boss them around, you never had one scrap of trouble...”

A NEW DIRECTION

There had been significant changes to the Board since Bill McLellan’s appointment. As noted above, Graham Slee resigned on 29 September 1984. He was replaced by A.F. MacKelden. O.A. Todd, who joined the Company in 1954 and had been a Director since 1961, retired on 31 December 1984. Steamships’ Sydney office was closed down.

Alec MacKelden had recently retired from a senior position in the overseas food industry, and was especially interested in manufacturing, and the retail marketing and wholesale distribution fields. He was to be a particularly active Director. David Muir Turnbull, of Swire, was appointed an alternative Director to E.J.R. Scott.

The 1985 downturn worsened in the latter half of the year, and in November a message was sent to the Sydney Stock Exchange, warning that trading conditions in PNG had been “adversely affected in the extreme” by the Rabaul emergency, the hiatus in the flow of cargo to OTML, problems leading to the declaration of the State of Emergency and a severe reduction in Government capital spending, all of which had severely impinged on the trading and profit performance of the Company.

The spread of Company activities over 10 operating Divisions allied with conservative management policies had enabled Steamships to ride out the adverse economic conditions more successfully than its major competitor, Burns Philp, whose performance was comfortably exceeded. But drastic action was now required. The Company had become unwieldy and difficult to manage efficiently. The time had come to trim down, and shed marginal operations.

Don Harvey came up to Port Moresby for urgent discussions with Bill McLellan and the Board. It was unanimously agreed that it was essential to achieve a cash flow to reduce debt, from which profit would follow. Objectives for 1986-87 must be set, and must be achieved. An analysis of return on resources, Division by Division, was necessary in order to formulate a corporate strategy.

David Turnbull presented a paper, following three days of intensive discussions with the general managers of the Divisions. He made three main recommendations. Firstly, there must be a reduction of debt because of the cost of servicing debt. Secondly, close attention had to be paid to reversing the poor performances of the Merchandising and Steel Divisions. Thirdly, the Timber Division should be disposed of. These recommendations were adopted.

Bill McLellan reported that he had spoken to Dan Leahy and Michael Bromley of the big Highlands firm of Collins & Leahy, to explore the possibility of a possible merging of Steamships’ and Collins and Leahy’s operations in the merchandising area. Leahy and Bromley expressed “some interest”. McLellan then presented a set of proposals, calling for a K6 million reduction in stock holdings, a K2 million reduction in debtors, and the raising of K3 million from cash flow, to be brought about by liquidating assets, and curtailing capital expenditure. MacKelden recommended that immediate action should be taken in Merchandise Division, “to cut out the bleeding”.

Action swiftly followed. Competition was becoming increasingly fierce in the retailing and wholesaling field. The New Guinea Chinese, rigidly segregated by Administration policy in colonial times in “Chinatowns” in the larger New Guinea centres and with property rights limited by legislation, were moving into Port Moresby in ever-increasing numbers. More cashed-up Chinese were arriving from mainland China, and other formidable Asian competitors with large financial resources were also coming in. Severe price-cutting became the norm, and it became much harder to turn a profit.

An experienced English merchandise man, Clive Williams, was recruited from Malaysia, where he had been manager of the cold storage operations of Fima Supermarkets, a company structured much like Steamships. He was appointed Controller of the Merchandise Division in Papua.

“My experience in Malaysia helped me to meet the challenge of trading in PNG,” Williams wrote in a letter to the author. “Bill McLellan, the MD, and David Copland, who later succeeded him, were real good friends who helped me to settle in, and gave me great support in revamping the Merchandise Division.

“Over a period of time I restructured the Merchandise Division into Wholesale and Retail. The wholesale side was managed by Mike Connelly, who later became my successor. We set up a distribution centre at Gerehu with a large wholesale warehouse and transport division, and cold storage facilities. Retail was managed by Wayne Lee, and included stores in Boroko, Main Store Port Moresby (Steamships’ original trading store), Stop and Shop in Waigani, a great liquor shop in Moresby managed by a real character, Bill Robinson, a Scottish expatriate, and some other outlets.

“The Managers of all Divisions socialised well together even during the times when law and order curfews were introduced. Law and order problems caused a lot of frustrations, but on the whole the local people were friendly. I travelled regularly throughout PNG with very few problems - perhaps I was very lucky...”

Steamships’ merchandising difficulties were compounded by the poor performance of the new Honeywell computers. The Company began to switch over completely to IBM computers. The office equipment and stationery operation and IBM Personal Computer Agency were amalgamated to form “Office 2000”.

Both Harvey and McLellan agreed that mounting political pressures were making it imperative that Steamships get out of the smaller retail stores, and all rural activities. The small Cutarp Plantation was sold to Dr Pius Kosa for K30,000, payable at K625 quarterly. Mamai, the flagship of Steamships’ plantations, was sold in early 1986, for K234,500.

The Korfena coffee plantations were still operating profitably - 1984 had seen a record crop.

Steamships put a valuation of a million kina on Korfena on a walk-in, walk-out basis, but in the end a much lower price was accepted. It had been indicated that the Government would refuse to grant an export licence for Korfena, which made a sale inevitable. Contracts were exchanged on 20 September 1985, and early in 1986 Steamships was finally out of plantations, for so many years a vital component of the Company.

Karl Stack, a Minister in the new Wingti Government, wanted to acquire a 25% shareholding in Steamships' Vanimo outlet. McLellan offered to sell Vanimo outright for K850,000, plus stock at valuation. Stack countered with an offer of K500,000, but later withdrew, and Steamships continued to operate Vanimo. Mendi was finally sold for K181,000, and Kundiawa a little later. Sadly, but inevitably, the historic Samarai operation was also sold, as were the remaining trade stores.

The Popondetta merchandising operation was retained, but the Board decided to sell the Lamington Hotel "at the best price". Even though the Hotels Division was delivering a reasonable performance, a reduction in the number of tourists visiting PNG and the curtailment of Government spending made the future for the Hotels Division look less than inviting.

A fire at Boroko Hotel caused considerable damage, but it was covered by insurance and trading was soon resumed. When an offer to purchase all the Steamships Hotels was received, the Board agreed to sell for a firm, non-negotiable figure of K15 million, plus stock at valuation. The proposed purchaser eventually withdrew, and the Company continued to operate all its hotels.

The Ok Tedi downturn had incidental effects. Problems were experienced with Progressive Traders, the Company set up with Cloudlands Investments Pty Ltd, to operate a supermarket managed by Steamships at the Fly River port of Kiunga. The manager, a national, fell out with Cloudlands, and the venture was teetering on the brink. "Steamships is on a collision course with the present Cloudlands management," Board minutes note. "The manager cannot be controlled by the Cloudlands Board..."

It was a sensitive situation, and Bill McLellan finally recommended that Steamships either sell its interest to Cloudlands, or alternatively acquire the whole of the shareholding from Cloudlands. The Board decided to sell its Progressive Traders shares to Cloudlands, at a loss. This was counterbalanced by an agreement between Ok Tedi Mining Ltd and the Steamships subsidiary, Colyer Watson NG Ltd, for a new supermarket at Tabubil.

The major development in Merchandising took place in Lae, main port for the Highlands Provinces, where the Company had large and growing stores in the two main towns, Goroka and Mount Hagen. A major investment had been made in the construction of a large Lae Wholesale Distribution Centre, to hold stock for the Highlands branches and other mainland centres, most of it coming in from Asia. This was opened in January 1985. Construction was entirely in-house, by Lae Property Division.

The pattern of buying had changed. When Bruce Blaikie was running the Merchandising Division, large quantities of goods were purchased and shipped to PNG from mainland China and Taiwan, generally once or twice each year. "I went to China for about fourteen years," he recalls. "The first year was 1969, at the end of the Cultural Revolution. As the years went on I'd take several young buyers with me, to show them how to conduct themselves abroad.

"We always had a big problem with negotiating with the Chinese companies. The first thing they would ask was, have you got any financial discretion? Are there any trade restrictions? No, I would say, and their eyes would light up, they'd get excited - until they heard the size of our order. Then they would say, you don't have volume! We would want ten dozen of an item, whereas their minimum quantities would be 100 dozen. We were always pushing it uphill with our quantities.

"And the Chinese would always have a political commissar with them, you'd have to listen to him for an hour before their negotiators could start doing business. And deliveries were often blown out to huggery. We always needed huge quantities of copra sacks, and you might have to wait two years for them! But they were good to deal with. Hong Kong then became a big supply point for us, but we were always up against that quantities problem..."

A vast buildup of stock in the Merchandising Division had developed. Although no new orders had been placed since November 1984, goods were still arriving in mid-1985 against irrevocable letters of credit. By this time, most of Steamships' requirements were being sourced from Hong Kong, in smaller but more frequent shipments, which made stock control easier. Imports from Japan were increasing. Tight controls were now placed on stock. In June 1986, Bill McLellan reported that the K6 million stock reduction had been achieved. And the Company now had a cash availability of K5.1 million, without resorting to further borrowings.

Drastic action was taken in the Steel and Timber Divisions. Both were over-stocked, and the economic downturn had affected both quite severely. Staff in Steel Division was now reduced, for a large contract for work at Rouna hydo-electric station was lost to Hornibrook. Both the Port Moresby (Gerehu) and the Lae steel fabricating plants were performing poorly. In November 1985, the modern and efficient Gerehu plant was closed. All activity ceased, with two staff members left on site to look after stock valued at around K550,000, which was gradually sold off. Two cranes were sold. A feasibility study was commenced, into the possibility of converting Gerehu into a Distribution Centre for food, freezer and variety goods, which would cost about K650,000.

By mutual agreement between Steamships and John Lysaght PNG Pty Ltd, Moresby Metal Industries Pty Ltd - which it will be recalled had been formed in 1980 - was disbanded, with Steamships selling its 50% interest to Lysaght's.

The Timber Division had been in a loss situation for years past, for many reasons - a loss of over a million kina was forecast for 1986. There were constant disputes between landowners and the Government over non-payment of royalties, and many logging areas were closed. Fire partly destroyed the Kupiano moulding factory, and a kiln drying facility was built at Kapari.

The PNG Timber industry was in truth in a mess, beset by allegations of corruption which would eventually ensnare a Government Minister, ex-soldier Ted Diro, who was accused of improper involvement with certain Malayan timber interests. It was a good time to get out of the timber industry. Allegations of corruption in the industry have persisted to the present day. The Kapari/Kupiano timber operation was closed, and the big Baimuru sawmilling complex was put on the market.

Don Harvey had become involved (in his personal, not Steamships) capacity in the timber industry, accepting a position on the Board of PNG Forests Products Pty Ltd (he eventually

became Chairman). “It was just another interest,” he recalled recently. “It was 70% owned by the PNG Government. I had always stressed to our staff, you should do your duty by the community, the Government, don’t knock those involvements back - within reason.

“But it was a sad old story. We had logging leases in Morobe, and the Government’s Forestry Department put them out to tender. And who got the tender? A two-kina Korean company. It cost us hundreds of thousands...here was the Government owning 70% of the Company, and their own Forestry Department puts it up for tender, and gives it to somebody else! It was disgraceful...”

Don Harvey served on many community and Government organisations during his years with Steamships. He was President of the Employers’ Federation from 1980 to 1983; a Member of the National Development Forum, and of the PNG Labour Advisory Council; Chairman of the PNG Tourist Board from 1968 to 1975; Chairman of the PNG Tourism Advisory Council from 1975 to 1982; and also served on a number of special Government committees from time to time. He was a Rotarian, an Apexian, and was President of the Papua Club in 1968. He was appointed an Honorary Life Member of the Papua Club in 1979.

NEW INVESTMENTS

Despite the reining-in of capital investment, some new projects were launched. The Company’s Lae operations were strengthened by the purchase of the Elders-PICA shareholding in Melanesian Soap Products Pty Ltd for K490,247. This gave Steamships 55.61% of the issued capital, and made the soap company a Steamships subsidiary.

A small reconditioned canning line was installed at the Lae beverage plant, to service the growing can market segment. Four flavours of canned soft drinks were introduced in October 1984, to which Diet Coke was added, in May 1985.

A 65% interest was purchased in Monier PNG Ltd, manufacturers of a wide range of concrete products - pipes, tubs, blocks, paving and culverts - and fibreglass boats, storage tanks water tanks and other fibreglass products, at factories in Port Moresby and Lae. A contract in excess of a million kina was won against strong international competition, for the upgrading of the Port Moresby sewage system.

Monier PNG had a 50% shareholding in Vita Monier PNG Pty Ltd, manufacturers of polyurethane foam mattresses, pillows, and furniture. The Company also took up a 75% shareholding in Tanubada Food Processors Pty Ltd, a Lae company formed in association with a PNG subsidiary of the New Zealand Dairy Board, to manufacture high quality fruit juices and flavoured milk, which would be distributed in Tetrabrik packaging. The Tanubada factory was officially opened on 7 March 1986, by the Governor-General, Sir Kingsford Dibela.

Steamships had acquired the Budget Rent-a-Car franchise in 1971, based principally in Port Moresby and Lae, which was performing satisfactorily. Competition in the automotive field was becoming as unrelenting as was the case in general merchandising, but the Automotive and Machinery Division was successful in winning a large Government contract for the supply of Mitsubishi Lancer station wagons. Toba Pty Ltd won another Government contract for the supply of 67 units, although the margin was minimal. Negotiations were finalised with Mitsubishi Motors Australia Ltd to bring in the Australian-built Magna saloons, to offer an alternative to Japanese-built cars.

A large block of apartments was erected in Davara Road, Port Moresby, at a cost of K780,000; all the apartments had been profitably let by April 1985. In June, planning for a massive development at Ela Beach commenced. Located on allotments 21 and 22, section 7, Granville, the design called for the construction of a block containing 26 deluxe apartments, at an expected cost of about K2.5 million.

The closure of the Kapari/Kupiano timber operation, the Gerehu steel plant and the sale of stores and plantations allowed Steamships to reduce staff levels, thereby achieving another saving. Total staff employed at 30 June 1985, was 4,306, of whom 3,921 were nationals, and 385 expatriates, mostly employed on contract. By June 1986, the total number had fallen to 3,729. The expatriate component of the work-force was reduced by 83.

Despite this reduction, heavy emphasis on national staff training continued. Bill McLellan was a strong believer in this training, and committed a great deal of Steamships’ funds and resources to this end. A number of senior positions in Personnel and Merchandising were localised. At the beginning of 1986, Steamships had 128 apprentices, 56 technicians, 43 internal trainees, 20 College of External Studies students and two University cadets undergoing various kinds of training.

Some national staff retired. There were by this time employees who had served Steamships faithfully for decades. The longest-serving was Iava Sioa, of Property Division, with 40 years; Captain Lawrence Wale of Shipping had 20 years service. In between (in order of their seniority with the Company) were Paul Evi, Mainstore; Geoffrey Popoga, Shipyard; Dogodo Hekoi, Coastal Shipping; David Mark, Property; Mick Ruatoka, Property; Mea Udu, Mainstore; Okoro Aua, Security; Kopi Timo, Coastal Shipping; Aisa Aisa, Monier; Erick Feae, Bulk Store; Wala Eana, Main Freezer; Joseph Morini, Mainstore; Thomas Akamani, Monier; Andrian Toboweta, Machinery; Marai Levae, Regional Hardware; Enoka Iabobo, Property; Doroka Kila, Finance Administration; Eugene Haiveta, Regional Hardware; Mirou Levao, Shipping Agency; Gideon Gudeni, Shipyard; Bedu Ume, Coastal Stevedoring; Vai Gagari, Property; Wally Philips, Property; Joe Haurama, Property; Bulu Sagira, Property; Eustace Kaidu, Shipyard; Peter Abau, Nebiri. Several others had 19 years service, including



Iava Sioa, 40 years service



Captain Lawrence Wale

Kopape Ieri, Monier; Kwaragu Inai, Property; Moses Orobata, Coastal Shipping; Nohoro Kola, Coastal Stevedores; Parua Iopa, Machinery; Kore Evere, Coastal Shipping and Clarence Asubun, Coastal Stevedores.

The upshot of the cutting and restructuring was that Bill McLellan was able to report a 49.6% increase in pre-tax profit for 1986, up from K4.15 million to K6.17 million. Revenue increased by 6.1%, from K147.149 million to K156.109 million, and income tax of K1.934 million was paid. An overall dividend of 20% was paid for the year. The tightening of overall operations meant that Steamships could look forward to growth and improved profitability.

And the Board had been strengthened by the appointment of two more Directors. On 25 June 1986, Daniel Joseph Leahy, and Michael Roger Bromley were invited to join the Board.

COLLINS & LEAHY

The Collins & Leahy story is not directly a part of the Steamships saga, but in view of the close association that developed between the two groups, a very brief outline of the birth and development of Collins & Leahy seems appropriate at this point.

The beginnings can be traced back to the discovery of gold at Edie Creek, Morobe District, in January 1926. It was a fabulous strike, the greatest find of alluvial gold since the legendary days of the Klondike. A “rush” of formidable proportions developed, miners flocking in from every part of the globe to seek their fortunes. Among them was a stalwart young Queenslander, Michael James Leahy. He was joined by his three brothers, James, Patrick (Paddy) and Daniel.

As history records, Mick and Dan Leahy and Administration officer James L. Taylor led the first party of white men to enter the wonderful Wahgi Valley in what is today Western Highlands Province. Mick Leahy and Jim Taylor became the foremost explorers of the New Guinea Highlands. They established a base at Mount Hagen, from where they explored the surrounding country. During their explorations, Mick and Dan found a small but payable gold deposit at Kuta, which they mined successfully until the outbreak of the Second World War.

After the end of the war, Mick settled with his young wife, Jeanette, on a farm at Zenag, half-way between Lae and Wau, where they raised a family. Paddy Leahy became a farmer in the Wau Valley, and Jim and Dan stayed in the Highlands, where they became the pioneers of the commercial coffee industry.

The Leahy brothers’ parents, Daniel and Eileen, were Catholic Irish immigrants. They met and married in Roma, Queensland, later moving to Toowoomba. They had nine children: Aileen, Molly, Paddy, Mick, Tom, Kathleen, Jim, Dan and Erin. Daniel Leahy was a train guard with Queensland Railways, and although the family never went hungry, there was no spare cash for anything but the bare necessities. As a result the Leahy children grew up physically tough, strong-fibred and self-sufficient. Each left school early to look for jobs to help support the family.

Of the five Leahy sons, only Tom stayed at home when his brothers went to New Guinea. Tom married and had five sons: Tom, Dan Jr, Jim (known in New Guinea as Fred), Paddy and John. None was highly educated. Tom was a stern, hard father and to his disgust, after the Pacific War his five sons all followed their uncles to New Guinea.

Molly Leahy married Alwynne Collins, a Protestant, and settled with her husband at Tully, North Queensland. They had five sons: Joe, Rod, John, Eddie and Mike, and one daughter, Josie. They, too, had a hard upbringing. The Collins brothers also went to New Guinea, where they eventually became successful coffee planters in the Highlands.

The first of the Leahy and Collins nephews to go to New Guinea was Dan Jr - today, Sir Daniel Leahy. Many years later he recalled:

“My father was a hard man, even tougher than the Collins boys’ father. It was hard for me as a kid, too, because I had a cleft palate, which made it hard for me to talk, and I was subjected to a lot of torment at school.

“I wanted to get out on my own, away from Dad. I came to PNG in 1947 at age 17 and worked for my Uncle Mick, at Zenag, and then for old Danny at Kuta. Later I tried to make a go of it rice growing in the Markham Valley, but I went broke doing that. I met Uncle Jim down at the old Hotel Cecil, in Lae, and Jim said, ‘Come back to Goroka, and work for me’.

“So I did that, a variety of jobs including truck driving, and later on I went down to the Bena and started to grow coffee there. I was one of the first growing coffee there...”

Dan possessed only £300. To earn some money while waiting for his coffee trees to bear, he started a small trade store. “It was either that, or give up,” he remembers. “I started one on the plantation, then another up at Mulinda. I got into this trading business out of necessity, I was a farmer, and I was determined to keep my independence, not give up! I must admit I had a bit of a hate-on then, a hatred of all people in authority, like bank managers and kiaps. It was only after I had been down on the Bena for quite a long time, running into all sorts of problems, that I began to realise maybe it wasn’t somebody else’s fault, maybe it was my fault!

“Round about then, 1957, Eddie Collins came along, he walked down to the Bena. Eddie and I got on like a house on fire. I wanted to stay on the plantation and be a farmer, not a trader. So almost right away we agreed that he would go and look after the stores and create new ones, while I stayed on the plantation. We were 50-50 partners.

“It wasn’t until two or three years later that I thought well, if I stay down here on the Bena for the rest of my life I’ll go crazy. So I sold the plantation and came back into town. I started to get on with people. Eddie and I bought a little store down in North Goroka, we lived on top and we had our head office down below, just a small room, ten by ten. And we had a bulk store, and a workshop.

“And that was the foundation of Collins & Leahy. From there, we kept on expanding, expanding, expanding...”

The Collins & Leahy partnership formally began in 1958, and was incorporated as a private company in 1963. Eddie Collins was an ideal partner for Dan Leahy. The two complemented each other, each with different strengths and abilities. Neither was highly educated, and neither had any formal business training. But both were instinctive entrepreneurs, hard headed and hard working. Both were shrewd enough to recognise their lack of education, and employed qualified men to balance this.

The enterprise flourished. The two worked tirelessly to expand their Highlands empire, and by 1970, Collins & Leahy was in the words of one financial commentator “the most



Grass Roots - Post-Courier

influential single non-government force in the entire Highlands.” It was a tremendous achievement for a pair of unsophisticated young men from the Queensland bush, who had started a few short years before with absolutely nothing.

In 1971 Collins & Leahy was turned into a private trading company, with shares set aside for villager investors. At the time of the formation of the Company, Collins & Leahy was operating coffee factories, 61 trade stores, two butcher shops, a cordial factory, and a transport division with a fleet of 60 trucks. Collins & Leahy also owned the Kundiawa Hotel and the Zokozoi Hotel, and had a majority shareholding in Kerowagi Tavern.

The new company was listed on Australian Stock Exchanges in August, as Collins & Leahy Holdings Ltd. The interests of Dan Leahy and Eddie Collins were purchased for \$1.5 million.

In 1980, Eddie Collins decided to leave PNG, and he sold his Collins & Leahy shares to Michael Roger Bromley. Mike Bromley was one of the family of English migrant Harry Bromley and his wife Joan, who came to Papua in the early 1950s. In November 1966, Mike Bromley went to work for Collins & Leahy. For six years he worked in Collins & Leahy trade stores, and in January 1973, he left the Company to go into business on his own account, in Mount Hagen. He established several trade stores, then went into partnership with Darrel Manton as Bromley & Manton. They located more stores, and by 1982 Bromley & Manton’s chain of 11 stores was second only to that of Collins & Leahy.

Late that year, Dan Leahy and his financial controller, Ellis Gee, approached Bromley with a view to buying out Bromley & Manton. A deal was eventually struck, Bromley’s and Darrel Manton’s shares changed hands, and Bromley went to Goroka to run Collins & Leahy.

Dan Leahy was content to let the young, energetic, ambitious Mike Bromley restructure and reorganise the operations of Collins & Leahy, and under his direction profits rapidly increased as Collins & Leahy moved into new fields - bulk importing and warehousing, cattle raising, copra and cocoa cultivation, food products, an expansion of the transport operation and, later, aviation.

Eventually Dan Leahy and Mike Bromley reached a point where they had achieved all they wanted to in the Highlands, and they began to look further afield. Ellis Gee devised the strategy that followed. Rather than taking on the big established operators on the coast, he proposed that Collins & Leahy should buy into Steamships Trading Company.

And that is what happened. In 1986, Collins & Leahy acquired a 32.9% shareholding in Steamships. This came as an unwelcome surprise to Edward Scott and Swire. The Swire shareholding at that point stood at 20%, and Swire immediately increased its holding to 32%.

Collins & Leahy were now major shareholders, and Don Harvey, as Chairman, invited Dan Leahy and Mike Bromley to accept seats on the Board. At the same time, to balance the increased Swire shareholding, David Turnbull was asked to move from alternative Director to full Director.

Dan Leahy and Mike Bromley attended their first meeting of the Steamships Board on 25 June 1986. One would have liked to have been a fly on the wall on that occasion!

CHAPTER TWENTY-TWO

THE MCLELLAN LEGACY

The admission of Dan Leahy and Michael Bromley to the Board dramatically changed the whole dynamics of Steamships' management structure. Prior to 1986 there had been no major shareholder of substance, apart from Swire and the Investment Corporation of Papua New Guinea, which held 3,939,297 units, or 12.7%. Neither had interfered unduly in the running of the Company (Rheem Australia had by this time sold out of their NGI investment).

Effectively, to this point Steamships had been run by the management, not the shareholders. Don Harvey was Chairman and had previously also been Managing Director. He had become accustomed to exercising a good deal more authority than would normally be the case in an Australian company.

Now the situation had changed. Dan Leahy and Mike Bromley made it perfectly clear from the start that they were going to play an active part in the management of Steamships, and Edward Scott of Swire was just as determined to have an equivalent input. Vital decisions would no longer be taken by management alone.

There was something of a clash of cultures. Steamships was a structured company, with computerised systems and set procedures. Swire was a venerable organisation with established traditions, with decades of achievement in many fields behind it. Decisions were always carefully weighed before action followed.

Collins & Leahy was run quite differently. Dan Leahy and Mike Bromley were essentially entrepreneurs, often making seat-of-the-pants decisions, accustomed to getting their own way. But not this time. "Swire was by nature a very bureaucratic company, a very colonial company, and we didn't have the influence on the Board of Steamships that we thought we would," Mike Bromley admits.

One close observer notes that he felt that Leahy and Bromley always resented their lack of decisive influence. "They didn't own Collins & Leahy, Mike and Dan only had about 40% of the shareholding between them, but they treated Collins & Leahy like their personal company, and they felt they should be able to do the same with Steamships. And they couldn't."

It was probably inevitable that there would be some friction between the Collins & Leahy newcomers and the rest of the Board, particularly Edward Scott. Scott was undoubtedly a remarkable man, and had been a powerful presence on the Steamships Board for many years.

As noted in an earlier chapter, the Scott family relationship with the founders of Swire went back for well over 100 years. The Scott family were substantial Swire shareholders, and Edward Scott had been Chairman of John Swire & Sons Pty Ltd since 1974, responsible for the operations of the Swire Group in Australia and the United States. In 1998, Scott became Chairman of the great Swire Group.

Scott had paid his first visit to PNG in 1966, in connection with the New Guinea Australia Line, and he retained a keen interest in PNG affairs generally.

“The New Guinea part of the Swire empire was pretty small,” David Copland comments, “but Edward Scott really did have a great affinity for the country. It was more than money with them, it tied in so much with their other interests, the shipping and everything else they operated. They probably gave more attention to the PNG operation than its size warranted.

“It remained a big interest as long as Edward Scott was around. I know that Edward turned down other directorships within the Swire Group just to maintain his association with PNG.”

Many stories are told of Edward Scott. “He wasn’t tough,” says John Dunlop. “He was as soft as soft, they reckoned he hadn’t fired anyone in 40 years of business. If it got to that stage, he got somebody else to do it. But he had been running Australia for 30-odd years, and he had his own way of doing business. Which was arriving very late into the office, and leaving very late, as well!

“When he came to PNG he always had a senior trainee with him, not 22-year-olds, but 35-year-olds. At the second stage of your career with Swires, you got to be Number Two to Edward in Australia. And most of them went right to the top of Swires. But Edward would take these poor guys and treat them absolutely terribly, and they were senior people!

“Their main job seemed to be to see that Edward had his air ticket, and that he got out of bed in time for the Board meeting on the morning. And Edward would shout, Go away! And they’d go away, and come back half an hour later and keep knocking on his door, because we normally started board meetings at 8 am, rather than the 9 am that was usual in Australia, and with Edward it was 10 o’clock...”

JOHN DUNLOP

Graham John Dunlop was born in New Zealand in 1948, and completed his primary and secondary education there. During his school days he was active in most sports, but excelled in athletics. After leaving school, Dunlop went to Auckland and obtained his accounting qualifications. He worked as an accountant for various companies and in 1968 met his wife, Kay. They were married the following year. Their elder daughter, Amber, was born in 1974, and their younger, Kimberley, in 1979.

During this period, John Dunlop worked as an accountant in the Solomon Islands, New Zealand and Fiji. “The Fiji contract was supposed to be for three years,” Dunlop said in a recent interview, “but I left after the first year, and after a few months in Australia looking for work, I was offered a temporary position with Steamships in PNG.

“We went up in July 1983, and I was offered and took a permanent position in September 1983. Initially, we lived in Lae, and my responsibilities were with NGI Steel. After about a year I was promoted to Chief Accountant of the Industrial Division, working for David Copland, the General Manager. Initially I had responsibility for Coca-Cola, NGI Steel,

Phillips Electrical and Melanesian Soap Products in Lae, and later ANG Timbers, EMS, Monier and Nebiri in Port Moresby.

“In the middle of 1986 we shifted to Port Moresby and I took up the position of Chief Accountant in the Finance Division, where I was understudy to Peter Jobson, General Manager Finance and Administration, and Company Secretary for the Group.”

Peter Jobson reached retirement age in May 1987, and John Dunlop replaced him. As Company Secretary he of course attended board meetings. Dunlop was appointed an executive Director of Steamships in 1995.

David Copland has a different view of Edward Scott’s character. “He wasn’t soft,” he says, “but he was very different. The fact that he could easily block moves by formidable opponents like Leahy and Bromley does not indicate softness. And yes, he gave his private office staff a hard time, but he was testing them all the time, and the good ones really rose to the top of Swires.

“Let there be no misunderstanding - if you wanted to get anything through the Steamships Board then you had to get Scott on side. I have to say I never got turned down on anything I really wanted during my tenancy - but getting to that stage often took many obscure and winding paths! Edward had this habit, when he wished to be particularly obtuse, of sitting at the board table with his eyes closed, saying nothing for ages. This used to be really off-putting for the other Directors, especially when he would suddenly say something highly relevant to the discussion!”



John Dunlop and Sir Daniel Leahy

Photo: Courtesy John Dunlop

Without doubt, Edward Scott contributed a great deal to the running of Steamships. “He had probably the most significant input on policy,” says Bill McLellan. “He had a really big influence, but he could be irascible at times! He used to make those young blokes hop...”

Bill McLellan was absent in Australia for five months of 1987, seeking medical treatment. During his absences David Copland acted as Managing Director in his stead. Copland had been appointed an executive Director at the same meeting that saw the appointment of Edward Scott to the position of Deputy Chairman - and the retirement of Tom Fox from the Board. Copland remembers the early board meetings following the Collins & Leahy buy-in:

“It was pretty tough, I was really doing a juggling act, so that we could maintain the best things for Steamships, not for Collins & Leahy, which was really what Dan and Mike wanted. But Edward Scott was really cunning. We put Dan in as Chairman, replacing Don Harvey. Edward worked it out, he knew the Chairman didn’t have the power that a Chairman has down here in Australia. The agreement was that Leahy and Scott would alternate the Chairman’s position, but Scott was content to let Dan stay in. That’s what Dan wanted, to be Chairman of Steamships Trading Company. And Edward Scott was appointed Deputy Chairman.”

The reality was that Collins & Leahy held 32.99% of the shares as against the 32% held by Swire (the Swire shareholding was quickly lifted to 32.99% in 1987). Appointing Dan Leahy as Chairman recognised this. “The changeover was poorly handled by Edward Scott,” Bill McLellan recalls. “Don Harvey didn’t enjoy being replaced by Dan. Don knew the business intimately, he had the history of the Company at his fingertips, he’d been with the Company for well over 30 years...”

There was a certain amount of friction between Dan Leahy and Don Harvey - mostly on Dan’s side - stemming from the days when Steamships was moving into the Highlands coffee industry and general trading, in the process treading on Collins & Leahy’s toes. (As Chairman, Dan Leahy soon came to an appreciation of Harvey’s qualities, and years later invited Harvey to attend his 70th birthday party.) Those who knew anything of the Steamships story recognised the extent of Don Harvey’s contribution to the success of the Company, even Mike Bromley.

“When Dan became Chairman it caused Don a great deal of angst,” Bromley recalls, “because Don had been Chairman to that point. Dan then tried to get rid of Don off the Board, and got very cranky with me when I sided with Swire. Because I thought it very important that Don stay on the Board, because he had so much history, and he was also very, very good with corporate governance.

“When any of us started to do something stupid in terms of the direction which Steamships should head, Don would remind us about what had happened in the past, and why we shouldn’t do that. He was a key man on the Board and I fought very hard for him to stay, and that caused a lot of friction between Dan and I. But, in the end, Don stayed.”

Let John Dunlop have the last word. “I think it is important that Don Harvey’s contribution to Steamships is acknowledged. Right through to the time he left the Board he was always referred to; every single time there was a question of ethics, procedures or anything, the whole Board turned to Don, and really if he said something should be done or not done, that’s what happened, right to the time he retired.”

The political situation in PNG had again changed with the election of the Fourth National Parliament in June-July 1987. Steamships’ sensible policy had always been to stay aloof from politics, but in common with other major business houses - particularly Burns Philp and Carpenter’s - the Company was approached by the various political parties for campaign donations, and the Board agreed that Bill McLellan could distribute up to K40,000, at his discretion.

David Copland was left to administer this fund when McLellan was hospitalised. “I was uncomfortable about giving donations to any political party, so didn’t volunteer any cash to anybody,” he recalls. “I was never approached by anybody during the 1992 election for any campaign funds.”

Unfortunately, as had been the case with the three previous elections no outright winner emerged, and yet another Coalition Government was formed, under Prime Minister Paias Wingti, with a very slender majority. He did not remain in power for very long. In July 1988, it was Wingti’s turn to face and lose a vote of no-confidence in Parliament, and the Tolai leader, Rabbie Namaliu, became Prime Minister - and head of a Coalition Government! These rapid changes in the political environment and resulting changes in economic policy did little to inspire business confidence.

Steamships’ own situation was too critical to be allowed to be derailed by internal Board stresses, and the Directors quickly got down to the business of improving profits, still unacceptably low in relation to turnover. As noted in the previous chapter, the need for a substantial restructuring and trimming of Company operations had been recognised prior to the admission of Leahy and Bromley, and much had already been accomplished. It is fair to say, however, that their influence did speed up the process, which was substantially completed by the end of 1987.

Jack Bolt was on the point of leaving Merchandising, largest of the Steamships Divisions - he departed PNG in September 1986. It was decided to merge the Papua and New Guinea Divisions into a single entity, to be managed by Lloyd Morris, with effect from 21 July 1986. Clive Williams continued as Merchandise Controller for Papua.

Other senior staff changes were made at the same time. John Swartz was given responsibility for the Kieta, Lae and Port Moresby hardware operations, responsible to Williams. Peter Austin succeeded David Orth as Operations Manager for the New Guinea branches, and John Ryan was appointed Chief Accountant of the Merchandise Division. In May 1987, A.M.P. Leaver took over as General Manager, Automotive & Machinery Division. In July, Hardware was removed from Merchandising, and formed into a separate Division.

There was no doubting Dan Leahy’s and Mike Bromley’s expertise in the Merchandising area. It will be recalled that Bill McLellan had earlier approached them to explore the possibility of a merging of Steamships’ and Collins & Leahy’s operations in the merchandising sphere. (Dan had a good relationship with Bill McLellan, perhaps stemming from the fact that both came from a Morobe District background, and both had been skilled and active footballers and cricketers in their younger years - Bill McLellan is still a low handicap golfer.)

This area of Steamships’ operations was of particular interest to Leahy and Bromley. At his third Board meeting, Bromley suggested that the whole Merchandising philosophy of Steamships should be reviewed. He strongly supported the immediate development of Gerehu Distribution Centre - the work was in fact well in hand - and suggested the

construction of a large K-Mart-type Supermarket on the 11.42-acre site owned by Steamships on Angau Drive.

The earlier proposal was now revived, and in April 1988, a joint venture was formed with Collins & Leahy in respect of the New Guinea merchandising operation, under the banner, Steamships (J.V.) Pty Ltd. Management was undertaken by Collins & Leahy. The big Lae distribution centre was doubled in size, to service both the joint venture and the Collins & Leahy outlets in the Highlands.

Another important joint venture was entered into. As previously recorded, Steamships owned the controlling interest in the Lae-based Melanesian Soap Products Pty Ltd (MSP). In June 1986, representatives of the giant Colgate-Palmolive Ltd offered to buy a 50% interest in MSP.

Alec MacKelden warned the Board that before getting into bed with Colgate, top legal advice should be sought. “Considerable caution” should be exercised before concluding an agreement with a powerful North American company like Colgate.

Colgate wanted to buy a 50% interest. The Board countered with an offer of one-third for K1.5 million, which would earn Colgate voting rights of 50% in the joint venture. The deal was finally concluded in January 1987, with MSP holding a 51% equity. Steamships made a capital profit of K900,000, making January the most rewarding for the past three years.

The new venture was managed by Colgate Investments Pty. The first operational Board meeting of the joint venture was held on 27 February 1987. MSP had approximately



Smugglers Inn, Madang

Photo: Courtesy James Sinclair

K2 million in cash available to shareholders. MSP staff members held 41,600 shares, Collins & Leahy 795,000 shares and Steamships 1,089,000. R. and R. Elias held 73,000 shares.

The joint venture made the proven world-wide expertise of Colgate-Palmolive available to MSP, and plans were prepared for the expansion and upgrading of the production facilities at Lae, to allow many high-quality Colgate products, now being imported, to be manufactured by MSP. But the new arrangements took longer than expected to bed down, and operating costs were not sufficiently controlled. As a result, profits for the first year were below expectations, but then rapidly improved.

A number of other developments were under way at the time Bill McLellan was forced to seek medical treatment in Australia. As a part of planned branch development the Boroko store had been slightly extended; the old Douglas Street freezer site was converted into a fast food outlet called Tasty Bite; a Stop and Shop complex was opened in Boroko, and a Cash ‘n’ Carry outlet in Lae; the Goroka main store was upgraded; plans and specifications for improvements to the stores in Vanimo and Popondetta were put out to tender; upgrading of the Rabaul main store was in hand; all approvals for a main store upgrading in Mount Hagen were obtained, and the purchase of a large store operated by Edgell & Whitely Pty Ltd in Manus was concluded, at a cost of K380,000.

The Manus store was badly run down, but the prospects for profitable improvement were excellent. The Board decided to sell the property into a separate company, which would offer 50% shareholding to 13 local village councils, and then lease the property back to Steamships. The plan had the enthusiastic support of Mrs Nahau Rooney, Minister for Tourism and Culture, who was also the local MP. It was a politically wise move.

A considerable amount of refurbishment of the Melanesian Hotel was completed at a cost of a million kina. The purchase of 45,200 shares in Smugglers Inn, Madang, from Madang Development Corporation was concluded. The Board agreed to proceed with the erection of the luxury 26-unit Windward Apartments tower at Ela Beach, to be paid for out of cash flow. The construction contract was awarded to Fletcher Morobe Constructions Pty Ltd, and it was expected the final cost of this major building would approach K8 million. Occupation was scheduled for 20 December 1988. The Angau Drive Supermarket was completed. David Copland was given authority to proceed with the sale of the remaining Timber Division assets at Kupiano and Kapari, which was completed by the end of 1988.

SHIPPING

There were major developments in the shipping field. 1987 was a poor year for the Shipping and Transport Division, due largely to depressed freight rates - the last Government-approved increase in coastal freight rates had been in December 1984, and costs had risen sharply since then. The position was slightly retrieved by the chartering of a number of barges and tugs to Ok Ted Mining Ltd, following the termination of the Logistics contract previously referred to.

The PNG Shipping Corporation was handling some 110,000 tonnes around the PNG coast, while Consort Express Line’s share was around 150,000 tonnes. Consort had introduced three new vessels to the coastal trade, and it was feared a rate war was about to break out.

As we have seen, the Shipping Corporation had gotten into severe financial difficulties. Yet it had much to offer: the goodwill from the Australian trade, the joint investment with

Steamships in Rabaul Stevedores and Port Services, and a vessel, *Moresby Chief*. Steamships also had *Coral Chief* on charter to the Corporation for 10 years. The contract was due for re-negotiation, at an expected rate of around \$US5,000 per day (the final agreed figure was \$US4,325 per day).

In January 1987, Steamships Shipping put another vessel into operation, on the Lae-Vanimo run. This was MV *Erima Chief*, a steel 41.5 metre craft that had been constructed in Singapore in 1981. She was powered by a pair of 250 hp Caterpillar engines delivering a speed of nine knots. She had a maximum draft of 3 metres and was thus suitable for river work.

Although the Corporation was expected to break even for the year, the increased competition from Consort would bring heavy pressure to bear on Corporation operations. Negotiations were begun with Peter Nicholls, Chairman of PNG Shipping Corp, for Steamships to acquire a major interest in the Corporation.

After much protracted negotiation, Steamships put in a bid of K1.3 million, and on 1 July 1987, purchased the controlling interest in the PNG Shipping Corporation, with the PNG Government retaining the minority shareholding. “This will give us a main port liner service,” the Annual Report noted, “as well as an interest in the overseas shipping trade, mainly on the Australia to PNG sector. Government will maintain a strong interest in the activities of the PNG Shipping Corporation, and it is anticipated that the joint input from shareholders will return the Company to profitability.”

Captain David C. Clark, who had been seconded to Steamships by Swire in 1984 as manager



MES Slipway circa 1980

Photo: Courtesy Del Underwood

of the OTML shipping contract, was appointed manager. On 22 July 1987, Steamships purchased the minority shareholding, and became the outright owner of the Corporation.

Steamships now approached the management of Consort Express and proposed the creation of a pool, to rationalise services between the main ports. A pooling arrangement was agreed for all Papuan Gulf services from 1 January 1988, and in April another agreement was reached, covering PNG’s internal main port liner services.

Three new shipping agencies were obtained - for the P&O Group, the large Danish operator Maersk Line, and for the CCS/NEL/KAP Joint Service, the major operator from Australia to PNG.

While Pacific Towing (PNG) Pty Ltd - in which Steamships had a 50% interest - had a good year, results for the Chard’s Forwarding Services joint venture (with Brambles International Freight Ltd) were very disappointing. In December, Steamships purchased Brambles’ 50% shareholding, and steps were taken to tighten costs and management control. Steamships’ transport operations were integrated into Chards. Rabaul Stevedores also suffered from the low price-controlled rates levels.

The most significant development by far in the shipping field was the winning of the OTML Copper Logistics Contract.

THE COPPER CONTRACT

At first it looked as though Steamships would not win the big contract for the carriage of copper concentrate. Bill McLellan made several attempts during 1986 to arrange a meeting with Lloyd Shides, the OTML general manager, to discuss Steamships’ claim for certain expenses resulting from the early termination of the previous contract, but without success, and the Board feared that the relationship between Steamships and OTML was slipping. It was believed that OTML was about to make a world-wide call for marine logistics managers, and that competition for the new Copper Contract would be intense.

McLellan estimated that depending on OTML’s output of copper concentrate, there could be a demand for from five to 12 vessels to service the contract, each costing in the region of K2.5 to K2.8 million if purchased new. The Board instructed him to continue his efforts to “open dialogue” with Shides.

In the end, Steamships won the contract, the first stage of which commenced on 5 January 1987. This provided for the movement of copper concentrate from Kiunga to a floating terminal off the mouth of the Fly River, from which it would be loaded into overseas vessels. The concentrate would be piped to Kiunga from the mine in the form of a mud-like slurry. The water content would be removed at Kiunga, leaving the dry copper concentrate to be transported down the Fly.

OTML had originally planned to construct a major copper holding port on Umuda Island at the mouth of the Fly, complete with wharves, storage sheds and elevators for receiving the concentrate, and loading it into overseas ships. Steamships’ doughty Captain Ray Taylor was intimately involved in the decision to change this plan.

“The thing is, Umuda Island is very low,” he says, “and being in the mouth of the Fly River they would have to dredge the channel so they could bring the overseas ships in. Which meant they would have to dredge that channel 24 hours a day, 365 days a year.

“So Steamships explained to Ok Tedi that we had been involved with Freeport Copper in Irian Jaya. They would anchor a big carrier out in the Arafura Sea, and then bring out all the copper concentrate from Freeport in shallow-draft copper carriers, and load from them.

“We explained all this to Ok Tedi, told them they would be much better off junking the port idea, and instead anchoring a big bulk carrier out in the open sea, 12 miles off the mouth of the Fly, and bringing the copper concentrate out to it in mini-bulk carriers 458 miles down the river from Kiunga. They could come right alongside the big carrier, which could be loaded to its full load direct from the mini-carriers. The maximum draft you can take through Torres Strait is 12 metres, which was quite ample for those big carriers. They could then go through Torres Strait, out into the Arafura Sea, and then anywhere in the world.

“So Steamships saved Ok Tedi hundreds of millions of dollars by convincing them to abandon the sea port on Umuda Island, and putting a bulk carrier 12 miles out to sea, at the mouth of the Fly, to be loaded from mini-carriers. That’s what we did, and that’s the system that is still in use today.”

The contract provided for Steamships to purchase the mini-carriers, which would then be chartered to OTML. Steamships was allowed three months in which to provide them - too short a time for new vessels to be constructed. Bill McLellan immediately obtained the Board’s approval to purchase three old mini-bulk carriers that had been located by Swire, at a cost of \$US450,000 each. The overall cost of each “mini-bulkie” after necessary refurbishment in Port Moresby would be approximately \$US750,000.



Tabubil - Ok Tedi township

Photo: Steamships archives

“They were only intended to be used for two years, while new ships were designed and built,” Captain Taylor remembers. “Swires commenced looking for suitable vessels and they found three, in Central America. They were originally built for a Greek shipping company, 47 of them, all the same, a standard design, specifically for use on the Mekong River during the Vietnam war. They had been carrying bulk raw sugar around the Caribbean, and their contract had expired. They were 18 years old when Steamies bought them, and they were badly run down. But they were beautiful steel ships, very wide, twin diesels, twin rudders, they handled well. They were shallow-draft, designed for river operation, and that’s what we needed for the Fly.

“Swire sent three captains and three engineers plus Filipino crews over to bring these carriers back to Port Moresby. They steamed through the Panama Canal, then non-stop right across the Pacific Ocean for 43 days, a nice piece of seamanship. We flew all the Filipinos home, as I had local crews ready to take over.

“The carriers were registered in Panama, and the first thing we had to do was register them in PNG. They were named *Mini Lion*, *Mini Lady* and *Mini Lark*. We changed the names to *Kiwai Chief*, *Kiunga Chief* and *Umuda Chief*.”

Kiunga Chief was the first to arrive, on 20 April. *Umuda Chief* followed, on 26 April and *Kiwai Chief* on 7 May 1987. All three were in dire need of refurbishment. *Kiwai Chief*’s condition was the best, although only one engine was operating. “Ok Tedi had a load of cargo in Port Moresby for Kiunga,” Ray Taylor remembers. “We wanted to show Ok Tedi that the carriers were reliable, so we immediately loaded *Kiwai Chief* and we departed Port



Cargo for Ok Tedi ready for loading

Photo: Courtesy Ray Taylor

Moresby on the starboard engine only - the port engine had packed up on the voyage over. I was the pilot, as I had to train the new masters on the Fly River.

“We arrived at Kiunga, discharged our general cargo with the ship’s eight-ton crane, then we loaded bags of copper concentrate, and took them down the river and out to the big 23,000-tonne offshore handling ship called the *Banta*, which had been chartered by OTML. That was the first load of copper concentrate from Ok Tedi. Overseas ships then took in the concentrate for export overseas, direct from the *Banta*.”

“Most of the captains we had on the Greeks were from Hong Kong, from Swires. All British. I used to go with each captain as the pilot, train them, that was my job because I knew the Fly River. They are still using my Fly River charts, even today...”

It should be noted that during the long years of the Ok Tedi logistics contracts, Steamships’ masters and crews developed considerable expertise in the towing of barges either single or in tandem, covering not only river towing but also deep-sea towing, between Port Moresby and the mouth of the Fly River.

Swire’s New Guinea Australia Line had opened its own nautical training school in Port Moresby in January 1970, to teach basic skills to national seamen. It was highly successful, and Papuans gradually replaced Chinese crews on the NGAL ships. Many Steamships crews were also trained at the Swire school, and suitable candidates were given experience as Deck Officers on Swire ocean-going vessels to assist them to qualify for the PNG Masters Certificate. Other Steamships national seamen attended the PNG Maritime College, which had been transferred from Napa Napa to Madang in 1975.

One of the national masters graduating through the Steamships system was a young West Papuan called Dolf Marjen. In a recent interview he recalled:

“I started working for Steamships as a cadet deck officer in 1982. My first ship was *Hiri Chief*, under Captain Paul Burgess. We were just starting off the Ok Tedi contract, and *Hiri Chief* was used as a tug, to tow the OTML equipment to Kiunga. *Hiri Chief* was due for dry-docking in Singapore, so I was transferred to *Frank Rei*, continuing my cadetship under Captain Simeon Haro.”

It will be recalled that *Frank Rei* had been built by York Bros Pty Ltd in New South Wales, in 1966. She was a steel cargo vessel 16.76 metres in length and had been launched in 1966. One stormy night in November 1982, she was on a voyage from Port Moresby to Kerema. The wind was blowing powerfully from the south-east, and the seas were violent. Dolf Marjen had been on duty, and he went below to sleep. *Frank Rei* was off Yule Island. Dolf Marjen remembers:

“During my sleep I could feel the vessel rolling, very badly, and I could feel we were not on course. The captain cried, we have got a problem! I could see that on the starboard side we were close to shore, it was very frightening. Then Captain Haro called, we have hit the rocks!

“We all came up on deck and the ship was sitting on the Redscar rocks. The captain was struggling to get the vessel off the rocks, but it was impossible, because of the way the sea was pounding. The south-easterly was blowing and slamming in to the side, and soon we could see she was flooding.

“It was about five in the morning, the seas were still running and the wind was howling. I went to the galley and pulled out a bushknife and a small axe. One of the engineers helped

me and we cut the ship’s dinghy free and lowered it on the lee side. There were 12 passengers on board and we saved them, put them in the dinghy and took them ashore. The rest of the crew stayed on board, to try and save the ship. It was daylight by this time, maybe about seven o’clock.

“But we couldn’t save her, there was no way, and we couldn’t save the cargo, either. So the captain sent an SOS to the Port Moresby radio, and next day the Company was advised. They asked us: was everybody safe? That was the important thing. The ship and the cargo was covered by insurance - the villagers got most of the cargo!”

Steamships’ Coastal Shipping Manager, John Kennish, commissioned a Fiji-based salvage operator to assess the situation of the *Frank Rei*, and after receiving his report the Company decided to abandon her. The rusting skeleton of the vessel, named after *Frank Rei*, one of the very early Papuan skippers, may still be seen today, on the fierce rocks where she stranded.

Captain Haro and his crew were brought back in the tugboat sent to try and pull the ship off the rocks. Dolf Marjin returned to *Hiri Chief*, subsequently serving on *Motuan Chief*, *Moale Chief*, *Agutoi Chief* and *Bernard Frank*, before attending his Master’s course at the Maritime College in Madang. He passed the course, but a medical examination disclosed an eyesight problem, and it was not possible for him to resume his seagoing career. He was offered a responsible position ashore, which would preserve his link with the sea. So Marjen became Shore Captain of Steamships, his job to see to the needs of the sea staff. He still occupies the position, which is now called Crew Administration Manager.



Motuan Chief

Photo: Steamships archives

“It was a disappointment to me to have to give up the sea,” says Marjen, “because I was aiming at something. One of those in my course at the Maritime College was Moremba Kepe, who became the first national master mariner of Steamships, the very first to get the First Class Master’s ticket. We did the course together. He is not with the Company now. When I was told I had this eye problem he came and said how sorry he was. He thought we would be going out to sea together. But what happened was beyond my control, and I still have the link with the sea side of the Company’s operations.”

The round trip Kiunga-Banta-Kiunga usually took six days, although during the next two years various delays and stoppages often blew this time out to eight or nine days. The three old mini-bulk carriers were familiarly known to Steamships’ shipping people as “the Greeks”. Their service extended beyond the two years originally planned, and worn old ships or not, they did a great job. In 28 months *Kiwai Chief*, for example, made about 70 voyages up and down the Fly, carrying something like 160,000 tonnes of copper concentrate valued at K280 million.

Soon after commencing the Ok Tedi work, *Kiwai Chief* suffered another major engine breakdown. To avoid future problems, a careful inspection of all the main-engine bearings on the Greeks was made, and spares were ordered from USA. The Board did at one stage seriously consider retaining the Greeks and reconstructing them at an estimated cost of K1.5 million, but in the end decided to sell them off.

Construction of the first of the new carriers for the Ok Tedi contract followed immediately after the purchase of the Greeks. Negotiations began with a Japanese shipyard for the construction of a new mini-bulk carrier, at an estimated cost of K3.35 million, delivered to Port Moresby. The new ship would be named *Obo Chief*. She would be 65.77 metres long with a gross tonnage of 1,849 (net 998 tonnes). The keel-laying ceremony took place on 30 March 1987, and the vessel arrived in Port Moresby in August 1987. She immediately went into long-term charter with OTML.

The acquisition of these vessels represented a large financial commitment for Steamships, and a loan of \$US6 million was negotiated through Westpac PNG Ltd at 6.25% per annum, to cover their purchase. McLellan then sought board approval to negotiate the second stage of the Copper Concentrate contract, which would call for the construction of more new vessels for delivery during 1988.

It is convenient at this point to tell of the ultimate fate of the Greeks. The new *Obo Chief* proved a remarkable success in Fly River operations. She had been faithfully built of best materials in the Japanese shipyard to an extremely high standard, and in September 1987, the Board agreed to seek tenders for the construction of a second *Obo Chief*-class vessel, for delivery by August 1988.

A contract for the second vessel was eventually concluded with Cheung Wah Shipbuilding & Engineering Co Ltd of Guangzhou, China, for approximately \$US2.9 million. The contract would be supervised by personnel from Swire Pacific Hong Kong, and delivery was promised for 1 March 1989.

OTML renewed the *Obo Chief* contract for a further eight years, but firmly declined to renew the charters of the Greeks, which would expire in April and May 1989. This sealed their fate. OTML had just reviewed their tonnages downwards, from 600,000 tonnes of copper concentrate per annum to between 4 and 500,000 tonnes, and these tonnages could be handled by the two *Obo Chief*-class vessels, plus two under construction for the Burns Philp

subsidiary, Western Tug & Barge Co. Ltd, due for delivery in August 1988, and April 1989.

The profitability of the contract had suffered because of a ruling by the PNG Commissioner of Taxes, that expatriate crews on the copper concentrate vessels would have to pay personal taxes at PNG rates. This caused all sorts of problems with the crewing of the vessels.

Kiwai Chief and *Umuda Chief* were sold to buyers in Singapore and Shanghai in December 1989, and were delivered by Papua New Guinean crews under Captain Ray Taylor. *Kiunga Chief* was also sold to an Asian buyer, in 1990. The Greeks fetched almost \$US500,000 each, which was pure profit, since they had been written off during their service.

The second *Obo Chief*-class ship, the *Bosset Chief*, was not delivered until 1 September 1989, seven months after the contracted date, by a Steamships’ crew under the command of Captain Taylor. Specially designed for Fly River work, she was a 72 metre long 2,742 tonne DWT vessel equipped with two 1,200 hp diesel engines, 10 extra berths for cadets under training, and a forward wheel house for better visibility on the winding Fly River. She was capable of carrying 2,600 tonnes of copper concentrate or 85 standard containers and one million litres of distillate, at a speed of 12 knots.

But the pride of the Steamships fleet had flaws. “*Bosset Chief* was poorly built,” Bill McLellan remembers. “We ended up with some steel quality problems and some welding problems, but the initial asset cost was substantially less. Certainly the Japanese ship was the best of the lot, but over time I would say that *Bosset Chief* didn’t cost much more than *Obo Chief*. I christened her when she arrived in Moresby.”

Despite her lesser build quality, Captain Taylor was pleased with the design and performance of *Bosset Chief*, which was faster, handled better and produced less wash than *Obo Chief*, a significant factor in river work. *Bosset Chief* left on her first voyage to Kiunga on 6 September 1989, under the command of Captain Tom Culhane.

THE HOME INVASION

PNG’s deplorable law and order situation was abruptly thrust into sharp focus for Steamships in March 1987, when Managing Director Bill McLellan was seriously injured by an intruder during a home invasion.

“I was going on leave the next day,” McLellan remembers. “My wife, Iris, was already in Australia. I worked late in the office, went home, had dinner, read, and went to bed, about 10 o’clock. And something woke me up. There had been a lot of break-ins in Moresby with machetes and other weapons involved, so I thought I’d better get a weapon myself.

“So I went to the wardrobe in our bedroom, where I knew Iris kept a knife, got the knife, came down the hallway and in the first bedroom on the left I saw someone in there, going through the drawers. I yelled, what the bloody hell are you doing? I was still half asleep and I can’t remember too much after that. He had a brass figure of a crane in his hand, he had picked it up off the dining-room table after he broke in, and he hit me on the head with it.

“I apparently cut him with the knife and opened him up across the chest and I must have struggled with him, because I ended up with 57 wounds. There was blood spread over much of the lounge-dining room. I was covered with blood, too, so I had a shower while waiting for David Copland to come and take me to hospital. I had a pretty serious brain injury but the big damage was done to my right eye...”

McLellan was in intensive care in Port Moresby Hospital for four days. He was then moved to Cairns, and later to hospital in Brisbane. He had suffered a depressed compound fracture of the skull, and critical injury to his eye. A series of operations in Brisbane and Melbourne followed. “I had several operations on my eye, but they weren’t successful,” McLellan continues. “When the intruder hit me the force of the blow was so great that it tore the retina and the eye socket. They tried to repair the retina, but were unsuccessful. The eye operations were very painful, terrible...

“David Copland stood in while I was away and he did a good job. I felt I was fit enough to come back to work in August and I did go back, but my wife was pretty unhappy. I would be 55 in a bit over two years, but I felt I was well enough to come back into the business...

“It took quite a while to get used to working with one eye! After I retired it ulcerated quite badly, so about seven years later I finally had to have it removed and replaced with a glass eye. It doesn’t pain or anything, it’s just a bloody nuisance. So I have a permanent reminder of my New Guinea years!” (A 20-year-old Tolai was arrested and charged with the assault, but the evidence was inconclusive, and he escaped punishment.)

During his recovery, Bill McLellan was ably supported by David Copland, and he remained Managing Director until his retirement, in September 1989. He then stayed on the Board as a Non-Executive Director. It was a testing time for Bill McLellan, but he was a physically strong man, and he carried on.

TRAINING

As noted in Chapter 21, Bill McLellan was particularly interested in the training of national staff, to replace expatriates. By July 1988, total Steamships staff numbered 3,389, of whom just 260 were non-nationals. In August, David Tasion, previously PNG’s Commissioner of Police, joined Steamships as Assistant Personnel Controller of the newly established Personnel Department. He had enjoyed a distinguished police career, and his appointment was an indication of the importance the Company attached to its national staff. In September 1989, Tasion replaced the Personnel Controller, Ian Smith, who left Steamships after almost nine years service.

“I think the thing I am most pleased about is the development of some very good Papua New Guinean executives, particularly in the finance field,” McLellan says. “And the development of the Home Ownership Scheme that we fostered, which tended to bind keen young potential senior staff to the organisation - keep the large number of people who we had trained, and spent a lot of money on training.

“Both David Copland and John Dunlop were strong advocates of this training, and the advancement of nationals into senior roles. Particularly in Finance. The team behind this was led by John Dunlop, who certainly allowed us to localise 80-90% of the 35-odd expat accountants that we had when I joined Steamships...”

“During the ‘80s, companies were under real pressure to localise,” John Dunlop recalls. “We had to produce three-year training plans, and they had to be adhered to, you had to be ahead of them or they would actually start denying you work permits.

“When I came in each Division used to have its own accounting set-up. They were all very much stand alone. When I first went to NGI Steel I hand-wrote the ledger, on a Kalamazoo handbook system! Which was a bit of a come-down, I can tell you. But within about a year

they were starting to put in computers.

“But much to my horror the implementation was controlled by the Computer Department in Port Moresby, rather than the accountants. One of my early rebellious episodes was to write a three-page letter to Peter Jobson in Moresby, telling him what was wrong with the Computer Department. For which I got summonsed to Port Moresby for an interview with him and David Copland - who totally backed me.

“I still remember my first interview, when I came up for this temporary position with Steamships. I was talking to Peter Jobson - who was a very testy fellow, as some people will recall - and suddenly the door flew open, and in came David Copland. My first time of meeting him. With his long socks pulled up and his shorts, his best uniform. He said, I’m in a hurry, I’ve got to get a ‘plane to Lae. What do you know about accrual accounting? So I mumbled and bumbled for about two minutes and he said, that’ll do! You start on Monday! And Copland was gone again. That was very much David’s style in the 15 years I worked for him...”

Dunlop set up the Steamships Graduate Accountants training programme. In August 1990, William Malt became the first national from the programme to pass the Papua New Guinea Association of Accountants examination in Financial Accounting. This was the final academic qualification for full PNGAA associate membership. Malt was promoted to the senior position of Divisional Accountant, Automotive Division. Murray Tatang was another early graduate.

However, the first national Divisional Accountant was Vere Arava, who followed a different training path. He recalled his Steamships years in an interview in Port Moresby in April, 2006:

“I come from Kapari village, which is about 200km east of Port Moresby. I was born on 10 September 1962, and joined Steamships in January 1985, after I graduated from University of Technology, Lae, with a degree in Accounting. I went for an interview, and it was John Dunlop who interviewed me. I remember that much later John told me he had not been sure he had made the right choice, because I was so quiet!

“I started as a graduate accountant with Engineering and Marine Services in what was then called Industrial Group Division here in Port Moresby, and slowly worked my way up through the ranks. After I showed I could handle the accounting activities I eventually became the Divisional Accountant in the biggest Division in Steamships, which included Coca-Cola, NGI Steel.

“I was the first national in Steamships to reach this level in finance and accounting. I was the only national present when I attended my first meeting, the others were all expatriates. I worked extremely hard, I wanted to prove that I could also be among them so I worked long hours. For the first few years I made a commitment to work every Saturday, and I did that.

“A couple of my friends came to me, said they were getting more than I was getting, and I was wasting my time! But I decided to hang on, and now, looking back, I see that they are on the same level they were on 20 years ago! I was really fortunate that my bosses, like David Copland and John Dunlop, were people who really had the heart to pass on their skills to the nation, they helped me a lot.

“From there I came to Head Office, and eventually got to the position of General Manager Finance for the whole Steamships Group. I gave it my best shot, and I am very proud of my

achievement. When I left Steamships in 2004, there was only one expat accountant left!

“The training we got from Steamships was probably the best in PNG, because they trained in all aspects of accounting. In some companies you are either put in a corner and forgotten about, or you just do one job. I liked Steamships because it had lots of subsidiaries, and you got experience in all kinds of accounting problems. So you learned about merchandising, about money and costing, about service, workshops - basically, every aspect of accounting. As Group Accountant I did all the reconciliation for the Annual Reports, the papers for the Board, and I was present at the Board meetings to answer questions.

“I became skilled in computing, in terms of accounting software. We were undergoing a major change of computer systems when I joined, and I was one of those who were chosen for special training, which gave me a very good understanding of how everything fitted together. Initially we had Honeywell computers, and they were huge, they took up the entire floor. But they weren’t very efficient, we had lots of problems, so we went over to IBM AS/400 computers. Very big! But very good.

“And that’s basically what runs Steamships. The IBM computers have really improved the accounting systems, and now you know exactly what the position is for the whole Company, whereas 10 or 15 years before it wasn’t like that. Young nationals really take readily to computing. We have not been exposed to things, we were just raw, we were like a blank page, we didn’t have old ideas to forget, and when new things came along we readily accepted them. Some of the senior expats had their old ideas about how things should be done, and it was hard for them to accept new ideas...

“My wife, Eunice, is from my own area. We have four children of our own, and we have adopted another two. I still maintain close relations with Steamships, most of my life I have worked for Steamships and it has become a part of me. I got training in Australia, I did my Masters in Business Administration under a whole scholarship granted by the Company. I went to Rockhampton, to Central Queensland University. My wife and children accompanied me, all at company expense. They were probably the best two years of our lives!”

Vere Arava left Steamships in 2004, and is today Chief Financial Officer for the PNG Sustainable Development Program, which holds a 52% interest in Ok Tedi.

Steamships also put a lot of time and effort into training national women in a wide variety of skills. Most observers would agree that PNG has made shamefully limited use of one of the country’s greatest assets: its womenfolk. PNG is a male-dominated society, and it is very difficult for even bright, educated, determined women to achieve positions of influence and power. Those that do are usually outstanding achievers - indeed, there are those who believe that if given a chance, young educated national women would far out-perform the average male.

Some expatriate women spent many years in the Steamships training programme, dedicated to producing skilled female executives and operatives. Marion Dredge, for example, was involved in this aspect of the Company’s training for over 20 years.

Many of PNG’s prominent female national business and community leaders are from Manus, the smallest of PNG’s Provinces, but also the first to experience compulsory universal primary education, in colonial times. As a result, there was a disproportionate number of Manus people in the ranks of the initial graduates of secondary and tertiary institutions.

One such is Mary Handen, today Financial Controller of Datec (PNG) Ltd. “I have been employed by Steamships three times over the years,” she recalled in a 2006 interview. “This time round it has been for the last 13 years.

“I am from Manus Province. I graduated from the University of Technology in 1978, and in 1979 my first employment was in Port Moresby, as a foreign exchange clerk with the Central Bank - Bank of PNG. Then I went to Lae, and worked for New Guinea Industries. I was there from 1979 to 1981. Bill McLellan was there, and David Copland.

“It was in this period that Steamships bought NGI. And we had John Dunlop overseeing the accounting functions. I worked under John as a trainee accountant and I must say I acquired a lot of good training from him. That’s also when Steamships acquired the Coca-Cola franchise. NGI had a factory in Lae, and we were producing Coca-Cola there.

“I left then because I was married to a Tongan. He finished his time at the University, so I had to go with him, to Tonga. But I came back because my Mum was very sick, and I was employed in Port Moresby. John found out I was here so he took me back for the second time around!

“That was in 1985. I came in as an accountant with Merchandise Division. During that time the operations of Merchandise were spread all throughout Papua New Guinea, so the accounting functions were very wide-spread. During that time there was a split in the accounting functions between Retail and Wholesale, so I moved the Wholesale accounting function to the Gerehu Distribution Centre, and Retail was left at the retail store in Port Moresby. I set all that up.

“Bill McLellan was the Managing Director, and during my time the second time round there was the change-over to David Copland. So I saw those changes. Then I left again and went back to Tonga again, with my husband...” She was to return again to Steamships for the third time, in 1993.

THE HOME OWNERSHIP SCHEME

As noted by Bill McLellan, the Home Ownership Scheme was developed primarily to bind valued national staff members to the Company. The major incentive previously had been the staff share scheme, but by late 1987 there were only 30 national shareholders remaining, holding just 24,500 shares. Papua New Guineans were shrewd investors, and later most made excellent capital gains, selling their shares.

The scheme was launched in 1986, concentrated initially in Port Moresby and Lae. Two classes of standard residences were offered: low cost, and high cost. The first low cost residences in Port Moresby were located at Erima, Morata, Waigani, Hohola and Gerehu. A high cost project was commenced at Badili, and another housing estate was begun in the Ensisi Valley. The residences were designed and supplied by Kit Set Housing, managed by Colin Saunders, in Lae, with erection by a Kit Set team managed by Joe Haurama and senior works supervisor Amos Jiki. In both Port Moresby and Lae, suitable existing Company residences were also sold to the occupants, at current market value.

Steamships offered approved staff members financial assistance, and many employees accepted the challenge of home ownership. The PNG Government’s Housing Commission co-operated by granting blocks of land, and individual staff members were also encouraged to seek out their own land.

Control of all Steamships property nationwide was consolidated into the Property Division in Port Moresby in April 1988. The Division became heavily involved in the Home Ownership Scheme, both through the selection of suitable sites and the construction of houses. The Division also closely supervised the construction of the Windward Apartments tower, which was Steamships' first move into large-scale property development.

By late 1989, over 100 Steamships staff members had occupied their new homes, and the scheme continues.

THE COMPUTER UPGRADE

By September 1987, Steamships' computer system was five years old. As noted previously, it was based on Honeywell systems and computers. These were of world standard, but under PNG conditions they had failed to deliver the required levels of performance, and suffered frequent crashes. Both Bill McLellan and David Copland were strong advocates of computerisation. McLellan recently recalled that when he first joined the Steamships Board he had to adjust to a system that was far different from his Placer-NGI experience.

"I can recall my first Board meetings, as you were coming through the Board meeting Don Harvey would be saying, this is what we think the profit is...we didn't have tight timetables on people to get results, and we got to the stage where you were lucky to get the annual results by the time you had to report to the Stock Exchange. You'd still be finalising the figures, and it would all be done on the back of a piece of paper..."

Don Harvey of course was trained during the pre-computer era. "We were still doing stock-takes with hand-held things," David Copland recalls, "and really, you could see Bill's frustration..."

The Board now decided to completely replace the Steamships system. An intensive investigation of what was available on the market followed, and in November 1988, management recommended the purchase of an IBM AS/400 model 50 mid-range computer, with associated software from Creative Computer Systems Pty Ltd. The total cost over five years, including all upgrades, would be approximately K3 million.

This first IBM AS/400 arrived in Port Moresby on 29 February 1989, and was installed in Steamships' Management Information Services computer room, which was managed by Keith Moore. The computer was accompanied by an IBM engineer and a technical consultant, who had it up and running within Finance Division in two days. As seems almost a given with new computer systems, many faults were revealed during the early operating period. A pilot scheme for an inventory system was introduced into the Automotive Division in November 1989, but it was many months before the system was delivering the full efficiencies expected of it. The AS/400 then rapidly became an essential part of Steamships' management.

1988, Bill McLellan's last full year as Managing Director, was thus a mixed year for Steamships. Operating profit was 26.7% ahead of the previous year - but at just over K7 million was still unacceptably low in relation to revenue of K195 million. Dividend was increased to 25.5%, and prospects for 1989 looked better. It was, however, to be a momentous year.

CHAPTER TWENTY-THREE
1989

1989 was a significant year, both for Papua New Guinea and Steamships Trading Company. It was marked by an unprecedented number of civil disturbances, reflecting the parlous law and order situation, which among other factors was threatening to wreck the nation's economy.

Without doubt the most serious of these outbreaks occurred on Bougainville, but there were other major incidents, including a riot at the Ok Tedi mine; union-backed strikes in Port Moresby; riots in Lae following a change of Provincial Government; an assault on Parliament House by rampaging soldiers; riots and looting following the killing of Malipu Balakau, Minister for Communications; and riots and looting in Lae after the shotgun murder of two men. There were frequent armed hold-ups and house burglaries in main centres throughout the country, as well as innumerable incidents of petty crime. PNG's international reputation was suffering, grievously.

Most of these incidents affected Steamships' staff and business operations (and of course, those of the Company's competitors). The economy contracted, insurance premiums rose sharply, there were uninsured losses, staff turnover increased and major additional security costs were incurred.

It was also unfortunate for PNG that, during the first half of this year, world prices for the tree crops (principally copra, coffee, cocoa and palm oil) that were so vital to the ordinary villager, dropped to their lowest levels since 1983, with an immediate effect on the standard of living of the majority of the population. As we have seen, Steamships was now out of plantations, and so escaped the direct consequences of the fall. But the Company did have a presence in Bougainville.

BOUGAINVILLE

Most of 1989 was dominated by what amounted to an armed insurrection on the island of Bougainville, North Solomons Province, which spilled over into 1990. To tell adequately the Bougainville copper story would require a separate book, and only the barest of outlines is possible here. As noted in Chapter 16, Bougainville Copper Limited (BCL) commenced production in 1972, and by 1989 BCL copper, gold and silver production represented 40% of PNG's export earnings. Payments to the PNG Government in the form of taxes and dividends amounted to 20% of the nation's internally generated revenue. The Province also produced almost half of the country's cocoa exports and some 10% of the copra.

BCL was employing 3,500 people, and had provided high standard training to 12,000 national citizens, more than 400 of them completing graduate studies under BCL sponsorship. Employment preference was given to Bougainvilleans, and competent tradesmen trained by BCL were to be found all over PNG. The national economy was thus dangerously reliant on BCL and its operations.

There had been open conflict between the villagers living in and around the Panguna mine site and Administration survey parties right from the start of field explorations. It has to be said that Bougainville - remote from the mainland and the capital, Port Moresby - had been neglected during the colonial era, and the people had long nursed a justifiable sense of grievance. The people of Bougainville were culturally aligned with those of the adjacent Solomon Islands, not of PNG. They felt they had been forgotten by the Government. They referred to the New Guinea mainlanders as “redskins”, and regarded them with scorn.

The land laws of PNG - like those of Australia - recognised the principle of “eminent domain”; all minerals beneath the ground belonged to the State, not the landowner; the mineral wealth of Bougainville was not the property of the relatively few landowners, but of the nation as a whole. This was a concept that the proud people of Bougainville (and it should be said Papua New Guineans generally) flatly refused to accept. The situation was exacerbated by mining legislation which initially permitted field parties to enter upon and occupy lands without the consent of the owners, and without the payment of any fees.

It can be seen with hindsight that the seeds of the bitter discord which erupted into insurrection in 1989 were sown right at the beginning. Clashes between field parties and villagers began in late 1965, and continued as planning for a huge copper mine matured. The Australian Government was determined to force the issue, to secure the PNG economy after Independence. Land was compulsorily acquired for a township and port to service the copper mine, which heightened the tension.

The PNG Government took a 20% shareholding in BCL, which was renegotiated after Independence to increase the national equity, but the landowners never accepted as being adequate the 5% royalty that had been granted to them after more savage dissent. They were by this time not against mining as such: they demanded a more equitable return than was being offered them.

Finally, the long-simmering resentment of the Bougainville people erupted into violence. The Panguna Land Owners' Association (PLOA) was formed, with the militant Francis Ona as secretary. During November and December 1988, PLOA made a series of attacks on BCL installations, using firearms and explosives. Blood was shed, and eight days' production was lost.

The crisis had blown up before the government of the new Prime Minister, Rabbie Namaliu, was ready to handle it. Attacks continued during January and March 1989, and the PNG Government declared a State of Emergency. Police and Defence Force soldiers were sent to the troubled island in a futile effort to restore law and order. All mining activity abruptly ceased in May, and thousands were thrown out of work. Expatriates fled the island, businesses closed. The full effect on the national economy would not be felt for another 12 months or so, but it was dire.

The Army went on the offensive, PLOA resumed its attacks, several peace initiatives failed. In March 1990, the Government withdrew its forces, leaving what was now styled the Bougainville Revolutionary Army (BRA) in de facto control.

But the Government had been forced to accept that concessions would have to be granted if order was to be restored. A substantial package was offered to the landowners in the form of cash payments, shares in BCL and improved health, education and infrastructure measures. A group of landowners rejected the offer, and the stage was set for the decade of what amounted to guerilla warfare on Bougainville, a terrible tale that cannot be told here.

As noted in Chapter 16, Steamships had entered Bougainville in late 1970. By 1989, the Company was operating a general business at Kieta, a large and prosperous hardware store - the second-biggest in the recently established Hardware Branch - and had a 50% interest in North Solomons Stevedores Pty Ltd.

With the closure of BCL mining operations business conditions rapidly deteriorated. In early 1990 Steamships' trading operation on Bougainville ceased. Staff were withdrawn, and the big hardware store was closed, most of the stock being relocated to other branches, prior to the cessation of shipping services to the island in March. A loss in excess of K1.25 million resulted. North Solomons Stevedores closed down when shipping services ceased, major items of equipment being withdrawn by a Steamships vessel in a daring operation that exposed Company members involved to considerable personal risk.

Some Steamships staff had narrow escapes. One was Jubilee Milate, who had been employed in the North Solomons Stevedores' office for five years. In an interview in June 1990, she recalled her experiences during the final months, with banks and stores shutting, road blocks and check points being set up, and BCL (and other) employees scurrying to escape the island.

“The trouble started towards the end of 1988,” she remembered. “I never thought it would be that bad. Life became boring with the introduction of curfew restrictions: no social activities, no visiting friends and sports at all...gradually people started leaving...my friends would drop in at our office on their way to the airport to say goodbye, and that started me thinking. I asked myself what was I doing there, what was going to happen next...life became very tough for me, a woman on her own.

“Vegetables began to run out in supermarkets. Local village people couldn't go out to the market to sell their vegetables for fear of their lives...I had already prepared for any emergency evacuation. At nights, gunfire could be heard all over. It was just like in the movies!

“I collected my airline ticket a week before 24 February 1990, the day I was supposed to fly out of Bougainville. There was more shooting in Kieta and Arawa areas. I had vacated the flat I was living in...and moved in with my elder brother in Arawa. On 21 February as my brother and I were traveling from Kieta to Arawa, there was a shootout just outside Arawa town. An Army truck was there to stop all cars traveling to Arawa until the shootings ceased.

“I was the first in the line of cars. When an Army personnel waved for the cars to pass through I told my brother to put his head down. I started the ignition with tears rolling down my cheeks. I was following the Army truck going up the hill when there was a shot from the nearby bushes...I drove right in the middle of the moving trucks. My brother and I couldn't sleep that evening. We were both shocked by the incident.”

It was several days before Jubilee was able to reach the airport and leave Bougainville. On the final day she and her brother were forced to take cover under a big rain tress to escape a flurry of random shots from the bush. “It wasn't Vietnam any more,” she says, “it was real...I was

in tears when the plane took off. Poor Bougainville! I am glad that I am out of there, but the memories both good and bad will never be forgotten.”

It was fortunate for PNG that the cessation of mining on Bougainville coincided with the resumption after many years of gold mining operations on Misima, a 30% increase in the price of the copper coming out of Ok Tedi, and the development of an exceedingly rich gold mine at Porgera, Enga Province. This was expected to take three years to bring into full production, at the colossal estimated cost of K700 million. The first gold was produced in September 1990.

The Kutubu Oil Project Joint Venture, sponsored by the big American mining company, Chevron Overseas Petroleum Inc, submitted proposals to the Government for the development of PNG’s first oil field in Southern Highlands Province, which would also involve the construction of a pipeline to the Gulf of Papua. There were other possible minerals projects in the pipeline. So despite the Bougainville disaster, PNG’s economic future was far from bleak.

Steamships’ performance during 1989 was acceptable, under the circumstances prevailing. The revenue, before tax, fell to K167 million (down from K195 million), but the pre-tax profit was 26.4% ahead.

There were a number of major developments. A Group Capital Expenditure Budget approved by the Board provided for the expenditure of nearly K15 million on a number of projects: staff housing in Port Moresby, warehouses in Manus and Rabaul, another large



Singing group, opening Highlander Hotel extensions

Photo: Steamships archives

freezer at the Gerehu Distribution Centre, extensions to the Colyer Watson operation at Tabubil, a new Hardware-Machinery complex in Mount Hagen, integrated software for the IBM AS/400 computers of Management Information Services, and some ambitious hotel upgrades.

As noted previously, the Board had briefly flirted with the idea of selling off the hotel side of Company operations - if the price was right. It was now decided to remain in the hotel business, and all contacts were informed that Steamships’ Hotels were no longer for sale. Contracts were let for the upgrading of the Gateway Hotel in Port Moresby, and the Highlander Hotel in Mount Hagen, in anticipation of increased business expected to flow from the Porgera mining operation, and the oil exploration programme in the Southern Highlands. A preliminary investigation into a possible Steamships joint venture with an Engan partner in the Porgera region was also begun.

The Gateway improvements involved a complete upgrade of all public areas and the construction of 48 new rooms of a high standard, at an estimated cost of K5 million. The Highlander upgrade called for 30 additional rooms, plus conference facilities, at a cost of K1.1 million. Contracts for the work were let to E.T. Taylor, who had previously completed the Melanesian Hotel upgrade.

Steamships’ Hotels Division had for several years been managed by the experienced PNG hotelier, Duncan Ferrie. He resigned in January 1989, and was replaced by Colin Moon. The Division investigated the possibility of purchasing the Plumes & Arrows Hotel in Mount Hagen, but concluded that the asking price was “far too high”. The Division also looked



Windward Apartments

Photo: Rocky Roe

closely at acquiring the Davara group of hotels. An offer of K12.25 million was rejected by Davara, but the acquisition of Davara Motel itself - in a splendid location on Ela Beach - remained under study.

Smugglers Inn, Madang, was still the weakest link in the Steamships hotel chain, but the possibility of taking over management rights of Jais Aben Resort, outside Madang (owned by Mal Smith's Pacific Helicopters Group, Goroka) was looked at, but finally rejected.

The big Windward Apartments complex was completed. It was immediately hailed as the prime residential address in Port Moresby. Completion was delayed by unsatisfactory workmanship which resulted in an action for liquidated damages that took some months to resolve, but by the end of March 1989, all apartments had been let, ensuring a first-year profit of some K700,000. The Staff Home Ownership project continued to expand, an additional 70 houses being completed in Port Moresby, with a further 20 scheduled for Lae.

Staff training remained one of Steamships' major priorities. There was an expansion of the staff and facilities of the Training Department during the year, and over 1,100 employees were enrolled in in-house courses, while others were supported through technical colleges, tutorials and apprenticeship extension courses. So successful was the programme that it was possible to reduce the expatriate staff of the Company by another 20%. Indeed, the programme was perhaps too successful. Steamships' employees were so well trained that many were "poached" by other companies, a back-handed tribute to Steamships' training methods.

SHIPPING

The Shipping and Transport Division remained difficult, although the Ok Tedi copper logistics contract work continued to be profitable. As noted previously, the new mini-carrier *Bosset Chief* had finally gone into service in September, and OTML had agreed to extend the charter of *Obo Chief* for another eight years. Extensions of the charters for the support vessels *Bernard Frank* and *Gannon P* were also negotiated. The dumb barge *Steel Navigator* was sold.

But the return on investment in respect of vessels employed on the Papuan coast trade remained inadequate, despite a major reorganisation of operations, and the sale by Steamships' partners of several vessels (Steamships also sold a vessel, *Moresby Chief*, to the Sri Lanka Shipping Co Ltd at a profit of K573,700). And further competition was in the wind. It was rumoured that Curtain Bros had purchased Coastal Shipping Pty Ltd, previously owned by Henry Chow. A wharf was under construction at Voco Point, Lae, with the possibility of another at Bootless Bay, near Port Moresby. A vessel with 250 container slots was chartered, to commence a Singapore-Lae-Misima-Port Moresby-Townsville service.

It was also understood that Burns Philp and Robert Laurie Carpenter would be merging their shipping interests as from 1 November 1989. The merger would cover all shipping, agency, transport and Customs activities.

The Steamships subsidiary company, Papua New Guinea Shipping Corporation, had a very difficult year on the Australia-PNG route. Freight volumes were reduced, and there was strong competition from Stateship and Barbican-Ridge which resulted in a price war. The position was further exacerbated by the voluntary liquidation of two of the partners in the shipping pool. Sofrana and Cosco, the national flag carrier of the Peoples' Republic of China, began a joint Australia-PNG service, which added to the Company's concern.



Unloading containers, Port Moresby - Main Wharf

Photo: Rocky Roe

The price war had the effect of lowering commissions paid to shipping agencies. The Steamships subsidiary, Chards Forwarding Services Pty Ltd, suffered a poor year due to unprofitable Customs clearance rates resulting from the fierce competition and as a result the Chard's Lae operation was closed down.

The Corporation maintained its shareholding in Consort Express Lines, which operated a service between PNG's main ports. For the first time ever, shippers were enjoying a five-day service between all major ports. However, the Government was threatening to deregulate the trade, which could result in opposition shipping lines coming in with poorly-maintained vessels, and thus undercutting Consort's pricing. The Board viewed the situation with concern.

For some time the Board had been discussing the merits of obtaining a craft for recreational use by senior staff, and for the entertainment of Company clients. It was decided to look for a suitable vessel, to the value of around K120,000.

GENERAL OPERATIONS

Most of the Company's other divisions performed reasonably well. For the first time in years the market for new vehicles showed a slight improvement, with the Automotive Division increasing its market share. Ken Barker, previously branch manager, Toba, Port Moresby, was appointed Divisional Manager Automotive. In May 1989, a joint venture company was set up with the large Australian group, Transfield Construction (Qld) Pty Ltd. The JV, Transfield-NGI, took over management of the fabrication, container, merchant steel and industrial fabrics activities of Steamships' Engineering Division. Transfield brought wide

technical expertise to the new company, which it was expected would allow it to participate substantially in the major resource projects which would be developing in PNG over the next 5 to 10 years.

The Colgate-Palmolive joint venture company also prospered. Production facilities were improved, and the range of products being manufactured was extended. Imported tallow was replaced by locally sourced palm oil, and export shipments of glycerine commenced. Both Monier and Vita Monier continued to deliver solid results.

A problem emerged in the Beverage Division. In mid-1989, Cola-Cola South Pacific Pty Ltd openly expressed concern over Steamships’ relationship with Collins & Leahy, which was marketing the rival cola, Pepsi, throughout the Western Highlands and Enga Provinces. Collins & Leahy had a shareholding in Goroka Soft Drinks, which also supplied the market with several cola drinks. Wholesale margins on Coca-Cola products were 5%, compared with 9.5% for Pepsi, so it is hardly surprising that most merchants preferred to stock the Pepsi range.

The Coca-Cola franchise was vitally important to Steamships, and after much negotiation Collins & Leahy agreed to sell its Goroka Soft Drinks shareholding, and support Coca-Cola. This incident may have helped to convince Coca-Cola that the time was nigh to take back its franchise.

Bill McLellan was about to reach the Steamships retirement age of 55. Just before he stepped down from the position of Managing Director, negotiations began for the sale of the Company’s beverage operations to Coca-Cola. “Coca-Cola had come to the conclusion that it should take back the bottling operations, as it had done in many parts of the world,” McLellan recalls. “Preliminary negotiations were well advanced by the time I left, in September 1989.”

SENIOR STAFF MOVEMENTS

A number of appointments were made during 1989. Chris Reeves became Divisional Manager Machinery. A new position of Assistant General Manager Merchandise Division was created, and filled by Raymond Hope, from Australia. Senior accountant Howard Gilroy was appointed Group Accounting Manager. Ron Ringuet, Controller, Machinery Division, resigned after 22 years with Steamships. Ian Robertson became Chief General Manager in July, and assumed control of Automotive and Hardware, while retaining control of Property Division. At the same time, Peter Wickes was appointed GM Industrial and Manufacturing. Ray Ritchie, Tony Wallen, Ray Hope and Mike Connelly were also appointed to new positions. It was at this time that Ian Smith, Divisional Manager Personnel, resigned, and was replaced by David Tasion.

GROUP STRUCTURE

It is at this point appropriate to outline the group structure of Steamships Trading Company as it was at the beginning of the new decade. The restructuring of the Company had been completed. There were now 11 Divisions: Automotive, Beverage, Building Products and Services, Engineering, Hardware, Hotels, Management Information Services, Machinery, Merchandise, Property, and Shipping and Transport.

There were a large number of subsidiary companies. Most were totally owned by Steamships,

and beneficial interests were held in others. These were Boomi No 87 Pty Ltd (55% interest), Colgate Palmolive (PNG) Pty Ltd (28%), Endeavon (PNG) Pty Ltd (28%), Melanesian Soap Products Pty Ltd (55%), Monier (PNG) Ltd (65%) and Progressive Traders Pty Ltd (75%), Consort Express Lines Pty Ltd (25%), Kiunga Stevedoring Company Pty Ltd (25%), Liquid Air Pacific Ltd (40%), North Solomons Stevedores Pty Ltd (50%), Port Services PNG Pty Ltd (49%), Pacific Towing (PNG) Pty Ltd (50%), Steamships (JV) Pty Ltd (50%) and Vita Monier (PNG) Pty Ltd (33%).

Subsidiary companies owned outright were: A.N.G. Timbers Ltd, Aegean Shipping Ltd (incorporated in Liberia), Boomi No 82 Pty Ltd, Boroko Hotels Pty Ltd, Brandon Shipping Ltd (incorporated in Liberia), Brown River Timber Co Ltd, Chards Forwarding Services Pty Ltd, Colyer Watson (New Guinea) Pty Ltd, Coniston Shipping Ltd (incorporated in Liberia), Ferncross Pty Ltd, Gateway Hotel Pty Ltd, Korfena Finance Ltd, Lae Hotels Pty Ltd, Lamington Hotels Pty Ltd, Lewellen Shipping Ltd (incorporated in Liberia), Melanesian Detergent Products Pty Ltd, Mount Hagen Hotel Pty Ltd, Nebiri Quarries Pty Ltd, Offshore Investments Pty Ltd, Pacific Islands Corporation Ltd, Papua New Guinea Shipping Corporation Ltd, PNG Mainport Liner Services Pty Ltd, PNG Offshore Tug & Salvage Pty Ltd, Rabaul Stevedores Ltd, Smuggler Motel Pty Ltd, S.O. Svensson (NG) Pty Ltd, Steamships Forwarding Services Pty Ltd, Steamships Pty Ltd, Tanubada Food Processors Pty Ltd, and Toba Pty Ltd.

Following the Annual General Meeting in November 1989, A.F. MacKelden and D.M. Turnbull retired from the Board. David Turnbull had been transferred from John Swire Investments Pty Ltd to the position of Managing Director, Hong Kong Aircraft Engineering Co Ltd (and continued on the career path that would eventually take him to the top of Swire). He was replaced on the Board by Swire nominee J.W.J. Hughes-Hallett, Managing Director of John Swire & Sons Pty Ltd.

James Hughes-Hallett was born in England in 1949, and was educated at Eton and Oxford University, where he took a BA degree in English Literature. He qualified as a chartered accountant in 1973, and in 1976 joined John Swire & Sons as a management trainee. He served in managerial positions in Hong Kong, Taiwan and Japan, and in 1984 was promoted to Shipping Director, John Swire & Sons, Japan, and then to the position of Managing Director, John Swire & Sons, in Sydney. Hughes-Hallett met his American wife, Betsy, while in Japan, and at the time of his appointment to the Steamships Board the couple had a young daughter, Molly. Hughes-Hallett subsequently became Chairman of Swire Hong Kong, and finally of Swire London.

Bill McLellan retired as Managing Director at the end of September 1989, but remained on the Board as a non-executive Director. He was replaced by David Copland, whose appointment as Managing Director was confirmed at the November Board meeting.

Both Bill McLellan and Bill Lawrence were awarded OBE’s in the Queen’s Birthday Honours List of June 1990, for services to business and the community. Like the Managing Directors who had preceded him, McLellan had been a strong supporter of many community activities. “I guess one of the things that surprised me was the Government deciding to give me an OBE,” Bill McLellan said in a recent interview. “That was unexpected. I think it was probably for the work I did in getting the Institute for National Affairs up and running, in 1977. And I worked with Neil Nicklason on the Forest Industries Association.

“I stayed interested in the Institute for National Affairs for many years. I stepped down when my capacity for input wasn’t there, after my home invasion injuries. I think it was a useful contribution at the time, and my understanding is that some of the research is still referred to. We did a series of studies on law and order, trying to help the Government to form good policies...

“The bloke in Government I lift my hat to is Bart Philemon. I think he has done a great job, effecting some control in terms of the nation’s resources and income. I had two stints with Bart on the Board of Niugini Tablebirds. I went on that Board at the request of Graham Goudie, before I took over Steamships from Don Harvey, and after I retired as Managing Director they asked me to come back. So I was on the Steamships Board and the Tablelands Board, and I also went on the Collins & Leahy Board, which kept up my interest in PNG.

“I still have a soft spot for PNG, despite the things that can happen to you. The country has so much potential, and except for about three years, I spent my whole working life there...”

CHAPTER TWENTY-FOUR

A NEW DECADE

The decade of the 1990s was to be a wild, roller-coaster ride for PNG in many respects. Amongst other things it saw the nation’s first threat of a military coup, a disastrous volcanic eruption, and the election of the most bizarre government to hold office since Independence, a government whose erratic policies would push the nation from relative prosperity in the first half to the very brink of economic disaster in mid-1999, and leave it dangerously isolated from its geographical neighbours, and the principal credit agencies of the developed world.

The decade opened badly. International prices for coffee, copra, cocoa and palm oil were in free fall - the up and down cycle that traditionally rules in the tropical agriculture world. This resulted in a decline in gross domestic product (GDP), producing the first recession since Independence.

To counter this bleak situation, the Government devalued the kina by 10%, reduced its spending by K10 million, put a clamp on wages growth, and introduced a zero credit growth policy for the private sector.

Frequent challenges to Government by means of no-confidence motions had bedevilled PNG’s political processes since Independence, and in a valiant effort to correct this, the Namaliu Government introduced a Bill to change the Constitution to curb their frequency. This became law in 1991, giving newly elected governments 18 months in office before no-confidence motions could be brought.

1991 thankfully also saw the excitement and pageantry of the South Pacific Games, most effectively staged in Port Moresby and Lae, which gave the people of PNG an enormous boost in confidence and optimism. But the effects of the closure of Panguna copper mine in 1989 were beginning to bite, rural cash crop prices remained at the bottom of the cycle, and there was a further drop of 4.9% in GDP. There was a sharp rise in unemployment.

The strong performances of Ok Tedi, Porgera and the Misima Gold Mine masked the serious situation prevailing throughout the rest of the country. Law and order continued to decline. There was an escalation in crimes of violence, and curfews were imposed in Port Moresby, Lae, Goroka and Popondetta (and in January 1992, landowners illegally forced the closure of the Mount Kare gold mine, in defiance of government authority).

The Government now realised that the kina devaluation had achieved little, apart from spooking potential investors, and that the future growth of PNG largely depended on a

vibrant private sector. Obstacles to development had to be tackled if investor confidence was to be restored. A series of measures to enable the private sector to expand was announced. 50-50 joint ventures with PNG groups would now be classified as local enterprises. NIDA - National Investment & Development Authority - would be replaced by an Investment Promotion Authority. Restrictions on work permits for expatriates would be eased, limits to customary compensation claims introduced, and undeveloped leasehold land reallocated.

1992 was a year of change. In June, a Coalition Government led by the intelligent Highlands politician, Paias Wingti, won the National Elections from the Namaliu Government, by the narrowest of margins. Sir Julius Chan, Deputy Prime Minister, became Minister for Finance. In the same month oil flowed for the first time in PNG from the Kutubu wells developed by the Chevron consortium. By the end of the year, 19.4 million barrels had been exported. Inflation fell from 7.2% in 1991 to 4.3%.

PNG wage rates were still far above those paid in other Pacific countries, let alone Asia. At the beginning of 1992 factories in Fiji were paying their workers the equivalent of 57 toea per hour, compared to the PNG rate of K1.43. An adjustment of PNG wages was inevitable, for the high cost of unskilled labour was killing off business expansion, and severely limiting employment opportunities.

In September, a National Minimum Wage was gazetted, reducing the previous minimum urban wage of K60 to K23 per week. Although this was barely sufficient to sustain life in big towns like Port Moresby it was seen as an entry wage, a stimulus to companies to employ more people (Steamships immediately employed 100 additional workers on six months' probation on the new wage K23 per week, with many later moving into permanent, higher-paying jobs. Other large companies followed suit). A job at K23 a week was better than no job at all, which was the fate of the majority of young uneducated men and women who were drifting in from the villages to the towns.

In November 1992, Finance Minister Chan brought down an expansionary 1993 National Budget, its stated aim to stimulate the economy. He had inherited a deficit of K220 million, and now proposed another, of K161.7 million. The rate of company tax for non-mineral/oil companies was reduced from 30% to 25% and marginal rates of income tax were also reduced. Raw materials, previously imported duty-free, now incurred a basic import levy of 10%. Exchange controls were relaxed.

These and other measures were well received, but the 1993 Budget failed to deliver the expected kick-start to the economy. The oil and forestry sectors performed well during 1993 as did the agricultural sector, but the volume of gold exports fell slightly. Copper exports increased marginally, but the price plummeted to the lowest point reached that century.

Expenditure was well beyond budgeted levels, and was lavished on recurrent, not capital works. The deficit blew out to K231.5 million, and by March 1994, oil prices had fallen to US\$14 per barrel. With the deficit heading towards K400 million, a mini-Budget was introduced, raising personal income taxes, and increasing basic import duties. The duty on fuel was doubled, and Government expenditure cut by K54 million. However, for the first time in many years the law and order situation was to some extent stabilised, the Government acknowledging that crime had to be reduced if new investment was to happen.

Disaster struck on 19 September 1994. The volcanoes Tavurvur and Vulcan, situated on either side of the town of Rabaul, violently erupted. Over the following days heavy

thunderstorms tore across Rabaul, and thick pumice mud came down, covering and destroying most buildings in the southern and eastern parts of the town. There was massive damage to cocoa and palm oil plantations. The population fled the town, most to nearby Kokopo. The entire future of Rabaul lay in the balance.

The eruptions also unhappily coincided with a 6% reduction in gold exports, due mainly to violent disruption to Porgera operations. On the other hand, coffee prices were at a record high and returns from log exports were also strong. Copper exports increased by 7.8%, though oil volume declined by 5%.

Over 29,000 jobs had been lost between 1989 and 1993, but employment was on the rise when the double shocks of the Rabaul eruptions and the kina devaluation hit, all but wiping out the gains of the previous six months. The political ramifications were severe. In August 1994, there was another change of Government. Sir Julius Chan replaced Paias Wingti as Prime Minister, with Chris Haiveta as his Deputy and Minister for Finance.

It was quickly apparent that the rampant Government over-expenditure of the past several years combined with a strong rumour that the kina was about to be devalued, had resulted in a massive outflow of currency, which had seriously depleted PNG's foreign exchange reserves. On 12 September the Bank of Papua New Guinea devalued the kina by 12%. This failed to stem the loss of currency, and on 10 October the inevitable happened - the kina was floated, to allow its value to be determined by market forces. Thus ended 20 years of a hard currency regime that had served PNG well. By the end of December 1994, the currency had devalued by 20% - the beginning of what would be a rocky road. The Central Bank moved to mop up the excessive liquidity in the banking system of around 35%.

The result was inevitable. Trading stagnated. Commercial banks had virtually no funds for lending. Interest rates rose. Consumers were hit by substantial price rises across the board. In November the Government introduced a Supply Bill to cover the first quarter of 1995, removing the tax-free status of a cross-section of allowances, increasing excise duties and raising import duties. By the year's end the fiscal deficit was down to K125 million.

The National Budget introduced in March 1995, was firmly aimed at stabilising the economy over several years, and integrating PNG into the global environment. Spending emphasis would now be focused on to investment and development spending, the reserved activities list would be abolished, imports bans lifted and replaced by tariffs, and price controls phased out. The Public Service would be reduced by 4,000 positions and several Government Departments either abolished or amalgamated. A one-off inflation hit of 15% was forecast.

1995 was to prove a painful year. There was a rapid deterioration in the balance of payments and foreign reserves, caused by the previous inflationary budgets. A drop in Government spending was accompanied by a decline in the agricultural and forestry sub-sectors, but there was a general improvement in world prices. There was a similar drop in the performance of the private sector, with negative sales growth and a 23% decline in capital expenditure. The Highlands Provinces were hit hard by a disappointing coffee flush, and sales were down by 23%. The picture in the Islands region was more encouraging, with rebuilding and restoration progressing steadily on the Gazelle, and increased investment in Bougainville.

There was no improvement in the provision of public services, for so long in decline. Expenditure on maintenance fell. The key areas of education and health remained of

particular concern. Wages were still much higher than in competing countries and there was insufficient support given to the rural economy, on which 80% of the population depended. Law and order was again a serious problem.

But for the first time in many years, the economy was living within its means. And there were some encouraging developments. Gold had been PNG's predominant mineral export since the closure of the Panguna copper mine. The Misima mine had commenced production in 1989, and Porgera in 1990. The projected life of the Porgera mine had been extended to 2006. Ok Tedi was still producing gold as well as copper, and in 1995 the long-awaited Lihir Mine agreement was concluded, with landowners granted half of the 30% equity guaranteed to the State. Gold production was expected to begin in June 1997, with an estimated life of 37 years. The construction phase of the huge mine would have a significant multiplier effect on the local economy. Lihir Gold Ltd was listed on the Australian Stock Exchange, giving the Company a capital structure of some K600 million equity and K400 million debt.

In March the Government announced several significant mining and petroleum policy changes. After Lihir, a 5% share of the Government's 30% equity share in all mining projects would be given to landowners, and a 2% share of the Government's 22.5% equity in new petroleum projects. The royalty rate would be increased from 1.25% to 2%.

It was hoped that these measures would satisfy increasingly vociferous landowners, but unfortunately this was not the case. During 1995 there were a number of serious landowner/mine disputes, most notably at Ok Tedi and at the Kutubu oil project. Although the mining laws clearly specified that the ownership of mineral and petroleum resources was vested in the State, its ability to exercise this right continued to be violently challenged. The entire question of traditional land ownership in PNG was so impossibly complex and convoluted that obtaining title to land required for mining purposes was an extraordinarily difficult and protracted process, and even after agreement was apparently reached, ownership disputes could - and did - break out at any point. It was clear that unless the Government adopted a firm transparent and consistent policy in dealing with these disputes, the most important future source of foreign investment in PNG would be severely compromised.

The rewards for all the pain came in 1996, which was a year of solid economic growth. There was a significant increase in Government and international agency-funded infrastructure projects, particularly in National Capital District, continued reconstruction on the Gazelle, on-time development of Lihir, a stabilised exchange rate and falling inflation rate, slightly offset by a 13% decline in agricultural and forestry products, and a decline in coffee prices.

1997 was an altogether extraordinary year. In March came the Sandline crisis, caused by the Chan Government's strange, secretive plan to regain the Panguna copper mine from the Bougainville rebels by the employment of foreign mercenaries. The Army defied the Government over the Sandline affair, and for a few fevered days it looked as though PNG's first military coup was about to be sprung. The crisis was contained, but the repercussions were long felt throughout the country.

The Sandline affair fatally weakened the authority of the Chan Government. The National Elections in July led to the election of a new Coalition Government under Bill Skate, whose outlandish policies would soon bring PNG to the edge of economic disaster. In August the onset of a severe drought brought famine and misery to many parts of the Highlands, and rendered the Fly River unnavigable for five months, forcing the temporary closure of the Ok Tedi mine, and also forcing the Porgera mine to scale back production due to lack of water

for processing. The closure cost the Government some K30 million in lost taxes.

Prior to the drought the economy had been modestly flourishing. Interest rates were down to 8%, private sector growth had increased by some 16%, the construction sector had largely recovered and there was increased export income from record coffee and palm oil crops. But now the economy deteriorated dramatically. In addition to the effects of the drought, gold and copper prices fell steeply and the kina went into rapid decline. By March 1998, interest rates stood at 15%. Too much of the nation's scarce resources were still going into an overmanned and inefficient Public Service, and the rural infrastructure continued its decline.

1998 saw the decline continue. Mineral and petroleum prices remained low, there was a collapse in Asian demand for PNG timber, and the kina fell by 35%. The Central Bank drove up interest rates from 9% in early 1998 to more than 25% by October. Businesses struggled to service existing borrowings, and deferred capital spending. With no long-term debt market in PNG, the private sector was entirely exposed to short-term interest rates movements.

During the first half of 1999, economic policy lurched uneasily from crisis to crisis. Mineral and oil prices were at a 15-year low, logging was down and there was a fall in rural commodity prices. This all led to a serious imbalance in the current accounts and a run on the kina. There was a fall in the exchange rates of up to 40% against the currencies of PNG's main trading partners. The Skate Government's increasingly erratic policies led to the World Bank and the International Monetary Fund refusing funding to finance the ballooning budget deficit. Friendly donor countries made it very plain that they would no longer assist PNG while the Government remained at odds with the IMF on vital structural reform.

The Government was therefore thrown back on the domestic debt market, and by mid-year borrowings had reached K190 million, financed by the issue of new Treasury bills. T-bill rates reached over 28%, and official reserves were at a dangerously low level. The National Provident Fund indicated it would be reporting substantial losses, probably in excess of K150 million.

Private sector credit was further restricted when the commercial banks were forced to deposit 15% of their funds with the Central Bank, interest-free. The economy was further weakened by a proliferation of fast money pyramid selling schemes throughout PNG, resulting in the loss of around K200 million in personal savings. These schemes were eventually outlawed, but left a bitter legacy.

Finally, in desperation, the Skate Government recognised Taiwan, in return for substantial budgetary assistance, which placed PNG at odds with China, Australia and USA.

The heat was too much for the badly discredited Skate Government. In July, faced with the threat of a no-confidence motion, Skate resigned office and the well respected banker and economist, Sir Mekere Morauta, formed a new Coalition Government.

It was in the very nick of time. Morauta took swift action to repair the situation, re-engaging with the World Bank and the IMF, and turning to Australia and other APEC neighbours, including China, for immediate financial assistance.

New policies quickly produced results. At the end of the 3rd quarter the kina had recovered by 25% from the previous lows. The T-bill rate was down to 20%. A Value Added Tax of 10% was introduced. This had been twice deferred because of fear it would fuel inflation,

but principally because of outraged opposition from Provincial Governments, which lost their right to levy sales taxes.

By year's end the kina was again beginning to slide. There was a general feeling that the Morauta Government, though willing, might find it politically impossible to make substantial headway on key issues of economic reform. But Morauta had demonstrated that his Government was trying, and the international community took note. Time would show whether or not Morauta would succeed.

It was against this unusually turbulent background that Steamships Trading Company went about its business during a decade that was, by any measure, momentous.

DAVID COPLAND

David Copland was Managing Director during the first half of the decade, and during his stewardship the Company performed well under the difficult trading conditions sketched above. Copland had his own distinctive management style (disconcerting to some newly appointed staff!) and he built up a strong team of executives, who supported him loyally.

"I always used to warn new people, you'll get these funny phone calls, particularly early in the morning about 7.30," John Dunlop recalls. "Bla-bla-bla-bla! Then the phone would be slammed down in your ear and you'd think, what on earth have I done wrong? The answer was, you've probably done right. You probably told him what he wanted to know, and he was just on to the next 'phone call. That was David's style, and he got a lot of work done in a day..."



Main Store, circa 1990

Photo: Steamships archives

Copland was able to win the backing of the Board for the major decisions that meant most to him. As we have seen, Steamships had been following a policy of localisation for years past, but under Copland this policy was intensified. He believed the times were right for the rapid replacement of as many expatriate employees as possible with nationals - but only where the nationals were qualified: no window-dressing was indulged in. He was a believer in sound training, and in what is known in the jargon of today as Human Resources development.

Copland had appointed a girl from Hanuabada, Anna Sioni, as his secretary when he was appointed a Director, and she moved with him when he became Managing Director. "She stayed with me until I retired," he recalled in a recent letter. "Along the way she married and had a couple of kids. Anna was the first Papua New Guinean in this position, and there were considerable adverse comments from some Directors about the likely loss of confidentiality of Board matters into the local community, etc, etc.

"But there never was one instance of leakage of Company information, and Anna gained the respect of all Directors and staff over the years for her professionalism. She also never took any nonsense from the likes of Scott or Leahy, and gave as good as she got. She was a gem.

"Another legend was Tonore Dunutu, who was Don Harvey's houseboy for many years, worked for Bill McLellan when he was MD, and came to us during my time in the chair. At the last 20-year plus lunch in my time, Tonore was the longest-serving employee in the Company at 42 years. Don Harvey opened up an account for him and Bill also contributed when he retired, as I did when I finished up. As Tonore was also retiring he became eligible to get the money, but he asked Anna Sioni to be the signatory on the account with him, as he was afraid his wife, Kuni, would give all the money to her church!"

Copland fully accepted the vital importance of computerisation in the modern business world, and credited the centralised control that computers made possible for much of the reduction in expatriate staff numbers, particularly among the ranks of the accountants. Steamships' first IBM AS/400 mainframe was installed as Copland was taking over the top job.

"The Company was stretched from Vanimo right down to Milne Bay," Copland recalls. "The introduction of AS/400 computers was a big thing in terms of the overall management and culture of the Company, and it all happened so fast. I remember when fax machines first came out, Bill McLellan and I had a two-hour meeting with two of the Coopers & Lybrand partners in the Board Room, to decide whether Steamships should buy fax machines! Not computers, fax machines! What fax could do, what it couldn't do, and how it would effect the Company.

"That's how fast it all changed. Having the AS/400 at head office meant that I could really know what the hell was happening with the Company, anywhere in the country. And we did so many things, including writing our own programmes for each Division, which improved stock control. A real plus was the capacity of Papua New Guineans to absorb the technology, like a sponge. And be absolutely brilliant computer operators. The specialists who came up from Australia to install the various systems were quite amazed.

"And the reality was that because of the controls I'd got, in the time I was boss we were able to cut the expat staff from around 220, when I started, to the 70's. I didn't do it for political reasons, but because it was right. And nationals only got the jobs if they deserved them..."

In November 1989, a proposal was received from a Fijian company, Datec (Fiji) Pty Ltd to establish a joint venture incorporating Steamships’ Computer Division, known as Office 2000. The principal purpose of the proposal was to market the products of the giant IBM Corporation within PNG. John Dunlop recalls how the JV company was formed:

“The Ah Koy family were the agents in Fiji and some other Pacific Islands countries for IBM. Steamships was the IBM agent in PNG. Mike, the younger son, came across and negotiated with David Copland to put together a 50-50 joint venture for the IBM Agency, which became Datec (PNG) Ltd.

“Mike was initially the manager, and stayed as a Director right through. His younger brother, Tony, was also manager for several years. It has been an extremely good joint venture. They have the computer skills right across the Pacific, and we have the PNG skills, and the finance. It has been a very profitable business...”

The Annual Reports during Copland’s period in office were copiously illustrated with photographs and brief details of Steamships’ valued national employees. Copland also introduced a well designed and printed semi-quarterly periodical, the Steamships News, aimed at keeping employees informed of Company activities, recognising long-serving staff, and promoting and supporting sporting events, in which most Steamships people were keenly interested. The first issue appeared in September 1989, and was published on a more or less regular basis, until recent years. It was revived in 2006 as a fortnightly staff magazine sent out by e-mail, titled Eda Sivarai.

As noted previously, Copland took over at a bad time in PNG’s economic affairs, but an operating profit of K4.854 million was earned during the 12 months ending June 1990, although this was substantially below the previous year.

The 1990 Annual General Meeting approved the changing of the Company’s reporting year from June to December. A loss of K890,000 was incurred in the July-December 1990 period - the first for many years - but there was a substantial improvement during 1991, the 18 months to December producing a pre-tax profit of K9.514 million. An overall dividend of 30 toea was paid to shareholders.

The Company was of course hard hit by the general decline in trading conditions, the drop in Government spending, the kina devaluation, the loss of Bougainville business and the increase in interest rates. But several of the Divisions performed unacceptably, and a series of structural changes followed, designed to improve future performance.

On 1 January 1991, a 50-50 joint venture company, Laurabada Shipping Services Pty Ltd, was formed with Century Group to amalgamate shipping services on the Papuan coast. In April the transport and customs operations of Chards Forwarding Services were merged into Port Moresby Transport Ltd, in which Steamships also acquired a 50% shareholding. The airfreight operations of Chards were transferred to a joint venture with Circle Airfreight International.

The Queensland firm, Transfield Construction Pty Ltd, which in May 1989, had entered into the joint venture company, Transfield NGI, with Steamships, declined to exercise its option to purchase 50% of the Company’s steel operations, and withdrew. Another JV company was subsequently formed with Hornibrook Constructions Pty Ltd, which incorporated the Hornibrook steel fabrication operations in Port Moresby and Lae with Steamships’ fabrication and container operations in Lae. David Lee was appointed general

manager. The new company, Hornibrook NGI, had the capacity and expertise to handle all fabrication requirements for the largest of development projects, in-house.

In September, subsidiary company Monier (PNG) Ltd purchased the pre-mix concrete and pre-stressed concrete beam business of Transitmix, which held a 50% share of the Port Moresby market.

Capital expenditure continued at a level that reflected the depressed economic conditions, but it was still substantial, falling to K13.055 million from K17.345 million the year before. Amongst other projects the upgrading of the Highlander and Gateway Hotels was completed, and the very large cold storage facility at Gerehu was opened for business. The big Stop and Shop retail supermarket in Port Moresby was relocated from rented to company-owned premises, which were then enlarged by 40%.

THE SOUTH PACIFIC GAMES

The spirit of the nation received a tremendous and much needed fillip in September 1991, when PNG was host to the island nations of the South Pacific for the region’s major sporting event, the Ninth South Pacific Games. Held every four years, the inaugural Games were staged in Suva, Fiji, in 1963, contested by 770 competitors and officials from 12 countries. In subsequent years, the Games had been held in Fiji (1979, 2003) New Caledonia (1966, 1987), Tahiti (1971, 1995), Guam 1975, 1999), Western Samoa (1983) and Papua New Guinea (1969, 1991).

The number of countries and their contingents increased with each successive Games, and



1991 South Pacific Games, Port Moresby

Photo: Steamships Archives

the standard of competition between the athletes steadily improved. Although there was always strong rivalry between the competing teams, the Games had been notably successful in developing ties of friendship and understanding among the peoples of the South Pacific.

These Ninth Games were the largest yet, most of the events being contested in Port Moresby, with others in Lae. 1,864 athletes and 630 officials from 16 nations attended the Games, which were opened on 7 September by HRH Prince Andrew, Duke of York, in the Sir John Guise Stadium in Port Moresby, one of the splendid venues specially constructed for the Games.

All who were privileged to be present at the Games will remember the flawless organisation and brilliant staging of the many events. There were no disturbances, total harmony prevailed. PNG emerged the winner in the medal tally, with 100 overall, including 44 gold and 29 silver. French Polynesia and New Caledonia were the runners-up, but none of the island nations disgraced themselves. All won medals, except for tiny Niue and Northern Marianas - but all won in terms of the lasting legacy of goodwill and pride generated by the Games.

Staging the Ninth Games was a formidable task, and under the chairmanship of Bart Philemon the Games Foundation was able to finance, organise and manage the Games at an operating surplus before capital assets, which remained after the Games concluded for the future use of the nation's sportsmen and sportswomen.

It was however necessary to call upon international aid and the private sector to help with the huge expense involved in constructing stadiums in Port Moresby and Lae, and other infrastructure. In common with other large companies, Steamships was a major supporter of the Games, supplying goods, prizes and hotel accommodation to the value of K80,000.

HIRI MOALE FESTIVAL

Associated with the Games in Port Moresby was the Hiri Moale Festival, which celebrated the exploits of the Motu seamen who in years past sailed their great double-hulled twin-masted lakatoi canoes on annual trading voyages along the Papuan coast. "We took up the sponsorship for the Hiri Moale," David Copland remembers. "Every year we funded the construction of a lakatoi from the villages chosen on the coast for that year. And I think that because of Steamships' seafaring heritage, it went down pretty well. The old guys enjoyed it all, and getting involved in canoe building again..."

The last of the great Hiri trade expeditions had taken place many years before, in 1959. Two lakatois made the journey to the west. One, built by the people of Kido village, left in January 1960, on the return voyage from the western shores of Kerema Bay, fully laden with sago. By midnight a howling north-westerly was buffeting the craft, which began to sink.

Steamships' K boat, MV *Kuku*, had been loading copra at Petoï when the storm struck. Next morning she left in dead calm seas for Port Moresby. Engine room hand Dogodo Hekoi was at the wheel when he spotted what he thought was a nipa palm tree floating in the distance. He asked the skipper for the loan of his binoculars, and saw that the object was the wreckage of a lakatoi, with people clinging to it.

The little *Kuku* was heavily laden with deck cargo, and after talking with the survivors, the Captain went into nearby Kukipi Administration station to discharge the deck cargo and make space for the villagers. The vessel was back at the scene in less than two hours.



Loaded Lakatoi

Photo: Courtesy James Sinclair



Lakatois

Photo: Courtesy James Sinclair

In the meantime, two Kerema people on the lakatoi tried to swim to shore. One turned back after a couple of minutes; the other kept on. He was never seen again. A week later the wrecked lakatoi was washed up at Fisherman's Island where it was repaired and put into use by the villagers there.

In 1993, Steamships sponsored the construction of a lakatoi by the Meii villagers in Kerema Bay, to represent the Erima people. The great canoe was launched in August at a colourful ceremony attended by thousands, including Company representatives and VIP's from Port Moresby. It was named *Vevaubada*.

All that now remained was for the selected crew to sail *Vevaubada* to Port Moresby, in time for the start of the Hiri Moale Festival on Independence Day - 16 September. It was a voyage of some 200 kilometres, and the south-easterly wind was rising. Nevertheless, the young crew, all expert canoemen, believed they could make the voyage using afternoon breezes and early morning gusts.

But then the winds really started to blow, and by 8 September it was obvious that *Vevaubada* was not going to be able to get to Moresby without help. This was immediately forthcoming. Steamships sent the staunch steel tug *Ok Tarim* under its master, Captain Madmai Tuba, which took the lakatoi in tow. But from the moment the big seagoing tug cleared the notorious Kerema Bar it was ploughing into gigantic waves, which battered the lakatoi so heavily that Captain Tuba was forced to turn back.

Ok Tarim had an urgent assignment waiting in Moresby, and Captain Tuba hastened there, promising to come back when the winds had abated. He returned on 13 September. There was now only three days remaining before the start of the Festival. The weather was still appalling, but the crew decided they had to take the chance, and late next afternoon the tug again took the big lakatoi in tow.

It was a nightmare voyage. The swells were more than two metres high and water poured into the lakatoi's twin hulls. The tug hove to every 20 minutes to enable the crew to bail. Nobody slept, or ate. Next morning they were abreast of Iokea Village with a 25-knot headwind. *Vevaubada* began to sink, but the 13 crewmen refused to abandon her. By nightfall they were off Kairuku Island with the lakatoi floating under water, her back mast snapped off and her sails in tatters. The crew had not eaten for two days; they were very hungry, very cold, and totally exhausted.

They could go no further. Captain Tuba dropped anchor. The crewmen tried to swim off the lakatoi to *Ok Tarim* but the wind and waves were too strong, and they hung on, convinced they were going to die. Then, on the morning of 16 September, a miracle occurred. The winds had fallen overnight, and the sea was quite flat. All on board the lakatoi and the tug cried their amazement and thanks. The anchor was raised, the tow was resumed. The Festival would be commencing in less than five hours.

Hundreds of colourfully dressed Motuan, Koitabuan and Erima dancers lined Ela Beach, watched by thousands of spectators, waiting for the opening ceremony to begin. They had all given up hope that *Vevaubada* would arrive in time. Two lakatois from Manu Manu and Boera Villages set sail from Manubada Island for Ela Beach, surrounded by countless smaller craft. The sea was calm, and white clouds floated in the clear blue sky. A myriad drums began to beat.

Then out of the west came *Ok Tarim*, charging through the fleet of small canoes and obviously towing something. The shouting died, the drums stopped their beating. Then the cheering began. *Vevaubada* had arrived! Kerema spectators stood with tears streaming down their faces. And the opening ceremony began.

Steamships continued to sponsor Hiri Moale, and also events like the Sogeri and Port Moresby Shows.

THE COCA-COLA SALE

The major event of David Copland's early stewardship was the sale of the Coca-Cola operation in Port Moresby and Lae to Coca-Cola Amatil, a subsidiary of the Coca-Cola Company of Atlanta, USA.

It will be recalled that preliminary negotiations for the sale had commenced just before Bill McLellan's retirement as Managing Director, but it was David Copland who brought the sale to fulfillment, and at an extraordinarily favourable price. The Board was happy to sell. Soft drinks came under the Price Controller, and it was becoming tiresomely difficult to win approvals for essential price increases, although the Beverage Division was one of the better-performing Divisions.

"The sale was at the behest of Coca-Cola," Copland recalls. "The Board would have been happy to take 16 million for the operation. It took me twelve months to bring off the sale. Luckily after a hell of a lot of work I got a price increase early on in the negotiations, so we were starting off on a pretty good high.

"The Board said, you'll never get more than 16 or 17 million but I said, we'll see! And at the end of the day it was the unheard-of sum of 27 million kina! So we had all this cash, it really gave us the capacity to achieve what we did over the next few years, which was really to kill off Burns Philp, and get them out of the market. And there were new ships. The balance sheet changed dramatically!"

The contract for the sale was signed on 20 May 1991. Even as the contract was being signed the Board had doubts whether the sale could be concluded, as the Lae plant and offices were located on a very large block, originally owned by NGI, which had other Steamships operations on it. The portion on which the Coca-Cola plant was located would have to be excised, and a new lease issued. This was a process that could take literally years to conclude in PNG at that time.

"At the time of the sale the Lands Minister was that colourful PNG identity, Sir Hugo Berghuser," David Copland remembers. "I had known Hugo on and off since the early 70s in Lae, where he had a small-goods shop. I went along to see him, and plead my case for getting the land transfer through. To my absolute astonishment he agreed to approve the transfer, and the new lease was issued in a matter of two weeks!

"Some time later I asked Hugo why he had approved and pushed through the Coke transfer so quickly, and he just said - 'I thought it was right for PNG'".

The settlement statement gave a total inflow to the Company of K27.394 million, after allowing for the payment of employee benefits. The after-tax profit amounted to K23.642 million. A small portion of the proceeds was used to retire short-term debt, and the balance was placed on deposit to await future investment opportunities. (It can be noted here that

the purchase of the diesel launch, Sutherland, was concluded. The craft was the first of the several vessels purchased over the following years for recreational use by staff, and for the entertainment of corporate clients.)

1992 was a good year for Steamships. It began with the knighting of the Chairman, Sir Daniel Leahy, “for outstanding service to business and the community service” in the New Year Honours List. James Hughes-Hallett retired in November, following his appointment to a senior Swire position in Hong Kong. He was replaced by J.C.G. Bremridge, newly appointed assistant to the Managing Director of John Swire & Sons Pty Ltd.

Despite trading conditions that were still depressed in all but the mining sector, a profit after tax (and for the first time including equity accounted results from associate companies and joint ventures) of K8.511 million was realised. Sales of K177.283 million were 8% higher than the previous year. The results reflected the rationalisation and reorganisation of the previous 18 months, with strong contributions from Shipping, Merchandising and Manufacturing, and improvements in the performance of Automotive and Hardware. The Industrial Division suffered from the depressed construction industry in Port Moresby, but Hotels did well.

The Shipping Division benefited from the formation of Laurabada Shipping Pty Ltd, and from contracts won to deliver pipe to Kopi for the construction of the offshore section of the Kutubu oil pipeline. Much of the camp equipment and earthmoving machinery had been transported to Kopi, the base camp on the Kikori River for the Kutubu Oil Project, by Shipping Division tugs *Ok Menga* and *River Mori*, towing the barges *Pacific Dove* and *Steel*



Erima Chief

Photo: Courtesy Post-Courier

Voyager. Erima Chief was also chartered to the project, to work between Kopi and Kaiaam, the furthest navigable point on the Kikori. The operations of Rabaul Stevedores and associate company, Port Services PNG Pty Ltd, were also profitable, in difficult conditions.

Several of the joint venture companies also operated profitably, particularly Hornibrook NGI, Port Moresby Transport and the salvage division of Pacific Towing, in which Steamships held a 50% interest (the other half being held by Pacific Marine Pty Ltd, a joint venture between Howard Smith Industries, and Adelaide Steamships Company).

In May the Engineering and Marine Services Shipyard in Port Moresby was leased to Hornibrook NGI, and the plant and equipment was sold to that company. The manufacturing assets of Vita Monier were sold in the same month. The subsidiary company, Papua New Guinea Shipping Corporation, through its 38.9% participation in Chief Container Service, had a much improved year, as did Consort Express Lines, in which Steamships had a 25% shareholding.

The big move came in July.

THE BURNS PHILP TAKEOVER

As we have seen, the great Islands trading, plantation and shipping company, Burns Philp (New Guinea) Ltd, had been Steamships major competitor in the early days of the Company's existence. By 1991 Steamships had long overtaken the W.R. Carpenter interests, and had forged ahead of Burns Philp in PNG operations (in August 1993, Steamships lodged a K11 million bid for 100% of the equity in the W.R. Carpenter (PNG) Group. This was rejected, but the Board directed that negotiations continue, “as long as any purchase is a bargain for Steamships”).

Burns Philp wanted to pull out of PNG and concentrate its major operations elsewhere. In October 1989, the first of the Company's retail stores, at Kavieng, was sold. The shipping, transport, stevedoring and agency operations of Burns Philp and Robert Laurie Carpenter were amalgamated, as from 1 November. The operation traded under the name, Century Group Pty Ltd, with Campbell Smith as Managing Director.

Burns Philp now wanted to rationalise its shareholding in Port Services and Consort Express Lines. After negotiation Steamships agreed to purchase Burns Philp's 4,857 shares in Port Services, which equalised the shareholding at 50% Century Group, and 50% Steamships.

The Big Firm still had many outlets in strategic locations, and it made excellent sense for Steamships to acquire what they wanted of these. Thanks to the Coca-Cola sale, the Company was in a position to do this.

In September 1991, Burns Philp announced it was preparing to sell out of all its merchandising and hardware activities. Copland recommended to the Board that “serious negotiations” be commenced with Burns Philp, for Steamships to acquire the Burns Philp businesses in Papua, and the Steamships-Collins & Leahy JV to take over the New Guinea businesses. Several Directors expressed reservations, fearing that the move would invite an attack on the Company for getting too big for its boots. But management convinced the Board that this was not now as sensitive an issue as it might have been several years ago, and approval was given to proceed.

Burns Philp was asked to provide trading figures for the retail and hardware stores.

Steamships was mainly interested in the Boroko, Port Moresby and Kiunga outlets, whilst Collins & Leahy were principally after the stores in Mount Hagen and Goroka. Negotiations continued, and in March 1992, Burns Philp made a formal offer to sell the Boroko, Lae, Wewak, Mount Hagen and Goroka properties for K3.856 million plus stocks, plant and equipment for a total of K7.106 million. Burns Philp also asked for a goodwill element of K5.250 million, but the Board refused to entertain this.

A counter-offer of K6.059 million with stock at agreed valuation was made, and the deal was finally concluded in June, with what the Board Minutes note as “a minimum of disruption. Everything very smooth. Plant and equipment purchased at very acceptable prices.” The Burns Philp store in central Port Moresby was leased, and the Steamships subsidiary company, Progressive Traders Pty Ltd, was assigned the lease on the Burns Philp store in Kiunga.

Burns Philp also offered their main Badili complex, situated on a 4.70 hectare block, for K3.150 million. This included a large warehouse. The purchase was concluded for K3 million.

STAFF

At this point Steamships was employing a total of 2,620 staff, of whom 107 were expatriates. Some 400 staff were transferred from the Burns Philp businesses, while 150 were lost in the closure of the Vita Monier and EMS operations, mentioned above.

Some nationals had been with Steamships for very long times indeed. In November 1990, David Copland presented Long Service Awards to 40 staff members. Among them were nine men whose service to the Company totalled 318 years! The four most senior were Mick Ruatona, with 42 years, followed by Iava Sioa, 40 years, and Tonore Duntutu and Paul Evi, each with 38 years.

There had been a number of changes of expatriate staff at senior level since Copland took over. Ian Robertson, Chief General Manager, retired at the end of December 1991 and Ray Ritchie, Divisional Manager Industrial, in June 1992. The head of Merchandising, Lloyd Morris, left because as one observer notes, “he couldn’t see eye to eye with David.”

Keith Moore, manager MIS Division, resigned, as did Colin Currie, Chief Accountant Industrial and Manufacturing, and Harry Porter, Chief Accountant, Hardware and Property. John Leigh was appointed to the position of Divisional Manager Transfield-NGI, and Ole Eskildsen of Management Information Services, replacing Keith Moore, who had left the Company after six years’ service. Chris Enright and Nigel Marshall took over Property and Hotels, respectively. In November 1992, David Cox joined the Hotels Division as Operations Manager. Cox was to have a rapid rise in the Company, as we shall see.

Danny George was recruited to run the Automotive Division. Two new Mitsubishi vehicles had recently been introduced to the PNG market, the Magna sedan, and the Pajero four-wheel-drive. Both were well received. Two mechanics, Simon Parinjo and Ken Pepena, were sent to Japan to attend special Mitsubishi training courses.

It was at this time that the longest-serving of the current expatriate employees of Steamships joined the Company. Eddie Ruha was born in 1959 in Te Kaha, a small town on the coast of the Bay of Plenty, New Zealand. He was educated at St Stephens Maori Boys College, Auckland University (where he obtained his B.Com degree) and Charles Sturt University (MBA).

In 1990, Eddie Ruha saw an advertisement headed, “How Would You Like To Work On A Pacific Island!” It had been lodged by John Dunlop, and promised “sandy beaches, palm trees and tropical sunsets”. This was such a striking contrast to New Zealand that Ruha immediately applied for the job, Accountant, Merchandise Division (Wholesale). He arrived in Port Moresby with wife, Denise, their son, Luke, and daughter, Ashley, on 14 December 1990 - and is still there.

“The 1990s were a turbulent time for both Steamships and PNG,” Ruha said in a recent interview. “My early memories were the frequent curfews because of the law and order issue. I started with Associated Distributors, which was part of Merchandise Division. There were three expatriate accountants and eight national accountants in the Division. Paul Daulman, the Chief Accountant, was an Englishman, he left in mid-1991. Phil Adamson replaced him. Retail and Wholesale accounts sections were soon merged. I worked at the AD office until 1996.

“When I arrived Merchandise had an experienced management team in place. Mike Connelly was GM - he still owns Steamships shares. Doug Wilson was Wholesale Manager and Wayne Lee Retail Manager - he left Steamships and bought a tobacconist franchise. In the buying team there was Rick Donaldson, Graham Stevenson, Mel Edwards and Mark Patterson, who ran the Marketing Department.

“I remember many others in Merchandise in different positions. There was Roger Hulett - he started Steamships’ Rugby 7’s which is still going to this day - Malcolm Baldock, Bill Foley, Ken Houghton, Mike Bosa, Edgar Perez, Allan Holland, Simon Miria, Jerry Allen, Dennis McLean (who later moved to Anderson’s and lost his life in a rascal attack in Lae), Wayne Woolly, who represented PNG in tennis and Rugby Union at South Pacific Games level, Tepa Chamilou, Charles Siaravita, Frank Willet, Gunay Aslan, Rodney James, John Lanham, Mark Breen, Ambrose Gorogo and Robert Sereva. These people, nationals and expats, did great work for us. Merchandise was very profitable in those days - until the ball game changed.

“In 1993 my three-year contract was coming up for renewal. John Dunlop offered me the position of Finance and Admin Manager (formerly called Chief Accountant) of Merchandise Division, so I signed on for another three years. I tended to keep my head down in Company politics, and concentrated on my job.

“The PNG staff I worked with included Mary Handen, who had returned from Tonga. She later took over from me as Finance and Admin Manager. Patrick Kiap - a great Rugby League player - took over from Mary when she was promoted to Personnel. Patrick worked for Steamships for 12 years. Others I remember were Roy Tom, still with the Company, Mapili Pip, Peter Bae, Eko Binene, Sere Toua and Margaret Hasu.

“We were very keen on all kinds of sporting activity in Steamships. As I have said, Patrick Hulett started the Steamships Rugby 7’s competition, in October 1990. He was ably assisted by Terry Hudson, of Shipping Agencies, and they both did a great job. It was played between 24 teams from throughout the Company, from Moresby, Lae, Highlands and Islands, playing over a weekend. I played in it for the first three years, and the national staff thought it was fun, getting stuck into the expats who played - which they did! Most of the staff were League players so the hits were pretty massive, but over the years there have been no serious injuries with staff, although one Managing Director ruptured knee ligaments, and David Copland broke his collar-bone trying to dive for a tackle...

“Today, with the reduction in staff numbers, the competition is played by 14 teams over one day. It’s ably organised by Yokin Kipie, who has been with the Company for years as an accountant with four Divisions...

“It was also in the 1990s that a golf tournament was initiated between the Divisions. It’s still happening, and has given a lot of national staff who don’t play the chance to have a hit at a golf ball. Another annual (golf) event is the Scott Cup, held in the countries that Swire operate in. The winner gets an all-expenses paid trip to Hong Kong to participate in a match against other Swire employees from around the globe. In recent times two Papua New Guinean staff won: Abel Pondek in 2004, and Yokin Kipie in 2006...”

The Company was also pushing ahead with the localisation of mid-range and senior management positions. Space does not permit a full listing but, for example, Tepa Chamilou was promoted to Assistant Store Manager, Boroko. Paul Matapepe became the first national manager of Huon Gulf Motel, while Newman Arita was appointed Assistant Manager, Lamington Hotel, Popondetta. In 1992, Janos Suagotsu, Systems Engineer with Datec, became the first national to become a CNE - Certified Network Engineer. There were only 300 in the entire world.

Joshua Matiha became Personnel Manager, MIS. In 1990, Matiha was sent to Macau to attend a Swire senior management course, the first national employee of Steamships to achieve this honour. John Bray became Manager of Operations and Communications, MIS Division, following a career with the Government Computer centre and in the commercial sector. Joe Dambui was sent to his home Province, East Sepik, to head up a newly-opened branch of Automotive. Thomas Gori was made Credit Controller of the Hardware Division.

The careers of senior national employees like William Malt, Vere Arava, and Mary Handen have been referred to previously. Waliyato Clowes, who joined Steamships in April 1987, transferred to Training, and in December 1990 won the Premier prize in the Annual Awards of the PNG Training and Development Society.

It will be recalled that David Tasion, the well respected ex-Commissioner of Police, had joined Steamships in August 1988. “He was as straight as a die,” David Copland remembers. In 1989, Tasion took over the position of Divisional Manager Personnel from Ian Smith. Marion Dredge was his assistant. In 1990 Tasion was sent to the INSEAD Business School at Fontainebleau, near Paris, to attend a Swire senior management course.

“I was rather reluctant to attend, as I have always been apprehensive about travelling to Europe,” Tasion later recalled. “This was because of the incidents of terrorising and war going on in the Middle East countries. But I was told to go!

“There were 26 course participants from various Swire Group interests in the Pacific and Asia region...during our five-week course we had many topics to cover including Financial Management and Marketing, Leadership and Decision Making, Communication, the Economy, New Products, Pricing, Corporate Culture, the International Monetary System, Advertising, Distribution, and many, many more.

“During the second week we were able to meet Sir John Swire and during the fourth week Sir Adrian Swire visited the campus and delivered a speech. On my return from Paris I visited the Cathay Pacific Staff Department in Hong Kong and whilst there was able to discuss with key Managers the many topics of interest to our Personnel Division...”

In September 1991, another very notable Papua New Guinean joined Steamships. Rose Kekedo was a member of a remarkable family. She was born in 1942 in Abau, where her father worked as a clerk in the District Office. Her mother, Mary, was a tireless worker for and supporter of the rights of national women, honoured with the title, Dame, before her death.



Rose Kekedo

Of the 10 Kekedo children, several achieved distinction. Roland Kekedo became one of the first national Patrol Officers. Rose completed her high school education in Australia before returning to PNG to attend Madang Teachers College. She subsequently became a lecturer at Goroka Teachers College, and then became the first national woman to become Secretary of a Government Department, Community and Family Services. In 1983, Rose became the head of the Department of Labour & Employment.

Her younger sister, Jean, was the only other national woman at that time to hold a senior position in the Public Service, serving as Secretary of the National Forestry Authority and later of the Civil Aviation Authority. She then became PNG’s High Commissioner to the United Kingdom.

It surprised many that Rose Kekedo would accept a position with Steamships, for as David Copland recalls she was “a very feisty lady, and we had crossed swords several times when she was Secretary of Labour, and I was President of the Employers’ Federation, which I was for five years. When she got the boot from Labour I asked her to come and see me, and I offered her the position of my Manager of Human Resources. She went away and thought about it, then said yes, she’d like to give it a go. We still had many an argument, though, because she was a feisty lady!

“But Rose was very good, and we got on really well. And she was connected to a lot of people, she could give good advice about what to do, and what not to do. And she saw that nationals weren’t being promoted within Steamships just as figureheads.

“The Australian Government had a programme where they sent down 200 national kids each year from Grade 10 to Queensland to finish their secondary schooling. They were all chosen on merit, and it was a super programme. I said to Rose, I want you to go down there each year, go round the schools at the end of the school year and interview them, tell them about Steamships, tell them we are looking for people to employ.

“Rose and I had a head-to-head over this. She said we should be taking kids out of Sogeri High and other schools, the kids who work hard up here in PNG, not those who go to Australia! But she went down, went around the Queensland schools, and came back a changed woman. She said, those kids are astonishing! You were right, she said, and I was wrong.

“So every year after that Rose would go down and interview kids, many of whom joined us. Later they extended the scheme to University, but I left Steamships before I saw how the kids who came out of the University system turned out...”

In his Managing Director's Message published in the March 1993 issue of the *Steamships News*, David Copland said, “the top priority in 1993 is TRAINING, TRAINING and more TRAINING! If we are to stay on top, and if our national staff are going to continue to localise expatriate positions then we have to do it better, at all levels of the Company's operations, and it is Rose Kekedo's objective to get the Training Department revved up to cater for all requirements in 1993.”

1993

As noted above, 1993 was a mixed year for the PNG economy, but Steamships earned a solid after-tax profit of K13.078 million, compared with K8.511 million the previous year. Sales of K205.524 million were 16% higher than in 1992. Most of the gains were made in the second half, when coffee production spurted and general trading conditions improved. However, there was an alarming increase in armed robberies, and physical assaults against Steamships' staff members.

All Divisions reported good results - particularly Shipping & Transport, and Merchandising - and the Automotive, Industrial, Hardware and Hotels Divisions all improved. Of the joint venture companies, Hornibrook NGI performed below expectation during the first half, mainly because of delays in implementing several major projects, in particular the Lihir gold mine, and a temporary cessation of capital works at Ok Tedi. A major tuna fishing factory was being planned for Madang by Robert Zuanich's Z Fishing Company. The contract for the construction of Z Cannery was awarded to Downer Construction, with Hornibrook NGI nominated sub-contractor for all stainless steel and aluminium work for this very large enterprise.

Capital expenditure for the year totalled K23.462 million. Many valuable properties were acquired. In June, New Guinea Motors (1988) Pty Ltd was purchased from the Japanese owners, Tomen Corporation. This company held the Isuzu and Land Rover dealerships (and the Mariner outboard motor dealership) for PNG. The Isuzu range of large trucks and buses ideally complemented the Mitsubishi range marketed by the Steamships subsidiary company, Toba Motors.

The deal also included a New Guinea Motors subsidiary company, Zorba Agencies, which sold non-original but high-quality spare parts and accessories in New Guinea Motors' branches across the country. After three years of static sales the PNG market for new commercial vehicles increased by 15% during the year to 7,805 units (although the sales of passenger vehicles declined). As a result, upgrading of showroom and workshop facilities was carried out at Automotive branches in all centres.

The premises in Madang occupied by the Carpenter's hardware operation, adjacent to Steamships' own store, were purchased, and re-opened as Nambawan Hardware. There was an addition to Steamships' Hotel Division, which had for some years been trading as Coral Sea Hotels. Coastwatchers Hotel, a 32-room property on the waterfront was purchased, complementing Steamships' existing Madang property, Smugglers Inn.

Early in the year, the Gateway, Melanesian, Smugglers and Highlander hotels joined Flag International, giving the hotels access to the world-wide central reservations system of Flag. A considerable effort was made to gain greater exposure to overseas markets. Exhibition stands were taken at several major travel shows throughout Australia, and specialised training of hotel staff in the areas of reception and food and liquor service was given by tutors from

Brisbane. Two young national chefs, Robert Gimbe and Robert Chuwe, took part in an advanced cooking competition in Queensland, performing very creditably.

The Budget Rent-a-Car franchise (located within the Hotels Division) was expanded to include Wewak, Tabubil and Kiunga. Budget was already operating in Port Moresby, Lae, Madang, Mount Hagen, Popondetta, Goroka, Alotau, Kavieng, Kimbe, Manus, Mendi and Rabaul, with a total of 147 vehicles.

The big Erima shopping complex in Port Moresby was purchased. The stock and agencies of Territory Cellars, a major liquor importer in Port Moresby and Lae, were acquired. Contracts were let for the construction of 11 quality townhouse units in Port Moresby and Lae. A considerable amount of refurbishment continued in other Divisions.

SHIPPING

In the earlier years of Company operations its small craft - the auxiliary ketches and the K-boats - had usually been captained by Company-trained national skippers. Expatriate captains still commanded the larger vessels, in more recent times mostly coming from the world-wide shipping operations of the Swire Group.

Geoff Cundle, General Manager, Shipping and Transport, was a Swire man, but from a Cathay Pacific background. “Geoff did a very good job getting Shipping and Transport Division bedded down the way I wanted, particularly in the financial area,” says David Copland. “There had always been a lot of top technical expertise from Swire secondees, but the financial results weren't quite there. Geoff was a quick learner who got things moving...”

In September 1991, Geoff Cundle was replaced by another Swire man. Born in Scotland in 1959, Captain Duncan Telfer brought many years of marine experience to the job. He obtained his Second Mate's ticket while working for Bank Line. He was “headhunted” by Swire Pacific Offshore, won his captaincy, and spent years in command of vessels in many parts of the world. He was also involved in a number of offshore construction and pipe-laying projects, salvage operations and deep-water towage.

In 1987, Captain Telfer became Shore Superintendent of Swire operations in West Africa, and the following year was seconded to Steamships as National Manager for Stevedoring activities. In 1990, he became Divisional Manager, with responsibility for all coastal and charter vessels, including those engaged in the Ok Tedi copper contract work.

Duncan Telfer was a “character”, convivial and outgoing, but a very competent master mariner, although he lacked purely business experience. He was single when he arrived in Port Moresby, later marrying his wife, Audrey, with whom he had a son, Ross.

“There is one story about Duncan which I must relate,” writes David Copland. “Every month I would sit down with the General Managers and their Chief Accountants and go through their Divisional Trial Balances and P&L. I then decided that the GM's should present the accounts themselves, without the assistance of their accountants.

“The first month Duncan appeared with an armful of Trial Balances and we started going through them. Very soon I posed a question, for which he did not have the answer. I said, 'Duncan, it's like going to jail, you get one phone call'. He shot out of his chair, went to Anna's phone and rang his Chief Accountant for the answer.

“From that month on he arrived with a host of notes down the side of the Trial Balances and usually didn’t miss a beat! He was a good learner, and this reflected in his results at the Swire senior management course in Paris. A major part of the course was different groups doing a simulation on managing a company with various new factors being introduced each day. Duncan’s group recorded the highest-ever score at these courses. Duncan came back and said, with a laugh, ‘I just kept telling them to watch their cash flow and keep control of their debtors and stock levels, and it all paid off!’

“This was not an unusual situation with staff seconded from Swire - bright and hard-working, but lacking in financial understanding. This was the ‘Swire way’. At that time accountants were totally relied on to produce the financial results. My query always was - who checks the accountants? Our Swire secondees always went back much more rounded managers.

“Duncan had a name for the young lads who were personally interviewed and employed by Sir John or Sir Adrian Swire each year from Oxford (Cundle was a renegade - a Cambridge graduate who refused to shave off his beard when they suggested this to him at interview). Duncan called these new recruits BYMFLO - Bright Young Men From London Office. Steamships usually had at least one rostered through the Shipping Division and they were given a hard time - but the good ones survived, and did well...”

Captain Telfer’s appointment came at a time when Shipping was experiencing many problems, particularly with the Ok Tedi work. As previously noted, drought conditions frequently caused the level of the Fly River to drop, sometimes halting all river traffic. During 1993, the level dropped alarmingly, affecting all operations relating to Ok Tedi. The Century Group vessel Western Trader was stuck 400 miles upstream in the Fly from 8 August to 16 November, and the river was unnavigable for other short periods. Oddly enough, the current was still very powerful.

In October, Steamships purchased Century Group’s 50% equity in Laurabada Shipping, which became a Steamships subsidiary. Laurabada suffered a significant loss for the nine months to December, due to the very low revenue tonnages following the low water level in the Fly.

Many Steamships masters and crews experienced problems on the Fly. Captain P.J. Baine - another Swire secondee - was in command of *Obo Chief* when she got into trouble 434 miles upstream, late in 1989. The following extracts from Captain Baine’s log entry illustrate the dangers that seamen could face even on an inland river.

“We grounded at ARM 434 at 1112 29/12/89. After persistent attempts to refloat the vessel without result, it was decided to anchor and lower the boat to take soundings. At 1300 the boat was lowered and Chief Officer K. Buak and myself attempted to move away from the ship’s side. The current proved too strong and the boat was forced under the starboard anchor, being crushed and capsised. Mr Buak was thrown into the river, and I managed to grab hold of the starboard anchor.

“The boat apparently surfaced downstream, upside down, alongside Mr Buak, who managed to climb onto it. John Wagol immediately jumped over the side and with two life rings to give assistance. Luckily, they both managed to reach safety on the port bank of the river, approximately one and a half miles downstream.

“Meanwhile, Seaman Osmand Asi and Bosun Dennis Kumbia were giving me assistance. I was swept from the starboard anchor to the port anchor chain, where Mr Asi held me, while Mr Kumbia attempted to attach me to a rope. By this time I had lost all feeling in my arms and could not grip anything, thereby falling back into the river.

“Mr Kumbia and Mr Asi, without thought for their own safety, jumped in after me. We managed to swim with the aid of a life jacket to the starboard bank of the river in a fatigued condition. Meanwhile, Mr Ellis had organised assistance by radio with Ok Tedi, who dispatched a helicopter.

“It is without doubt that Mr Kumbia and Mr Asi saved my life with their selfless actions and I would strongly recommend that some recognition be given to them by the Company...”

Wagol, Asi and Kumbia were presented with awards for their brave conduct. A sign was erected at ARM 434, proclaiming: “Patrick Joseph Baine Memorial Swimming Pool”.

But service on the Fly River also had its attractions. The dense unending tropical forests through which the mighty river ran teamed with bird and animal life. In September 1992, Captain D.M. Simpson elected to spend a week birdwatching in the lower reaches of the river after completing his third tour of duty on Bosset Chief. His base was the small sawmill, trade store and boatyard at ARM 100 - 100 miles from the northern entrance of the Fly - run by Dick Randolph, the only European resident in the area. In a single day, David Simpson spotted more than 30 species of birds, including a huge double-wattled cassowary. “One’s first eyeball to eyeball meeting with a full-grown Cassowary in the New Guinea rain forest is an exciting and rewarding experience, never to be forgotten,” he wrote in an account of his expedition.

Captain Simpson also encountered a more frightening creature. “Now comes a crashing noise emanating from the undergrowth. It seems to be coming straight towards me - a cassowary on the run? I await its appearance with bated breath. From out of the bush bursts a huge savage-looking wild boar, heading straight towards me. I leapt to my feet, flung out my arms, and gave forth a mighty yell. This ruse worked well; the animal pulled up, caught sight of me, and with a grunt turned on its tracks and crashed off the way it had come.

“This was almost too much for me, for Dick and others had warned me about the ferocity of the wild boars of the Fly River...”

As we have seen, Steamships had for many years past provided and sponsored professional training for its marine deck officers and engineers. In 1993, Moremba Kepe had become the first national to win his Marine Master Class One ticket, which enabled him to command foreign-going vessels anywhere in international waters. Prior to taking his final exams, Captain Kepe had been in command of *Pacific Hawk*, on charter to the contractor to Chevron at the Kumul Marine Terminal, from where overseas tankers loaded Kutubu oil, and then took over command of *Hiri Chief*. Captain Kepe served for 13 years on different Steamships vessels before leaving the Company. Captains Raka Tom and Andy Lauwasi also won their Master Class 1 tickets soon afterwards (and were still with Steamships as this was being written).

In 1993, the Company had five senior officers undergoing extensive training overseas: John Indeng, Raka Tom, Hangat Pokapin, and engineers Brian Wesley and Malik Kanning.

Malik Kanning’s career path was in many ways typical of the others. Kanning was from

Karkar Island, Madang Province. He graduated from the University of Technology, Lae, in 1978 with a degree in Engineering (Mechanical) and later obtained an Associate Diploma in Marine Engineering from the Institute of Technology, NSW. In October 1979, he joined the newly formed Papua New Guinea Shipping Corporation as a Marine Cadet, spending most of his sea time on the old *Lae Chief* and on *Moresby Chief*. In 1989, Kanning attended Newcastle Technical College where he gained his Engineer Class 2 ticket.

“I was also able to get quite a bit of sea time with China Navigation, on their container ships,” Kanning recalled in a recent interview, “building up qualifying sea time for the Second Class foreign-going ticket. On the old *Nimos* and *Coral Chief*. When Steamships took over PNG Shipping Corporation, I went along, too. I served on vessels like *Hiri Chief*, which was starting to run to Kiunga on the Ok Tedi contract. That was my introduction to the Fly River life.

“In between I was fortunate enough to be seconded once again to Swire vessels to build up qualifying sea time for the next stage of my career, Engineer Class 1, foreign-going. The Company supported me all the way, paid all my costs. Then I went back to the Fly River again, on *Bosset Chief* and *Obo Chief*, as Chief Engineer...”

It was not only national seamen who received training and advancement. Abel Pondek was promoted to Chief Accountant, Shipping and Transport Division, operating under General Manager Captain Duncan Telfer.

In December, an order was placed with a Malaysian shipyard for another new vessel for Steamships, which at an estimated cost of K1.867 million was the largest single item of capital commitment for the year, and represented the start of the Company’s new fleet replacement programme. The vessel, a landing-craft, would be equipped with 25-tonne lifting gear. Its shallow draft would allow her to service the coastal liner trade as well as handle project cargoes, at a speed in excess of 10 knots.

The new vessel was scheduled for delivery in April 1994. She would be placed under the command of Captain Moremba Kepe.

CHAPTER TWENTY-FIVE SEVENTY YEARS

1994 was celebrated by Steamships Trading Company as the 70th Anniversary year of its existence. On 12 January 1924, Steamships had been registered in Papua as a limited Company (although it had actually been formed on 30 September 1923, and could fairly trace its beginnings to mid-1918, when the first vessel, Queenscliffe, was acquired). Appropriately, it was a good year, with profits after tax and minority interests of K16.076 million, 23% up from the previous year.

Steamships’ Divisions did well, particularly Shipping & Transport, Manufacturing, Industrial and Merchandise, and Automotive, Hardware and Hotels improved their profits, this despite the destruction of the Rabaul branches of Automotive and Hardware.

The joint venture companies likewise delivered positive results, except for the steel operations of Hornibrook NGI, mainly because of inadequate management control in the first half of the year, and further delays in the implementation of the Lihir mine, and the Z Tuna Cannery, in Madang. The Z Canning group had expended some K8 million on the project thus far, but all construction had ceased, and the future of the venture was in serious doubt.

Hornibrook NGI held a 50% equity in Howard Porter (PNG) Pty Ltd, a fabricator of road haulage equipment. During 1994 the other 50% shareholding was acquired from the Perth road haulage specialists, Howard Porter, with consequent improvement in product quality.

Capital expenditure for the year totalled K15.339 million. Many of the capital projects commenced during 1993 were completed during the year, but over K12 million was spent on acquiring new assets. In January a 2.90 hectare block of industrial land was purchased in Badili, adjacent to the upgraded Automotive Service Centre and Port Moresby Freezers. It was held for future expansion of the Steamships industrial estate concept. In May another large block was purchased in the fast-growing satellite town of Gerehu, also for future expansion.

In April, conversion of an area in the retail Main Store, Port Moresby (previously occupied by the Post Office) into a mini-shopping mall began, providing for specialty shops and a coffee lounge. Four warehouse/office complexes for lease were built on Steamships’ Six Mile industrial estate, and another in Spring Garden Road.

Construction on new premises adjacent to the Stop and Shop supermarket in Port Moresby began in October 1994, with completion scheduled for March 1995. The new building would be used for the relocation of the liquor supplier, Territory Cellars, and associate company, Datec (PNG) Pty Ltd.



Hornibrook NGI Marine, 1994

Photo: Steamships archives

LAHARA CHIEF

The new landing craft *Labara Chief* arrived in Port Moresby late in May. Constructed in Malaysia, after launching and fitting out she sailed to Singapore for modifications, designed by naval architects Conan Wu & Associates. The major modifications included extending the vessel by 12 metres to increase under-deck cargo space, and the fitting of a 25-tonne derrick. The work was undertaken under the supervision of Swire Pacific Offshore engineers.

PNG’s first national Master Mariner, Captain Moremba Kepe, went to Singapore with a crew to bring the new ship home. She was warmly greeted on arrival in Port Moresby by a large crowd of Company executives, politicians and guests. Captain Duncan Telfer delivered a welcoming speech:

“This is indeed a proud moment for all Papua New Guinean seamen. The *Labara Chief* was specially built not only with cargo operations in mind, but also for the PNG Oil and Minerals exploration industry.

“I am told that Captain Kepe and his crew had to battle some very fierce storms to get here on time. In fact, it was touch and go whether they would make it. It must be very pleasant for him and his crew to be honoured with such a big reception as this.

“Perhaps too few people realise that the sea is very much in the blood of coastal Papua New Guineans. And maybe the country does not get enough recognition for its seafaring achievements. This state-of-the-art vessel, one of the most advanced in the world, is a tribute to our shipping industry, to Steamships, and to its master, Captain Kepe.”

Labara Chief was indeed a fine craft, but it was rapidly discovered that she had some deficiencies. As originally specified, she was to displace about 800 deadweight tonnes, allowing for fuel, water, stores etc. However as delivered the vessel was of 666 DWT, 61.57 metres long, and had a fully loaded draft of 2.4 metres, not the 2.17 metres specified. She was therefore unable to carry the amount of cargo specified in the original contract.

The marine and cargo surveyors, Pacific Survey Services, examined *Labara Chief* in July, and concluded there were “serious problems” as a result of “rather optimistic assumptions” made during the construction in Malaysia and conversion in Singapore, affecting the weight of the hull, the draft and the cargo capacity.

Legal action was commenced against the builder and Conan Wu (an out-of-court settlement was finally negotiated) and in the meantime *Labara Chief* went into service. Despite her defects, she soon demonstrated outstanding qualities. She had a beam of 9 metres, and her twin 250 hp Caterpillar engines propelled her at a speed of 9 knots. She drew relatively little water, had a large bulk fuel capacity - 750,000 litres - and could handle standard 25-tonne containers. With 360 cubic metres of under-deck space and a 28-metre open fore-deck leading to a 4.9-metre wide bow door, *Labara Chief* was able to carry most items of heavy equipment to difficult up-river sites.

Laurabada Shipping Services (now under the management of master mariner Steve Houldsworth) was having a flat year, mainly due to a marked decline in the economy of the Fly River and Gulf regions which adversely affected the liner trade operated by Laurabada. But the arrival of *Labara Chief* reversed the trend. She was immediately used on the liner trade, before commencing a term charter to Ok Tedi Mining Ltd. Towards the end of 1994 Fly River levels once more dropped, limiting the operations of *Bosset Chief* and *Obo Chief*. With her shallow draft, *Labara Chief* was little affected.

The subsidiary company, Papua New Guinea Shipping Corporation did well, through its 38.9% participation in Chief Container Service, and its 25% interest in the mainport liner service of Consort Express Lines.



MV *Lahara Chief*

Photo: Rocky Roe

Under the terms of the Consort Shareholders' Agreement, Steamships had the right to construct a vessel - with design and cost agreed by the other shareholders - for charter to Consort at an annual fee equivalent to 25% of the delivered cost. It was estimated that a suitable vessel could be constructed in a Chinese yard for approximately US\$5.5 million. Westpac Bank indicated that finance would be available for such a project.

The Board was concerned that in the long term, no liner trade could continue to earn a return to justify charter rates of 25% of the cost of the vessel. However, it was agreed that management would circulate full design details of the required vessel, and provide an analysis of the returns from the trade since Steamships joined the consortium. Management was also asked to check the market world-wide to determine whether a suitable vessel could be purchased at a lower cost.

All this took a lot of time. Exhaustive investigations established that second-hand tonnage was not available at an attractive price. The lowest quote received for a new vessel, US\$6.25 million delivered, was from Donghai Yard, China, through Shen Sing Marine Services, Singapore (the yard which had built Consort's existing vessels, *Niugini Coast* and *Madang Coast*).

The Board agreed that provided the operational features of the proposed vessel were satisfactory to all parties; that finance on acceptable terms could be arranged through Westpac Bank; and that a commitment be obtained from Department of Transport to issue a coastal trading licence, the vessel should be constructed.

The Consort Express Lines Directors were reluctant to agree to the building, due to



Bosset Chief

Photo: Courtesy Post-Courier

uncertainty on the future value of the kina against a construction contract written in US dollars, although all shareholders agreed that a new vessel was required, in view of tonnage levels on the coast, and a new proposal under consideration, to conduct a joint service with Curtain Marine to Townsville.

Steamships, however, decided to go ahead. Chinese yard prices could only be expected to rise in the future, and a fresh quote had recently been received from Huang Pu Shipyard, Guangzhou, China, to build a 3,000 tonne, 79.9 metre vessel at a cost of US\$4.8 million, ex yard, plus K500,000 for supervision and delivery to Port Moresby.

Westpac agreed to provide a loan of K8 million towards the cost of construction. An initial payment of 10% was made on 18 July 1995, with a further 20% due in September. The other three Consort shareholders, however, again deferred a decision on the chartering of Steamships' new vessel to Consort.

The arrival of *Labara Chief* was a big event for Shipping. The glamorous new ship got all the attention, but the older vessels of Steamships' fleet were still quietly going about their essential tasks. Typical of the day-to-day work tackled by Steamships' vessels was an assignment given to Captain Andrew Ambai, master of the ocean-going tug, *Ok Tarim*.

On 13 March 1994, Captain Ambai received sailing instructions from Steamships Shipping Operations Department. He was to make two voyages, the first towing the barge *Pacific Dove* loaded with drums of Mobil fuel to Daru, the second to tow the barge, this time loaded with a Parker drilling rig, from Kuri, on the Turama River, to Lae.

The first voyage was accomplished without difficulty, and Captain Ambai set sail for Kuri, towing the empty barge. He left the barge there for loading, and went downstream to assist the tug *River Mori*, which was struggling upriver with two more empty barges in tow, *Steel Voyager* and *Pacific One*.

Loading the three barges with the component parts of the big drilling rig took several days. Unhappily, law and order problems were emerging even in the remoter parts of PNG. On an earlier voyage up the Purari River, *Ok Tarim* had been threatened by villagers armed with dangerous weapons. Captain Ambai decided he would not risk another attack. "I instructed my crew to have any available weapons on board ready, such as the parachute flares, fire hoses fitted with nozzles, and to be on alert," he said in his report on the voyage.

But the loading was accomplished without incident, and the two tugs set off for Lae. Supplies were running low, and Captain Ambai radioed Port Moresby, asking for stores to be waiting at Basilisk Passage. Dolf Marjen, the Shore Captain, arranged for the small *Ranu Chief* to meet the convoy. The stores were transshipped, and two days later the two tugs and their barges reached Lae.

The stevedoring operations of Rabaul Stevedores Ltd in Lae, Madang and Rabaul continued to operate profitably, although the future of the stevedoring industry was in considerable doubt during 1994. A powerful Australian company had proposed taking over all stevedoring throughout PNG, giving an interest to the Government. This move was eventually countered, but in June, Regulations of the PNG Harbours Board were gazetted, which indicated that in future stevedoring operations would only be licenced to wholly citizen-owned companies. Rabaul Stevedores and associate company Port Services PNG Pty Ltd were informed that their licences would not be renewed beyond 31 December, 1994.

However, as noted in the previous chapter there was a change of Government in August, and the new Minister for Transport adopted a more restrained policy, his aim to preserve stability on the waterfront. He announced that the Regulations would be amended in January 1995, to allow existing stevedoring companies to continue operating until December 1995, by which time 51% of the equity must be held by citizens. If this condition was satisfied, five-year licences would automatically issue.

David Copland was determined to retain Steamships’ stevedoring licences, as he considered them too important simply to give away. At his direction negotiations were commenced with various landowner groups, with a view to setting up joint venture stevedoring companies.

The Rabaul Branch had become very busy since taking over the stevedoring of Consort vessels in June, 1993. Consort stevedoring had until then been done by Buntings Stevedores, a part of the Century group. Three Consort vessels were on the coastal run, carrying a huge variety of cargo from large containers and heavy machinery to fresh vegetables and frozen goods. A Consort vessel generally arrived at Rabaul every Sunday, obliging the men to work from early morning to late at night to discharge and load. A large range of machinery was employed, including trucks and semi-trailers and forklifts of two to 28-tonne capacity.

Rabaul also handled other overseas vessels, including the *Papuan Chief* on the Australian run, *Chengtu* and *Chekian*g running to Singapore, the ships of the Forum Line from New Zealand, and South Pacific Interline vessels carrying the fat cocoa beans of the Gazelle to America.

It all came to a violent end in September, 1994.

THE RABAUl VOLCANIC ERUPTIONS

At just after 6 am on Monday 19 September, Tavurvur Volcano, close to Rabaul Airport, erupted. There had been rumblings for days past and the town was on a Stage 3 Alert, but the sudden eruption of Tavurvur caught many townspeople unawares. An hour later the dormant volcano, Vulcan, which towered over the southern entrance to Rabaul Harbour, also erupted with terrible force, hurling huge clouds of dust, rocks and water into the air. Over the next few days millions of tonnes of dust poured over Rabaul and the airport. Buildings everywhere collapsed under the weight of the volcanic dust, which rapidly buried most of the town.

Evacuation plans had been in existence ever since the 1937 eruptions, but the sequence of events was so rapid and shattering that most townspeople understandably panicked. They hastily grabbed personal possessions readily to hand, and raced to the evacuation centres in a procedure long rehearsed, but which few ever expected to have to follow.

A senior Steamships training officer, John Komio, had arrived in Rabaul on the afternoon of Sunday, 18 September. He retired to his room at Hamamas Hotel to prepare his materials for a training course commencing on Monday. “I felt a couple of tremors,” he wrote in a later account, “and thought they were the ordinary ones. But they were recurring every two or three minutes...I ran outside and joined a couple of other guests...one of them told me he had felt a big one at 3 am in the morning...

“I went back to my room to have a shower. While in the shower I became afraid because of the tremors. At 6.45 pm I went to the restaurant...about 10 minutes later a large tremor shook the building and most of the glasses and bottles fell from the tables and shelves. I went outside and could see people running down the road and shouting...”

John sought refuge with Phil Arcadiou, manager of Steamships’ Automotive branch. “At about 5 am, Phil rang the vulcanologist, and was told that it had now reached the Stage 1 alert and that people should now be moving out of their homes to safe places away from the town...

“At about 6.30 am on 19th September, the two volcanoes erupted. It was as if an atomic bomb had exploded. The sound was deafening...the whole place was covered with ash and in total darkness. I honestly thought this was going to be the end of my life...”

John Komio managed to escape to Kerevat Golf Club, one of the main evacuation centres, from where he ultimately succeeded in returning, unscathed, to Port Moresby.

Steamships’ Shipping resident manager at Rabaul, Peter Cohen, set up a camp on high ground west of Rabaul, and for the next few days maintained radio contact with Port Moresby. National emergency services and the PNG Defence Force were quick to respond to the crisis. A Disaster Relief Committee was set up to coordinate activities. An American C130 transport aircraft flew in emergency supplies, including new seismic equipment for the Rabaul Observatory, to replace that lost during the eruptions.

Steamships made large donations of food and tarpaulins for temporary shelter, and provided *Erima Chief* to transport relief supplies from Port Moresby to Rabaul in association with the Salvation Army, and assist the Relief Committee to transport supplies to needy areas. Fortunately, a new Steamships wharf constructed during 1993 at a cost of K300,000, escaped damage.



Volcanic eruption, Rabaul, September 1994

Photo: Steamships archives

On 27 September, with volcanic activity starting to subside, David Copland flew to Rabaul with a team of General Managers to assess the damage done to Company property, and devise an action plan for the future. It was “a sobering experience of the power of nature,” he wrote in an account. The newly built Automotive and the Hardware branches had been almost totally destroyed. Peter Cohen, Steve Hoffman, Phil Arcadiou and Henry Nolan had been “towers of strength”, pulling wrecked new cars from shattered buildings, salvaging major items of hardware and then resuming limited business from premises leased from Kina Gillbanks on the edge of town. The new wharf, constructed in 1993 at a cost of K300,000 luckily escaped damage.

These premises housed the branch functions of Automotive and the administrations of Automotive, Hardware and Shipping. Hardware commenced trading from the Company's old cocoa shed. The offices of the Shipping Division had been totally destroyed, as well as most of the Company's residential accommodation. Thankfully, no staff member was seriously injured (and indeed there was no loss of life, such as had occurred during the 1937 eruptions). Steamships' total loss was estimated at K4.471 million, substantially covered by insurance.

Cohen and Nolan were waiting at Hoskins Airport when the chartered Steamships aircraft landed, with four-wheel-drive vehicles fuelled and ready for the drive into Rabaul. Documentation for entry to the disaster area had to be completed, and en route the little convoy had to pass through Army checkpoints, for there had been considerable looting in Rabaul.

“Travelling along the North Coast road, the destruction began to take on a new dimension,” said a report on the visit. “The road vanished and the vehicles crossed what appeared to be a large dried-up river. It was later pointed out that the river was caused by millions of tonnes of moisture and pumice condensing as rainfall and mud...a second Army checkpoint was negotiated, and the vehicles proceeded down towards the town and Malaguna Road. At this point the third and last checkpoint was passed.

“First stop was Steamships' new wharf at George Brown Street. The convoy drove on the wharf, and everybody emerged from their vehicles awestruck at the sight of Simpson Harbour. No longer a glistening blue-water paradise, but a blackened sea of pumice...a sobering sight. Across the harbour, Tavuvur reminded everybody of its presence with an occasional roar that boomed across the bay...

“Over the next few hours the whole town was inspected. Worst hit was the centre of town, along Mango Avenue. Buildings crushed under the weight of dust lay as piles of twisted steel...new vehicles lay crushed in their own showrooms. Scattered around the streets lay the evidence of looters. The town resembled a war zone...

“It was time to depart. The Observatory had warned of another eruption, and nobody was keen to witness one first hand...”

Wrote David Copland: “We will not be leaving the Rabaul area, but we will have to determine how to re-establish our operations after normality returns to the region.”

On 16 November 1994, David Tasion passed away. At the time of his death he was working in the Automotive Division. “He had this heart problem,” David Copland recalls. “We sent him down to Townsville in mid-1992, and he had these operations, including a kidney

transplant, and he came back and resumed work, but he was never the old David again. He asked to go out into Operations so he went into the Automotive Division in charge of marketing. He did a good job, but he never really got over his health problems, and he died.”

Rose Kekedo paid Tasion a deeply-felt tribute. He was, she wrote, a “nationalist and a true policeman. A man with very strong convictions about his work, but more so about his beloved country...his passing has come as a blow to all of us. We will miss him.”

It was hardly surprising that Steamships' financial results for the first half of 1995 were weaker than in 1994, in view of the tremendous upheavals that followed the floating of the kina in October. By the end of December the kina had dropped by 20% (and a little later by 45% against the Yen) and a whole range of unpleasant economic consequences followed, in which Steamships and other large companies were inevitably caught up.

Steamships, however, weathered the storm very well, reporting a final profit after tax and including results from associate and joint venture companies of K16.291 million, virtually the same as the previous year. This despite a price inflation of up to 35% on imported goods, the imposition of strict Government expenditure controls and consequent very limited capital spending, a 40% reduction in the number of new motor vehicles sold throughout the country, and on 8 November the complete loss by fire of Family Store Boroko, one of Steamships' flagship merchandise outlets, all of which impacted adversely on several of the Divisions. Steamships JV Pty Ltd (50% owned by Collins & Leahy) also suffered from the effects of the price inflation.

There were some positive achievements. Steamships had long been a supporter of the Port Moresby Show, and in 1995 won first prize in the Commercial exhibition. The Company had always supported sporting activity, and held its own very successful Mini Olympiks, which was won by a team from Merchandise Division.

Despite the sharp fall in demand for new motor vehicles, a small Automotive Branch was established in Madang. Computerisation of the various workshops and panelshops was completed, resulting in improved customer service levels.

Hardware had a good year, with demand for the Company's kit homes and prefabricated buildings increasing. Hotels enjoyed an unexpected windfall when newly enacted legislation permitted the introduction of gaming machines in Coral Sea Hotel properties. Two national chefs, Roger Gimbe and Morris Lose, won medals at the Salon Culinaire competition in Brisbane.

The performance of the Industrial Division suffered severely from Government withdrawal from infrastructure spending, although the situation improved with the decision to proceed with the reconstruction of Boroko Drive, Port Moresby, to which Monier supplied concrete and culverts, and Nebiri Quarry the base metal.

Late in the year work on the construction of new terminals at Jackson's Airport began. Monier entered into a joint venture, Monier Allied Products Pty Ltd, with an overseas investor to establish a factory for the production of polyethelene tanks and small boats.

Peter Wickes, General Manager Industrial and Property Division, resigned in December 1994, and his Industrial Division responsibilities were divided, with General Manager Hardware now controlling Nebiri Quarry and Monier in a renamed Division, Hardware & Industrial, and the General Manager, Merchandise, responsible for Tanubada Food

Processors. Property Division would now report direct to Head Office. Maurice Sutherland was appointed General Manager, Hardware & Industrial. It was at this time, too, that Vere Arava became Assistant General Manager, Finance and Administration.

There were significant developments in Merchandising. Steamships had for some eight years operated Tabubil Supermarket on behalf of Ok Tedi Mining Ltd. In February 1994, the tender for the renewal of the licence to operate the supermarket for another five years was awarded to Garamut Enterprises of Wewak. The decision was unexpected, as Steamships had satisfied all the requirements of the previous contract. The terms of that contract dictated that all assets of Tabubil Supermarket Pty Ltd must be purchased by a new operator, at the written-down value.

After intense negotiations, Garamut Enterprises agreed to pay K1.098 million for the fixed assets, and K1.448 million for the stock. Nevertheless, losing the contract involved Steamships in a loss of some K1.5 million. During 1995 the local landowner groups which had held shares in the previous supermarket formed a new wholly nationally owned company, and Steamships negotiated a contract to manage what was now called Tabubil Traders Supermarket. Ben Boas was appointed manager. Steamships agreed to contribute K300,000 of convertible notes secured against the stock to help fund the new project.

Towards the end of the year, Steamships took over the management of another retail company, Fifita Trading Pty Ltd, operating in Alotau. In February 1996, Steamships acquired a 50% shareholding.

A new Tasty Bake bakery was opened for business at Badili in October, and work began on the complete renovation of the current Tasty Bake premises at Ela Beach.

As we have seen, throughout its long existence Steamships had acquired a great many parcels of choice land, principally in Port Moresby, and later in Lae and other New Guinea centres. Over the years this land bank had been drawn upon for the erection of business premises, staff housing, and latterly of large investment properties of various kinds. By the end of 1995, rental income (K6.914 million) from tenants of those properties exceeded internal rents for the first time, providing a substantial ongoing cash flow. Steamships still had many pieces of land to develop, when economic conditions improved.

As noted above, PNG stevedoring companies had been granted a period of 12 months in which to obtain national equity of at least 51%. Steamships sold down and restructured its traditional interest in Rabaul Stevedores Ltd and Port Services PNG Pty Ltd. This interest was devolved during 1995 into four regional companies, each with majority local equity. They were Lae Port Services Pty Ltd, Madang Port Services Pty Ltd, East New Britain Port Services Pty Ltd and Port Services PNG Pty Ltd. Each was duly awarded five-year operating licences, effective 1 January 1996.

The 70th anniversary year, then, ended happily for Steamships. During the year there were several changes in the membership of the Board. In March, J.C.G. Bremridge was transferred to a senior position in Hong Kong. His replacement was W.L. Rothery, Managing Director of John Swire & Sons Pty Ltd, Sydney.

Bill Rothery was born in Malaysia in 1956 and was educated in England, where he completed a BA (Hons) in Politics. He joined the Swire Group in 1980, and worked in Cathay Pacific Airways for 15 years. He held various marketing and management positions

throughout Asia and the Middle East, as well as spending seven years in Australia, where he became General Manager for the South West Pacific Region. Married, with three children, Bill Rothery became an Australian citizen in 1992.

G.J. Dunlop was promoted to the new position of Finance Director in May, and in August, C.D. Pratt arrived in Port Moresby.

David Copland retired as Managing Director at the end of December. He was replaced by C.D. Pratt.

CHAPTER TWENTY-SIX

TAKEOVER

Although David Copland continued to direct the affairs of Steamships Trading Company until 7 December 1995, his replacement, Christopher Pratt, had been selected as early as May. Hitherto, all Steamships’ Managing Directors had been appointed from within the Company. Copland wanted to continue this tradition, but he did not consider that any of the General Managers - while undeniably competent in their respective positions - had the all- round ability and breadth of vision required to be able to successfully manage the complicated affairs of Steamships.



Christopher Pratt

“So I said to the Board that I could not recommend anybody from within the Company to take over from me,” David Copland wrote recently. “The Board accepted this without much debate and told me to go and find someone suitable. We used John Hutchison as recruitment agent. John had a long successful association with PNG and Steamships, and understood the Steamships culture at that time.

“A search was done throughout Australia, U.K. and South Africa, and a short list of candidates was interviewed by me and my wife, Susie, because it was essential that the MD’s wife was also suitable in view of what the job involved, and as it turned out two potentially suitable candidates were ruled out, as their wives would not have survived in PNG.”

The wives of Steamships’ Managing Directors - and other senior expatriate staff - played a very significant part in the success of their husbands’ careers. Most new employees were coming from a background dramatically different to what they faced in PNG. Settling in to a new position in a strange new land was difficult enough, without having to cope with family stress as well. “Susie was totally supportive of Steamships as a company,” Copland says, “and apart from her wonderful efforts as a hostess for all kinds of business entertaining she was always sourcing comment from her friends and acquaintances on the Company’s operations and reporting back to me.

“Bill McLellan’s wife, Iris, was a wonderful boss’s wife, hostess and friend and she gave a lot of support to Susie when we moved to Port Moresby. And she was a solid rock behind Bill.

“We always brought any prospective expat employee to Port Moresby with his wife for a final interview before employment, and showed them typical housing, schooling, shopping etc. This sorted out the people who would not fit in. Many of the wives ended up in small towns where the Company had operations, and most got totally involved in the local communities, and gave strong support to their husbands and the Company.

“It was at this stage that Edward Scott said he wanted Christopher Pratt to be included in the interview process...”

Christopher Pratt was a career Swire executive, and it was finally decided that he should replace David Copland. The Swire Group agreed to the secondment of Pratt for a period of five years.

David Copland remained on the Board as a non-executive Director. “When I retired I knew that Danny and Mike didn’t want me to stay on the Board,” Copland remembers, “but Edward Scott insisted on it. I said to them, I’ll give it a year, but I don’t really believe it’s healthy for an ex-MD to hang on. You’ve already got Don, and you’ve got Bill, and you’ve got me. In fact, the only reason I was happy to do it was they brought in Chris Pratt, this young bloke going through the Swire system, and I thought, if these Collins & Leahy guys get their hands on him...and even before I left they were already at him, and he’d come in to my office and say, ‘Oh, shit!’”

Christopher Pratt arrived in Port Moresby in mid-August and assumed the position of Deputy Managing Director. By 1 September, he had already attended three board meetings, visited three Provincial centres, met two ex-Prime Ministers and was about to tour Lae and the Lihir Mine project, absorbing in David Copland’s words, “the wonders of Steamships!”

It was an abrupt learning curve for a young man, particularly as he took over at a time when PNG’s disastrous economic slide was soon to begin. Pratt was just 38 when he took over the top job at Steamships: he was not only the first chief executive to be appointed from outside, but was also the youngest by far. Born in the north of England, Christopher Pratt grew up around London and graduated from Oxford University before joining the Swire Group at age 22. He was sent to Hong Kong in 1978.

“You must appreciate that I was young, and my business background had been relatively structured and formal,” Christopher Pratt said in a 2006 interview in Hong Kong. “Steamships was a frontier company, and although it had a heavyweight board with lots of PNG experience and commercial savvy, the frontier was never far away. Board meetings were two-day affairs, and the Board papers were two inches thick. I know this to my cost because an ex-Chairman once threw them at me.

“Debate was vigorous and spirited, mostly politically incorrect but always informed and often amusing. Certainly there was little pomp and ceremony, and no dress code. Occasionally open warfare would break out between the shareholding factions and these would be cooled by breaks outside the building when the smokers would gather at one end and the betel chewers at the other. Deals would be reached on the pavement, and taken back to the Board.

“It was always a huge relief when the meeting ended, and Edward Scott headed back to Sydney and Sir Dan and Sir Mike headed back to the hills. That said, I learnt a hell of a lot. I always knew when Sir Mike was being rude about me, because he would revert to Pidgin, which I didn’t understand.”

“And my five years in charge saw some very tough times. In my second year we had Sandline, the Bougainville crisis that got people jumping, then when I was away on leave I got a call from John Dunlop saying that Bill Skate was Prime Minister! And that led to some very dark times, and by ‘98, ‘99 the country was virtually bankrupt, there was practically no foreign exchange left, interest rates were 26%, 28%, 29% so nobody could borrow any money.

“I remember the kina one afternoon got to 28 Australian cents. It got very close to the edge...I remember in the late 90s going to successive board meetings trying to explain the numbers, and it was very hard. I was lucky that John Dunlop had been appointed Finance Director, he was an extremely capable man. We worked very closely together...”

“Because Christopher was so new to the Company, it was felt that there should be another executive on the Board,” John Dunlop remembers, “and I was appointed as Finance Director in 1995, continuing in that position until 1999...” Dunlop also remained Company Secretary, at Edward Scott’s request.

TAKEOVER TIME!

Barely six months after his arrival, Christopher Pratt also found himself involved in a very bitter, difficult but fascinating episode in the history of Steamships: a “back door” attempt to take over the Company by acquiring a majority shareholding, which was to have far-reaching consequences.

The bid was launched by the National Provident Fund, whose Chairman was David Copland (the slogan of the Fund was: “Providing Papua New Guineans with a Future”). In response to a request for information, Copland wrote in a letter to the author dated 5 February, 2007:

“My thoughts have been collected for many years on the subject. Edward Scott has passed on. He was the only other person who had intimate knowledge of the sequence of events which took place at that time, and I have decided that I will not be making any comment at all about that period...I am afraid you will have to rely on the conjectures and opinions of others...”

In view of this, only an outline of what occurred will be attempted here. Some account cannot be avoided, for this was a seminal event in the modern history of Steamships Trading Company, which has affected its operations to the present day.

During his last year as Managing Director, David Copland put to the Board a proposal to combine Steamships and Collins & Leahy. The idea was originally conceived by Mike Bromley, who was looking for an exit strategy from PNG. Such a deal would give Bromley and Sir Daniel Leahy a substantial amount of cash plus shares in the merged company. Dan Leahy was strongly opposed to such a move, but Bromley decided to pursue it. He had earlier increased his personal shareholding in Collins & Leahy to slightly more than 25%, against Dan Leahy’s 15%.

“I met with Copland,” Bromley recently recalled. “I said, wouldn’t you like to be the boss of this huge Company, have me work for you as your Number Two for a couple of years to integrate the two companies, and then I’d leave you to it. Copland thought it was a great idea. He brought it up at one of the Board meetings. Edward bought it after a lot of convincing and Coopers & Lybrand were engaged to see what the combined company would look like. They said it looked like it would work...”

John Dunlop remembers the occasion. “David believed there were substantial overhead savings to be made. He believed that by putting the two companies together he could save one Computer department, and there’d be only one Managing Director instead of two, one company secretary instead of two, and so on. As I recall, he put a figure of six or seven million kina a year on the saving he thought could be made by putting the two companies together...”

Mike Bromley continues. “So it was then put to the Steamships Board as a great idea. In principle it would save Steamies a hell of a lot of money, and they would only have to issue new shares so there wouldn’t be a large cash outlay apart from a bit of money for Danny and me, and we would both stay on the Board. And then Edward turned around and said, I’m not going to do it!”

So the proposed merger lapsed, but Mike Bromley was still looking for a way out. As noted in previous chapters, it was customary for Steamships’ Managing Directors to accept appointments in their private capacities to many public and community bodies. David Copland was Chairman of the National Provident Fund, one of the principal institutions investing the savings of national workers. He did a great deal to reform and reshape the operations of NPF, which previous management had allowed to deteriorate. NPF effectively began in June, 1981. All employers were required to contribute proportionately to the Fund - Steamships’ own contribution in the first year amounted to some K436,000.

“David believed NPF were too passive in what they were investing in,” says John Dunlop. “He believed there were certain industries - mining was one of them - where PNG had not got a fair deal, because there wasn’t enough local input. He believed the National Provident Fund should be more aggressive in what they were doing...”

At this point, Swire and Collins & Leahy each held 33.33% of the shares in Steamships. The Board of the Public Officers’ Superannuation Fund - POSF - had for some time been acquiring shares in pursuance of its investment policy, and by mid-1990 held 15.89% of the shares of Steamships. POSF believed that this level of holding entitled them to a seat on the Steamships Board, but this was not offered. A POSF Director would have access to a lot of confidential Company information that would possibly become public if it got back to his organisation, and rightly or wrongly, this was a risk the Board was not prepared to take (of course, this level of shareholding did not guarantee a seat on any company board).

Between them, Dan Leahy and Mike Bromley owned 40% of the shares of Collins & Leahy, and POSF owned 14.7%. Whoever acquired Leahy and Bromley’s shares would gain majority control of Collins & Leahy, and its Steamships shareholding. If POSF supported the purchaser, this would amount to a takeover of Steamships Trading Company.

The National Provident Fund got more aggressive! By May 1996, the Steamships Board was aware of movements in the share register. NPF was quietly buying up shares in Steamships, including the POSF shareholding, and through an intermediary, commenced negotiations with Mike Bromley to buy his shares in Collins & Leahy.

Dan Leahy did not want to sell his shares. He had created Collins & Leahy with Eddie Collins so many years before, and it was an emotional issue with him. “When I became Chairman of Steamships it was like a dream had happened, that I never thought would happen,” Dan Leahy told the author recently. “All the other companies, Burns Philp, New Guinea Company and the rest, had all gone, and there was only Steamships, and Collins &

Leahy, which I was very proud of. To have done that, over all those years. I was very proud I was given my knighthood, for developing my business and helping to develop the country in various ways...that came from the PNG people, and it was very much appreciated.

“The Collins & Leahy deal was not engineered by Mike Bromley or myself, it was a political move, it had Government support in Port Moresby. If the National Provident Fund had taken over Collins & Leahy and Steamships, it would have given them the whole monopoly of merchandising in the country, plus the shipping and the other things. All private enterprise in PNG would probably be run by the Government by now. So it was a very brave move on their part...we woke up one morning to find there was a takeover bid on! And we didn’t have the 70 or 80 million cash on hand we would have needed to stop it.

“So we were absolutely buggered and disappointed, but that happened. The Swire people, organised by Edward Scott, decided to make a bid for Collins & Leahy and take up the 51% shareholding. But it’s good that Steamships remains in private hands...”

The incident badly strained relations between Dan Leahy and Mike Bromley. “Danny tried every trick in the book to try and stop Collins & Leahy being sold,” Mike Bromley recalls. “It got so bad for me that I had to leave PNG, and go and sit in my house on the Gold Coast until I sorted out what was going to happen...”

Bromley was determined to sell if he got his price, and he pointed out to Dan that if he did not also sell, he would be left as a minority shareholder in Collins & Leahy. Dan, very reluctantly, finally agreed to sell. But to who?

It was very clear to Edward Scott and Christopher Pratt that if Bromley and Leahy sold their shares to the National Provident Fund, control of Steamships Trading Company would change hands, because agreement had obviously been reached with the PNG Government for the POSF shares to go with NPF.

“So, effectively, it was takeover time,” Christopher Pratt recalls. “Swires probably showed a greater interest in Steamships than the size of the company - in terms of Swires’ overall operations - warranted. Edward Scott did have a lot of love for PNG, and he built the investment up from a small base. But it was always part of the family business of Swires, not the public business. As such they could always take the long view, which they did. Not many families would have made that call and said, we will spend a lot of money now and buy the shares...and they just did it, overnight. I managed to convince my shareholders, who were effectively in London and in Sydney, that we should buy Danny’s and Mike’s shares. Which we did.”

The transaction was concluded in July. Swire paid a high price for the shares - more than Bromley or Leahy expected, so they did well. A great deal of money was involved, Steamships was a PNG icon, and the affair attracted a lot of interest. There was a heated exchange of letters in the local newspapers.

“It was a very difficult time,” Christopher Pratt remembers, “because David Copland was a big figure in PNG, he had been a very successful Managing Director, he was very well regarded by Government and for a period of a few days it was sort of odd to see commercial heavyweights slugging it out in the newspaper. Not that I got involved, but Danny Leahy did...”

“It was a very difficult time for everybody concerned. And I was a young bloke sort of

pitched into this thing, dealing with the likes of Danny and Mike Bromley, and David Copland, Don Harvey, Bill McLellan, they were all still around, all still on the Steamies Board, and all with lots of strong views! We had board meetings with all these big, dominant characters sitting around the table who frequently didn't see eye to eye, and the meetings went on for two days!

“But I grew to love the place. My great mate was Tony Siaguru. And actually most people were very supportive. I think they saw that Swires were trying to do the right thing, unlike most of the big companies at that time, who were pulling money out of PNG, while we were putting new money in, which was well taken...”

Mike Bromley was pleased that Swire had gained control. “Swires ended up with roughly a third of Collins & Leahy, they ended up with two-thirds of Steamships, and Danny was then deposed as Chairman, and I was made Chairman of Collins & Leahy,” he remembers. “It was my intention to exit Collins & Leahy, but I told Edward that I'd stay with Collins & Leahy for as long as he liked, I wouldn't let Collins & Leahy go down the toilet, everything would be OK.

“So that's what happened. The year we sold out was Collins & Leahy's record profit year. I was Chairman, I was on the Swire Board in Australia, and the relationship between Swires and myself was fine, the whole relationship was very tight and very strong...”

No attempt was made to combine the operations of Steamships and Collins & Leahy, as had been earlier proposed. “Collins & Leahy pretty much ran as it had done before Swire took the shareholding,” says John Dunlop. “So it was quite a passive shareholding...”

It was inevitable that the failed takeover bid would place David Copland in an impossible position, for he was still a non-executive Director of Steamships. He resigned, and with Susie and his family left PNG. “I was only interested in what I thought was right for Steamships,” he recalls, “and yes, this often did not sit well with Dan Leahy and Mike Bromley. But they cannot argue with the results I achieved...”

Copland's place on the Steamships Board was taken by R. Kaul, a senior member of the NPF Board, which was by this time holding 6,095,800 shares, 19.66% of the total (increased to 20.80% in 1997). Mike Bromley resigned as a Director on 28 August, and Sir Daniel Leahy stepped down from the Chairmanship of the Board on the same day, but was appointed Deputy Chairman. Edward Scott replaced him as Chairman.



Sir Anthony Siaguru

On 18 December 1966, another distinguished Papua New Guinean, Sir Anthony Siaguru, joined the Board.

To conclude this short account of the takeover bid, it should be recorded that between 1996 and 1999 the NPF made a loss of about K154 million, caused mainly by bad investments and other factors. It was announced that there would be a 50% write-down of employees' funds managed by NPF. There was a shocked public outcry, and after the Morauta

Government came into power new superannuation legislation was enacted, and two Commissions of Inquiry were set up, to investigate the operations of the National Provident Fund, and the Defence Force Retirement Benefit Fund.

The NPF Commission of Inquiry was headed by Mr Justice Tos Barnett, assisted by three Commissioners. What was reported as “startling cases of dubious and fraudulent dealings involving conspiracy, violation of proper financial procedures and instances of money laundering” were uncovered. A former NPF Chairman, Jimmy Maladina, was intimately implicated.

The PNG Government contributed K60 million, and employer companies K27.7 million, to a rescue plan. By 2002, the write-down of funds had been reduced from 50% to 15%, and payment of dividends to members was resumed.

The takeover rumours had an unsettling affect on Steamships staff. Christopher Pratt's message to Company employees in the Steamships News was heartfelt. “With the settling down of the corporate dust left by the issue of share purchasing of Collins & Leahy and Steamships by NPF, the picture is now clear. Steamships still remains an independent corporate entity, with John Swire & Sons being the major shareholder.

“All staff should be assured that Steamships will continue to be managed in a professional corporate manner. For Steamships to remain the Number One Company in PNG, a team effort must be an integral part of our corporate culture...”

In 1996, Eddie Ruha moved from Merchandise Division to Head Office. “Vere Arava was overseas, doing an MBA,” Ruha recalls. “John Dunlop was running Head Office accounts with Saiho Doana, who had worked as an accountant for me in Merchandise. I needed to move on, as I was getting stale, and needed a change.

“Having been with the Company for six years, I had quite a good knowledge of our computer system and especially the stock system. John must have recognised this, and my first role in Head Office was Group Systems Accountant. I did systems jobs throughout the company. One of my first tasks was to assist Steve Hoffman, new GM in the Hardware Division.

“During this time Christopher Pratt was appointed Managing Director. I was impressed, as he was very young. Christopher was married in Port Moresby to his lovely wife, Francesca, on the *Goada Chief*. It was a great wedding, attended by the majority of Steamships' managers, and important guests. Tony Siaguru gave the bride away.

“When Vere returned he was made Personnel Manager and when John was out in charge of Collins & Leahy Merchandise and Steamships Merchandise, Vere was appointed GM Finance, and I became Group Accountant reporting to Vere. In 1998, having been inspired by Vere, I decided to do an MBA by correspondence through Charles Sturt University in Australia, and completed that in three years part-time.

In early 2001, having worked for Steamships for 10 years, it was decision time for me again. I was aged 41; should I return to NZ and pursue a career back home before I got too old? But John offered me the job of GM Finance. I had thoroughly enjoyed my job, and my life in PNG, and I had no hesitation in accepting.

“A lot has been said about the capabilities of Papua New Guinean accountants, and I really



Steamships Hardware Depot

Photo: Rocky Roe

want to endorse this. When I became GM Finance, Vere Arava became GM Projects, and part of his brief was to keep an eye on how the accounts areas were going. National accountants were in all the Finance and Admin Manager roles at that time - Pat Kiap at Merchandise, Poni Korua, Shipping; Yokin Kipie, Automotive; Henry Okoa, Property; Fred Uraru, Hardware; Roy Tom, Industrial; Abel Pondek, Head Office and Joe Polanala, Hotels. And within each of the Divisions there were capable back-ups, who in some cases went on to head Divisional accounting teams, including Pollie Togarewa, Head Office; Theresa Kalivakoya, Hotels, and Margaret Sulia, Hardware.”

As noted in the previous chapter, 1996 was a year of solid economic growth for PNG, and also for the Steamships Group. Operating profit for the year was slightly below the previous year: K15.886 million, from revenue of K256.393 million. A dividend of 15 toea per share was paid. Capital expenditure amounted to K21.590 million.

Staff training remained a principal concern. During 1996, 674 staff members attended in-house training courses, and 65 attended external courses, with another eight proceeding overseas. Total staff at year-end was 2,736, of whom 70 were expatriates. In addition, a further 1,678 staff were employed in the subsidiary and associate companies, with 95% of the positions localised.

Ironically, Steamships’ Home Ownership Scheme was now threatening to become a liability. Most employees had finished paying for their homes, and were able to negotiate with other employers for rental payments in addition to salaries.

Most Divisions traded satisfactorily. Industrial Division - Nebiri Quarry, Monier, Transitmix and Monier Allied Products - benefited from a demand for aggregates and building products for the extensions to Jackson’s Airport runway, apron and terminal buildings, and a number of Government and private-sector building projects, particularly in Port Moresby. However, Monier Allied had introduced a new range of roto-moulded polyethelene banana-boats which were slightly flawed. All of these “Trident”-brand craft sold had to be recalled, to enable defective transoms to be replaced. The design fault was corrected, and by year’s end the boats were selling strongly, for they were cheaper than and just as efficient as the fibre-

glass banana boats already on the market.

The Hotels Division - eight hotels plus Budget Rent-a-Car - also did well, due largely to a senior management shuffle. A new manager, Gerrard Duggan, took over the Highlander Hotel. Roy Coyle replaced Derek Connolly as manager of the Coastwatchers-Smugglers Inns at Madang, and the experienced Shaun Rollingson was brought in from the UK as assistant manager of Gateway. Marshall Pakei was appointed to the Melanesian, Lae.

Towards the end of the year the decision was taken to demolish and rebuild the famous old Boroko Hotel in Port Moresby, now sadly run-down with the wear and tear of the years. A major programme was laid out. Stage One would be the establishment of a stand-alone entertainment centre on the site, to be known as The Roundhouse.

As we have seen, poker machines had been installed in the major hotels of the Coral Sea chain. The introduction of these machines to PNG had been controversial from the start, and in fact the revenue stream they produced was below expectations. “It would not hurt Coral Sea Hotels unduly were poker machines to be removed,” the 1996 *Annual Report* noted.

The Merchandising Division also saw major restructuring. Competition in the retail field was becoming very fierce, with more Asian operators opening outlets. Results were affected by the loss of the Boroko Family Store in November 1995, but this was balanced by the opening of a new 1,200-square metre store at Gerehu, in December, 1996. The possibility of rebuilding the Family Store, and opening new outlets in the Kerema and Western Province regions was also studied. During 1996, all Steamships’ stores were put under the Stop and Shop brand, and a new logo was designed.

Stock shrinkage and theft remained a problem, and for much of 1996 access to the Steamships stores on Waigani Drive and at Erima was severely disrupted by the building of the new Airport to town road.

Hardware also expanded, with planning completed for the takeover of the main hardware store in Alotau, run by Masurina Trading Company, and the reopening of the old Hardware store at Popondetta, closed some years before. A search was in hand for a suitable site for new premises at Kavieng. Unfortunately, a large-scale fraud was uncovered at the Division’s Waigani branch, which punished the Division’s results.

The automotive market continued to recover, with a growth in new vehicle sales of 38% over 1995, which had been so severely affected by the kina devaluation, and a strong Yen. Steamships retained second place in the market (to leader Ela Motors). Plans were made to open a joint venture workshop and sales branch at Tabubil. In June, Steamships completed the acquisition of Highway Motors Pty Ltd, specialist auto-electrical parts supplier, and agent for Kenworth Trucks.

Associate and subsidiary companies had a mixed year. There were no major salvages during 1996, which affected Pacific Towing’s results. Colgate-Palmolive profits were down, with a significant market share lost to imports. Datec traded well, and PNG Transport Holdings recovered well after a difficult 1995. Steamships JV supermarket operation in New Guinea also flourished.

Hornibrook NGI reported a slight increase in profits through the completion of the Lihir Mine steel fabrication contracts. On 31 December, Steamships assumed management



Mitsubishi Motors Showroom

Photo: Rocky Roe

responsibility for the Port Moresby Shipyard, which had been managed by Hornibrook NGI.

SHIPPING

On 22 December, *Papuan Coast*, the new vessel constructed in China, sailed into Port Moresby. She was at 3,000 deadweight tonnes the largest ship yet entered on the Marine Register of PNG. Despite the earlier reservations of Consort Express Lines, *Papuan Coast* was immediately placed on long-term charter to Consort for cargo service in PNG. The new vessel had been formally christened by Deputy Prime Minister Chris Haiveta at the yard in China (in 1997, Steamships increased its shareholding in Consort from 25% to 33%). The vessel performed well during 1997, carrying some 15% more cargo than specification, although Consort results were depressed due to the need to charter-in expensive foreign tonnage to cope with increased demand.

And contracts had been agreed for the construction of another new vessel, for Steamships Coastal Shipping, designed by Conan Wu & Associates of Singapore. It was the 11th vessel that Conan Wu had designed for the Company over a period of 18 years. Initial planning for the new ship had begun during 1995.

Coastal Shipping's Colin Payne, naval architect Conan Wu and George Blaney, Technical Manager of Hong Kong Salvage & Towage Company Ltd (HKST), flew to China in June 1996, to inspect a number of shipyards. The contract was eventually awarded to the highly-regarded Cheoy Lee Shipyards, Hong Kong, for construction at New China Shipyard, Guangzhou (with technical assistance by HKST, which had also played an essential part in the building of *Papuan Coast*) and fitting out at Cheoy Lee's Hong Kong shipyard. New China Shipyard was known for the excellent quality of its steel fabrication work.

Delivery of this vessel was one of the few bright spots of 1997 for Steamships. As noted previously, this year began disastrously for PNG, with the Sandline crisis in March, then the election of the Bill Skate Government in July, and the severe drought that extended from August to the end of the year, resulting in widespread famine in many parts of PNG, and



MV Goada Chief

Photo: Steamships archives

rendering the Fly River unnavigable for five months, disrupting Steamships' shipping and stevedoring operations, and merchandising activities in Kiunga and Tabubil.

The new vessel was launched on 16 June 1997, at New China Shipyard, situated on the Pearl River delta, some 120 miles from Hong Kong. She was handed over at a delivery ceremony at Cheoy Lee Shipyard at the end of October, and named *Goada Chief* by Mrs Christine Houldsworth, wife of Steamships Shipping Manager, Steve Houldsworth, in a ceremony at the HKST yard on 4 November, 1997. The name was derived from the Motu word for "Strong". The vessel arrived in Port Moresby towards the end of November 1997. Her cost was considerable: K5.163 million.

Goada Chief was a 1,050 tonne tanker-landing craft of very high standard, the first to be built to new Class regulations governing oil tankers. She was constructed to Lloyds Register classification as a tanker-dry cargo ship, with a capacity of 1.3 million litres of fuel or 62 containers, or a combination thereof (with no under-deck space for general cargo). Self-gearred with a shallow draft, Goada Chief was fitted with a 25-tonne crane and a bow ramp. Her twin 570 hp Caterpillar engines gave her a service speed of 10 knots. She was specifically designed for the Port Moresby-Kiunga trade, and introduced containerisation to the route for the first time, effectively replacing the old-fashioned dumb barges hitherto employed.

In service, *Goada Chief* very rapidly proved her quality, making two Port Moresby-Kiunga return voyages per month, carrying an average of 1,250 revenue tonnes per trip. *Hiri Chief* was now withdrawn from this run, and went into regular service along the coast to Daru. *Labara Chief* was chartered to OTML for a further five years, and *Motuan Chief* for five years, as a navigational aids vessel for the Fly River.

In late November, Steamships decided to commission the construction of yet another new vessel for chartering to Ok Tedi Mining Ltd. This would be a bulk/container carrier, at K17 million and 5,500 DWT the largest and most expensive ship yet entered on the Shipping Register, by a considerable margin. It was a courageous decision, in view of the effects of the 1997 drought on Steamships’ operations on the Fly River.

THE FLY RIVER DROUGHT

The Fly was totally closed to navigation, from August to December, and did not become fully navigable until mid-January, 1998. This naturally had a profound effect on Steamships’ OTML copper voyages to Kiunga. By September, there were four Steamships vessels aground in the river. The *Labara Chief* and *Obo Chief* suffered substantial plate damage, later repaired at considerable cost.

Many seamen retain vivid memories of this time. One was marine engineer Malik Kanning. He recently remembered:

“I went back on the Fly, in 1997, when the river dried up. The old *Hiri Chief* was truly grounded, literally stranded a fair distance from mid-stream, on top of sand. She was there for five months! All the ships stuck on the Fly were fully manned, all the time. There was talk about leaving the ships, but the rains finally came before we did this.

“I was on the *Bosset Chief*, and we were fortunate enough to be able to move our anchor into mid-stream, so we could keep the engines and the cooler systems going. They couldn’t do this on the *Hiri Chief*, because she was stuck on the bank, high and dry, with her screws clear of the water. So they had to shut all the machinery down.

“A lot of people took leave during this period, and the helicopters were going all the time. Lifting them off, taking them up to Kiunga. We used canoes and small dinghys to go back. It was a totally new experience. Fortunately for Steamships, there hasn’t been another one as bad as that dry for almost ten years now.

“One thing I remember were the magnificent sunsets and sunrises while we were stuck there. We were in an area where it was all savannah, no hills, and you would see this big ball of fire coming up out of the marshes, glowing red, even the moon would come up red, like a ball of fire. It was fantastic!

“Towards the end of the year I was chosen as one of the crew to take delivery of the *Goadal Chief*. I flew to Hong Kong with 13 other crew, and we brought her back. The skipper was Captain Moremba Kepe.

“It was after that when I came ashore. It was not a planned move. I came ashore just for a bit of a break, and went to see Colin Payne, who was General Manager Shipping at the time. Steve Houldsworth, the Shipping Manager, was in the office, too. One of the English managers from Swire was going back to the UK, so there was an empty space, Technical Manager, Coastal Shipping. Colin said to me, you are the only guy who can take over...

“I had always been on a ship, I wasn’t an administrator, I was more comfortable being in charge on one ship. But I had been 20 years at sea, and I was ready for a change. I had some self doubt, about whether I was qualified to do the job. I could run a ship, no problem, but this was a totally different ball game. But Colin said, try it out! If it doesn’t work you can always go back to the sea again.

“So that’s what I did. I had some initial teething problems and difficulties, but the staff around me gave me support and I soon settled in. And I’m still Technical Manager...”

The *Bosset Chief* was under the command of Steamships’ most senior skipper at the time of her grounding. Richard Sandeman-Gay was born in Wales in 1935, son of a father who was a Lieutenant Commander Engineer in the Royal Navy, and his wife. He joined British India Steam Navigation Company as an apprentice in 1953, and over the following years gained his successive deck certificates on a variety of vessels. He married Elizabeth Bateman, an Australian, in 1961, and became an Australian resident. They had four children. Sandeman-Gay gained his Master Class 1 ticket in 1964, and after working for several shipping companies as Chief Officer and Master, joined Papua New Guinea Shipping Corporation, in 1979.

Sandeman-Gay served on a number of vessels for the Corporation, including *Moresby Chief*, *Provincial Chief*, and *Highland Chief*, until the Shipping Corporation was taken over by Steamships. He continued in Steamships’ service, and in 1990 commenced his long on-and-off association with the Fly River, initially on *Obo Chief* and then *Bosset Chief*.

He still recalls the long Fly River stranding. One account has it that towards the end food was running out, despite occasional purchases of fresh vegetables from nearby villages. Steamships was repeatedly requested to send provisions, with no result. Sandeman-Gay finally sent an urgent radio to the Company, warning that if supplies were not immediately received the crew of *Bosset Chief* would be the first in modern maritime history to go down with scurvy. There was an instant delivery, by helicopter!

Sandeman-Gay recalls many incidents: the retrieval of a logging stevedore’s body from the Fly River; a request for “compassionate” leave from a 2nd Mate so that he could return to the Highlands to assist his father in a tribal battle; a confrontation with a village chief and his followers, armed with bows, arrows and a shotgun, following a crewman’s dalliance with a local maiden; the flaming ash deposited on the ship from huge bush fires raging across the border in Irian Jaya; the partial collapse of the Ok Tedi copper loading wharf at Kiunga, and many others.

Elizabeth Sandeman-Gay sometimes accompanied her husband on Fly River voyages. An accomplished writer and photographer, she wrote an article titled Rhythm of the River, published in the journal of Western Pacific Communications. In it she describes a voyage in *Obo Chief*, delivering a full load of copper concentrates down the Fly from Kiunga to the bulk carrier moored offshore - which by this time was MV *Karabi*. This provides a first-rate account of the process of loading the bulk carrier from the mini-carriers:

“Evening of the second day sees the ship close to the River’s tidal mouth. Earlier in the day, a four-metre tidal bore rushed through, tearing at the banks. Whole trees are now rushing past, branches and roots reaching, ugly and menacing...at sea in the morning, rain and low cloud press in. The mother ship, MV *Karabi*, is yawing quite a bit in the swell ahead.



Captain Richard Sandeman-Gay



MV *Highland Chief*

Photo: Steamships archives

“Being berthed beside *Karabi* is awesome. *Obo Chief*’s bridge deck height is equivalent of a four-storey building, yet it is level only with the main deck of the massive mother ship, whose bridge is another four or more storeys above. The men on *Obo*’s main deck throw the heaving lines to reach the seamen waiting above. Four 25-tonne cranes loom ready for work, and the hatches are open.

“The swell is enormous and both vessels creak and clang with clashing discord. Despite the huge rise and fall, the mother ship rhythmically discharges the black \$6 million cargo. For four hours, two grabs lift, swing, lower, grab, lift, swing and drop the concentrate into hatches then lift, swing, lower and grab again. For another two hours a Bobcat, lowered in, scoops the leavings into piles for the remaining grabs to take.

“A strangely sweet coppery perfume hangs, mixed with industrial oily smells and salt spray of the sea. Soon, the expensive dust and its heady scent will be fire-hosed away. Back into the estuary, 100 kilometres wide, the ARM’s start from zero, and *Obo Chief* heads upstream for Kiunga...”

Despite the Fly River groundings, Shipping performed well during 1997, although prospects for 1998 were not bright, due to a complete cessation of logging in the Gulf region. Competition from Lutheran Shipping, which provided a variety of coastal services out of Madang, was an increasing concern. As a Church body, LuShip was exempt from the payment of tax and the registration of staff in the National Provident Fund, which gave it a significant advantage over the private sector.

The Company recreational vessel, *Sutherland*, was sold during the year for K200,000, and

replaced by *Silver Fox*, a larger craft, 25 years old but in first-class condition, and more suitable for corporate entertainment. She cost K380,000. She was renamed *Moresby Chief*, and remains the Company pleasure craft.

The joint venture stevedoring companies also generally traded strongly. The Government was shifting its operations to Kokopo, but the commercial sector was moving back to Rabaul, concentrating on the wharf area. Electrical and telephone services were restored, and Steamships continued to trade out of the old cocoa shed. The Board decided to defer any rebuilding until the future of Rabaul became clear. There was strong growth in stevedoring operations, although equipment maintenance costs were high, due to the ever-present volcanic dust.

Agencies gained additional revenue from the large increase in imported tonnage, and Steamships’ agency and stevedoring businesses continued to benefit from the Swire Group’s shareholding in the Company - Swire still owned and operated the principal liner trades between Australia and PNG, and between Asia and PNG.

Pacific Towing recorded a satisfactory profit. A new salvage tug, MV *Salvor*, was purchased, principally to service the Kutubu oil platform, and a big United States Navy exercise off the Australian coast. A tow from Brisbane to Korea was completed.

Most other Divisions, and the associate companies, performed to expectations throughout this extraordinary year, although it was decided to dispose of the Hornibrook NGI business. The company was placed on the market, but no offers had been received by the end of the year.

Dattec (PNG) Ltd introduced a locally-assembled personal computer to the market, and its Enertec division won a rural electrification contract which would yield K100,000 per month from May to the end of December. The insurance brokers, Lowndes Lambert (PNG) Ltd, in which Steamships had acquired a 20% shareholding, performed well, with a new branch opening in Lae.

Once again Merchandise suffered from poor internal controls and stock losses - principally from large-scale thefts at the Waigani branch - which were brought under control by mid-year, with the appointment of additional expatriate management staff, and the introduction of a sophisticated computer-based stock control system. A number of small outlets were disposed of. But competition in the retail market was increasingly bitter, with large new rival supermarkets opening each year.

There were some major developments in Hotels. The Gateway Hotel was further upgraded, the restaurant and bar facilities at the Melanesian were extended and the Mambu Tavern, adjacent to the hotel, was rebuilt. The Huon Gulf Motel was also extended.

The Coastwatchers Hotel at Madang traded solidly, and a new conference room was added. The possibility of building another 28 rooms at the rear of the property was examined. However, the Smugglers Inn, the beautiful waterfront hotel so fondly remembered by old Madang residents, was sold. Smugglers was in poor condition, requiring major repairs at an estimated cost of K1.5 million, and it was felt that the cash could be better employed elsewhere within the Group. The hotel had never returned a meaningful profit in its 15-years’ ownership by Steamships.

The decision to sell was not taken lightly, for Madang appeared to be on the brink of



The Gateway Hotel, Port Moresby

Photo: Rocky Roe

substantial development. The Z Tuna Cannery project had fallen over, but a new Philippines-based company, RD Group, was in the process of establishing an even bigger tuna cannery, and the great Ramu Nickel project looked likely to proceed, all of which could result in substantial business for the Company. But Smugglers was sold at auction in July to PNG politician Peter Yama, who bid K2.850 million, paying a 10% deposit.

Phase 1 of the Boroko Hotel rebuilding, Roundhouse Entertainment Centre, was opened in October, 1997. It featured the most sophisticated discotheque in PNG with three bars, a restaurant, a gaming room and a nightclub with an 800-guest capacity. Phase 2, a 100-room hotel with 30 serviced apartments and four franchised restaurants, was commenced, with completion due in the second half of 1998.

Perhaps surprisingly, Automotive increased its sales of new vehicles, despite price rises of up to 25% caused by the devaluation of the kina. The Division held a 20.5% share of the total new vehicle market of 7,873 units. Steamships was the largest second-hand car dealer in PNG, with 30% of the market. The recently acquired Highway Motors Pty Ltd sold 27 Kenworth heavy trucks against a prior year average of 12.

Property was becoming one of the strongest of the Divisions. Steamships was the largest private sector landlord in PNG, and throughout the year the Division's construction arm completed such projects as Phase 1 of Boroko Hotel, more warehouses in Waigani Industrial Park, and 20 serviced apartments at Gateway Hotel. The Board had decided to dispose of isolated commercial and residential properties in Rabaul, Goroka and Mount Hagen, and purchase more land in growth areas of Waigani North and NCD.

STAFF

Steamships remained the largest private sector employer in PNG. A total of 2,900 were employed at the end of 1997, of whom 82 were expatriates. The slight rise in expatriate numbers was a consequence of the purchases of Highway Motors, Alotau hardware store and the establishment of Tradewinds Liquor, but the number of expatriates employed had nevertheless fallen from 150 in 1991. A further 1,900 staff were employed by Steamships' associates and subsidiaries.

It was planned to reduce the number of expatriate employees by another 20% by the end of 2000. A new and ambitious training programme was developed. During 1997, 806 staff attended in-house training courses, 38 attended external courses and 15 were sent to training courses overseas. A fast-track Executive Training Scheme was introduced, and proved very successful, but the Company was reluctant to push this too fast. Two of the graduates from the scheme, John Yambu and Mary Handen, had already replaced expatriates in General Manager positions.

The long-term interests of staff were protected by the Steamships Superannuation Fund, which stood at K5.504 million at the end of the year.

The longest-serving Steamships employee at this time was Wangak Namil, from Karkar Island, Madang Province, whose service spanned over 40 years. Wangak was quite uneducated, with only two years at a village school on his home island, but he was shrewd and trustworthy. He never married. He went to Rabaul after leaving school, and never again set foot on the mainland.

Wangak began his life in Rabaul as a stevedore with Colyer Watson, then moved to Rabaul Stevedores. When that company was broken up, Wangak became a painter/carpenter with East New Britain Port Services, managed by Peter Cohen. In September 1997, he was presented with a Certificate of Commendation by Managing Director Chris Pratt.

A new Director, Gereia Aopi, CBE, joined the Board in August, representing the National Provident Fund. He was Managing Director of Telikom PNG Ltd, and held directorships in eight other leading PNG companies.

Steamships finished this hard year, 1997, with a net profit of K18.64 million, an increase of 17.5% over 1996. Capital expenditure amounted to K31 million. But hard times were ahead.

CHAPTER TWENTY-SEVEN

THE SLIDE TOWARDS DISASTER

1998 and 1999 were to be the most desperate years that the PNG economy had faced since Independence. The sequence of economic disasters of those years was briefly outlined in Chapter 24. By mid-1999, matters had reached a point where Prime Minister Bill Skate could no longer hang on to power. He resigned, and a new Government headed by Sir Mekere Morauta took up the reins of office. Morauta had broad inter-party support, and as previously noted, he took immediate action in an attempt to restore economic sanity.

Steamships was of course critically affected by the traumatic events of that time. Interest rates were at or above 20% for almost all of 1998 and 1999, the kina went into sharp decline, inflation soared, and foreign reserves slumped to a dangerous level. No trading concern could be expected to flourish under such circumstances, yet Steamships was still able to declare an after-tax profit in 1998 of K14.49 million (although on a turnover of K327 million), down by over 22% on the previous year. This improved to K19.77 million in 1999, partly as a result of the rapid recovery of the overall economy in the second half, in the wake of the Morauta Government's new policies (it should be noted that Steamships revalued its shipping fleet in 1998 due to kina devaluation, which led to an additional depreciation charge of K1.95 million against the 1998 profit).

However, the Board decided that the prevailing economic circumstances dictated a reduction of the dividend to 20 toea for the full year, a reduction of 20%.

Despite the dire economic climate, Steamships actually increased capital expenditure in both 1998 and 1999, to K46 million and K41.5 million respectively, although most of this was in connection with major projects previously commenced, or approved. Relatively few new projects were undertaken.

KIUNGA CHIEF

The largest single item of capital expenditure over these two years was on the new vessel for the Ok Tedi work. Constructed in China at Zhenjiang Shipyard, under the supervision of Conan Wu and Hong Kong Salvage and Towage, the 90-metre, 4,322 gross tonnes (6,225.84 deadweight tonnes) 4.7 metre loaded-draft bulk/container vessel was launched on 3 May 1999, and delivered to Steamships on 25 August. The final delivered cost was K28 million, paid in installments over 1998-1999. She was the largest and costliest vessel yet constructed for internal PNG service.

At a Board meeting it was agreed that the new vessel be named *Kiunga Chief*. She was the second ship to carry this name; it will be recalled that the original *Kiunga Chief* had been one

of the three ex-Panama bulk sugar mini-carriers purchased in 1987 for the initial Ok Tedi copper concentrate contract.

Ok Tedi Mining Limited was prepared to accept a bareboat charter of the new ship for a period of 10 years, but only if local landowners were involved - local equity was now an essential ingredient of any major new enterprise in PNG, and OTML was coming under increasing international attack over the damage its operations were causing to the Fly River environment. There was developing uncertainty about the entire future of the Ok Tedi Mine, and it was vital to keep the River people on-side.

Steamships therefore formed a 50-50 joint venture company, Middle Fly Shipping Company, with representatives of landowners to manage the new vessel. She went into service on the 10-year charter under the command of Captain Dick Sandeman-Gay. *Kiunga Chief* was very successful in service. During sea trials she comfortably exceeded design specification on speed and fuel consumption, and the bow wave dissipated rapidly, a crucial requirement for river work.

It was at this time that the Swire company, China Navigation Company, agreed to charter a replacement bulk copper silo vessel to OTML for seven years from April, 2000, at a cost of some US\$13 million. Steamships would act as providor and crewing agent for this vessel, which would replace MV *Karabi*.

Fly River work was very hard on the ore carriers. The major single item of general expenditure during 1999 was K2.7 million in docking costs for the Copper Fleet.



MV *Kiunga Chief* at Kiunga, Fly River

Photo: Steamships archives



MV *Gazelle Coast* approaching wharf

Photo: Rocky Roe



Steamships Head Office, Port Moresby

Photo: Rocky Roe

Labara Chief twice grounded, with expensive engine and propellor repairs resulting. But most of the work was done in Steamships' own Marine Engineering Services yard, which enabled costs to be controlled.

No. 4 Slip collapsed in June 1999, and was rebuilt to enhanced capacity, allowing vessels of up to 1,000 tonnes to be docked, instead of the maximum 700 tonnes as of yore. Steamships' competitor, Curtain, had opened a rival dockyard on Motukea, which did little to dampen demand for the MES yard.

Steamships' tugs and barges were idle for most of 1998, owing to the complete cessation of logging activities in the Papuan Gulf region, which carried over into 1999. Agency results slipped as import volumes continued to fall, but there was increased activity at Rabaul and Kokopo as rehabilitation after the volcanic eruptions continued.

Port Services barely held its own, and a new General Manager, Graeme Davis, was appointed from Company ranks.

Consort Express Lines performed soundly, aided by a 20% rate increase granted in 1998, and a 5% growth in tonnage handled. The Company was now being run by John Ellery. In 1999, Consort for the first time purchased its own vessel, *Gazelle Coast*, a 5,400 DWT container ship, 15 years old but in good condition. She was employed on the Australia/PNG run, replacing a chartered vessel.

However, problems were being encountered with the Papuan Coast, the Chinese-built Steamships vessel chartered to Consort. The hatch cover mechanism had to be changed from wire pull to hydraulic pull, and the deck hydraulic system completely overhauled, all this at high cost. Independent investigation disclosed that questionable work practices had been used during the installation of the system, compounded by the use of sub-standard materials. It was estimated repairs and replacements could amount to some K1-1.5 million over a period of two years. Spirited discussions began with the other Consort shareholders, Lutheran Church and Anton Lee, over the question of who should be responsible for the cost.

On 1 July 1999, Steamships reduced its shareholding in Chief Container Services from 38.9% to 30%. CCS was having a hard time, recording a loss of A\$2.58 million in 1999 as a result of current economic conditions, and the commencement of a new Cape Line service between Australia and North Asia, calling at Port Moresby and Lae. (This new service quickly folded.)

Other major projects during 1998 included the completion of 20 new serviced apartments at Gateway Hotel, and nine at the Melanesian; a new club, Planet Rock, at Lae, and a new Gaming Lounge at the Highlander Hotel, Mount Hagen.

In October, Rabaul Metal Industries was purchased from BHP (PNG) Ltd, and renamed Steamships RMI Ltd. A major new Stop and Shop (these were now being styled Stop and Shop) was constructed at North Waigani, and Down Town Plaza, a shopping mall, was built in the space formerly occupied by Main Store in the central business district.

Principal items of expenditure in 1999 (apart from the final Kiunga Chief payments and the Copper Fleet dockings) were a K1.5 million upgrade for the Stop and Shop, Waigani, and K1 million on a joint venture club at Down Town Plaza. The Hibiscus Motel in the CBD was purchased for K1.3 million, and K1.4 million was spent on the upgrade of Windward

Apartments. K0.75 million was expended on a new crushing plant for Nebiri Quarry, and K1.9 million on computer and related equipment was approved for 2000.

All this does not disguise the situation that Steamships - and other large companies - faced during 1998-1999. The shrinkage of private sector investment led to reduced demand for Steamships' portfolio of goods and services, and put pressure on margins as merchants struggled to retain market share in a reducing market. This forced the Company to adopt a more restrictive credit policy towards its customers, which hardly improved matters. The introduction of a 10% Value Added Tax on 1 July 1999, was expected adversely to effect most Divisions, but it proved neutral to the Company, with the monthly VAT quantum roughly balancing the local taxes it replaced.

Yet most Divisions made money during this troubled time. The worst affected was Automotive. During 1998, interest rates for private buyers of new vehicles ranged between 28% and 35%, and the cost of Japanese vehicles rose by 40% because of the decline of the kina (in the three years from 1997 to 1999, the average price of Japanese-sourced vehicle soared by 125%). The Government increased the import duty on luxury vehicles to 110%. In consequence, the market for new vehicles collapsed during the second half of 1998, and this continued into 1999. Total new vehicle sales in PNG fell by 24% in 1998, and by a further 33% in 1999.

The position was somewhat relieved by relatively strong sales of heavy vehicles, and light trucks now being sourced from Indonesia. With users forced to keep aging vehicles on the road because of the high cost of replacement, spare parts sales improved, and there was a strong result from the panel shops and workshops.



Port Moresby, 1990s

Photo: Steamships archives

Overall, Automotive actually performed acceptably in a drastically reduced market. Stock holdings were reduced, and 25% of the expatriate staff were dismissed. The Wewak branch was closed in September 1999, and Highway Motors, Lae, was moved into the premises occupied by the Mitsubishi and Isuzu franchises to cut costs. It was becoming apparent that the purchase of New Guinea Motors had been a mistake. The Isuzu range of trucks in particular was not finding enough purchasers. Highway Motors opened a news sales office and workshop in Lae. But the writing was on the wall. Management decided that the time had come to downsize the Automotive Division.

The other Divisions had their ups and downs, but generally performed to budget. Most were affected by the sharp increase in imported goods and components caused by the kina devaluation and duty increases. Merchandise was particularly vulnerable. It was the largest employer of the Divisions, with some 1,300 staff overall. The technological and management changes made during 1997 were working, and both sales and profits increased. During 1998-1999 the expatriate staff component was reduced to 15. Of the 27 retail outlets in Port Moresby, all but three were now under local management.

Indirect costs increased by 33% in 1999, and security costs by 44%. A new Stop and Shop was completed at Koki, bringing the total to eight. In addition, the Division had seven Kwik Shops - food and drink outlets taken over from Mobil service stations in Port Moresby - eight Tasty Fried Chicken outlets, and four liquor stores. Steamships also acquired a 50% shareholding in Sirocco Ltd, a restaurant and night club operator in Port Moresby.

Progressive Traders at Kiunga marked time pending the delayed opening of a second store, lost to fire in mid-1998. A new store was being built in Kiunga by Papindo Trading Company Ltd, a powerful company started by a wealthy Indonesian-Chinese, Soekandar Tjandra, who came to PNG in late 1973, seeking business opportunities. Papindo rapidly became a major PNG player, with stores, supermarkets, shopping centres and department stores in most large centres. In 1995, Papindo entered a joint venture with Lihir Holdings, a landowners group on Lihir Island, to engage in trading and hotel operations.



Monier, Lae

Photo: Rocky Roe

Steamships JV Ltd, the joint venture retailing operation managed by Collins & Leahy on the New Guinea side, broke even. It was known that several large new retail stores would soon be opened in competition to Steamships, and the retail market remained fiercely competitive.

Industrial had a poor 1998 and a somewhat better 1999. The construction market was weak. Government expenditure on infrastructure in Port Moresby fell sharply, and the private sector mostly deferred planned new building, leading to reduced demand for Nebiri Quarry's aggregates. This was counterbalanced by an increase of 35% in sales of Monier's masonry blocks in the Islands region, particularly in Rabaul, where reconstruction was proceeding. One bright spot was a special order for Monier Allied for the design and manufacture of 50 sea kayaks for the World Championships held in Manus, in July. Sales of moulded plastic water tanks were also strong.

Monier benefited from an AusAid road programme in Lae, and in the last quarter of 1999 entered into a joint venture with Butibam landowners to crush river gravels for use by Monier in Lae.

Hardware did well enough. A new store was opened in Kavieng, and the Division started to manufacture kit houses in Lae, which were well received. Another new store was built at Kokopo. An Industrial Chemical division was set up in late 1999, and the Division took on the distribution of imported hardware products for Mitre Hardware, a division of Collins & Leahy. A joint venture distribution company was formed with Queensland Cement Ltd and a trial shipment of cement was made from Australia. This initiative was thwarted by the PNG Government, which was anxious to protect PNG's only cement manufacturing plant, based in Lae, in which the Government had a substantial interest.

Hardware now had stores in 11 locations throughout PNG, making Steamships the only nationwide retailer of building and related products.

As always, Hotels - one of Steamships' core Divisions - traded profitably; indeed, the Melanesian and Highlander Hotels and Huon Gulf Motel all had record years. Ten new rooms and a swimming pool were installed at Huon Gulf, and the main restaurant at the Highlander was refurbished. A law and order curfew in Port Moresby in 1998 reduced trading at Gateway Hotel, but the conversion of a lounge into a saloon bar, and a restaurant with the evocative name Rattle & Hum, restored results. Only Coastwatcher Hotel at Madang and the small Lamington Hotel, Popondetta, delivered disappointing results.

Coral Sea Hotels was the only nationwide hotelier in PNG. The extensive upgrading of the past two years was bearing fruit. Management under General Manager David Cox was strong, staff turnover was falling, and over the two years the training budget was quadrupled. In July 1999, David Cox agreed to extend his service until at least the end of 2000.

Property Division, managed by Gordon Walsh, performed to target in 1998, but experienced difficulties in 1999 (Walsh resigned in mid-1999 after 12 years' service, and was replaced by Darren Young). The PNG Government was retrenching expatriates, and some large expatriate employers were relocating senior staff out of Port Moresby to North Queensland for cost and security reasons, flying them in and out. Law and order remained a serious problem - Steamships' new Kwik Shop store at Badili suffered five armed holdups in its first six weeks of operation - and this naturally affected demand for high-quality accommodation. For the first time since it was completed in 1987, Windward Apartments had vacancies. This

was of concern, for a major and much-needed two-year refurbishment of the Apartments was commenced in late 1998, with completion due by June 2000. This flight of expatriates also resulted in pressure on commercial and industrial rents.

A number of residential properties outside Port Moresby were sold, and the proceeds used to purchase land within the capital against future need. An important new site was acquired in the CBD, adjoining land already owned by the Company. But it was becoming abundantly clear that tenants were increasingly unable or unwilling to pay the high economic rents that the soaring costs of construction demanded. As a result, further short to medium term plans for new developments were put on hold.

Property's Construction arm did much of the supervisory work involved in the improvements to the various hotels and Windward Apartments, and carried out refurbishment of Stop and Shop, Waigani, construction of Stop and Shop, Koki; Territory Cellars Kwik Lika; Toba Motors Smash & Repair Centre, Lae; commercial warehouses in Port Moresby, Popondetta and Madang, and 40 staff houses for the Home Ownership Scheme, at 9-Mile and Badili.

The associate companies generally fared reasonably. Colgate-Palmolive had been hit by competition from imported products, but made a record profit in the first half of 1999. Its operations were threatened by the death of the capable General Manager, Michael Bubb, in an aeroplane crash at Goroka in June. There was no ready replacement.

The insurance company, Lowndes Lambert PNG Lld, had a poor year, and Chris Pratt informed the Board that he had commenced discussions with Lowndes Lambert in Sydney,



Stop and Shop, Port Moresby

Photo: Steamships archives

for Steamships to pull out of this investment. Datec (PNG) Ltd continued its sound performance, under General Manager Tony Ah Koy. Datec was negotiating to purchase the Transitmix site on Waigani Driver from Monier, as the site for a new Datec building, estimated to cost K3 million.

All was not doom and gloom in the PNG economy. The established mining operations were all producing well, and another petroleum development was on the horizon. InterOil Corporation of Texas, USA, announced its intention of building a small oil refinery at Napa Napa, to process Kutubu Sweet Crude into a limited product range, creating an opportunity for Steamships to provide tankers to distribute the refined products around PNG, tug services, and a range of retailing services. Discussions began with Steamships' management, although the Board remained skeptical over the economic viability of the ambitious project, for the current economic climate offered little attraction for international investors. Pacific Towing tendered US\$850,000 for towing the refinery body from Houston, Texas.

A feasibility study for the Ramu Nickel Mine was completed, and Highlands Pacific and its possible partner, Nord Pacific Group, were actively looking for a cashed-up partner to enable this huge project to proceed. It involved the mining of nickel and cobalt ores at Kurumbakari, some 80 km south-west of Madang, and transportation of the slurry to a processing plant at Astrolabe Bay. The refined product would be shipped from a wharf to be built at Basamuk. Barges would shuttle between overseas ore carriers and Madang and the wharf site. Steamships saw an opportunity to be involved in the stevedoring and handling of cargo, as well as shipping and agency work.

The Frieda River copper and gold project, a joint venture between Highlands Gold and Cyprus Amax, had been on the drawing board for many years - some seasoned observers had given up on it. But the price of copper was rapidly increasing, and Cyprus Amax was committed to spending US\$4 million on drill assessments. If the project proceeded, many opportunities for Steamships would be created.

And another intriguing possibility was gathering pace. The PNG Gas Project, conceived and developed by Chevron and a consortium (which included the Australian company, Oil Search), aimed at tapping the vast natural gas reserves of the Southern Highlands petroleum field, and delivering it through a coastal facility for processing into LPG, and thence via a pipeline to customers in Australia. Specialist gas carriers could also transport the LPG to local and overseas markets.

The entire project rested on the ability of the partners to acquire the land in Australia and (from very difficult landowners) in PNG that would be required for the pipeline; on securing political support; and on signing up enough major industrial customers to make the huge financial gamble (the final cost was estimated at some \$US3 billion) worthwhile. If the project did proceed, the opportunities for Steamships would be boundless.

By the end of 1999 prospects for the economy had dramatically improved. Since the coming to power of the Morauta Government the kina had firmed, with exchange rates at K1 equalling A\$0.60, and US\$0.40 cents. Interest rates were still high at 17%, but significantly lower than at the beginning of the year. Prospects for concessionary loans from the IMF and World Bank looked bright.

Managing Director Christopher Pratt was able to present a budget for 2000 that was at last on the cautiously optimistic side. External sales were budgeted to increase by 19%, to

K383 million. Profits for the Divisions were anticipated at K24.8 million, with another K6.2 million coming from Steamships’ share of Associates’ profits.

There was one wild card, causing concern not only to Steamships but to most of the rest of the world. The end of the 20th century was nigh, and there were the most extraordinary and frightening rumours raging. The world as all knew it was about to end! Alarmists and “experts” predicted that computer systems would collapse everywhere as the new century began, throwing world communications into chaos - the so-called “Y2K” effect. For most of 1999, major companies in PNG (and elsewhere) worked frantically to bullet-proof their systems against Y2K.

Datec laboured mightily throughout 1998 and 1999 on a solution to this fearsome threat, aided by the Swire Group’s Y2K team in Hong Kong. By November, Datec was able to assure management that Steamships’ systems would be fully compliant. And of course as history shows, it was all pretty much of a fizzer. The world did not end. Life went on as before.

Steamships became the first company to be listed on the new Port Moresby Stock Exchange, on 4 June 1999. The No 1 listing matched its Box 1 post office numbering. The Company shares could now be traded in PNG for kina. Steamships’ listing on the Australian Stock Exchange was maintained.

COLLINS & LEAHY

On 24 July 1999, John Swire & Sons (PNG) Ltd advised Collins & Leahy Holdings Ltd that it intended to make an offer for the shares in Collins & Leahy that it did not already own, at A\$1.50 per share. Collins & Leahy had not been trading well in recent times, with a high cost base and high expatriate staff levels. The National Provident Fund, a major Collins & Leahy shareholder, accepted the offer in respect of its 8,223,179 shares, and settlement was made on 30 July. This increased the John Swire & Sons share holdings in Collins & Leahy from 54.96% to 94%.

John Swire & Sons then gave notice under the Takeovers Code that it intended compulsorily to acquire the balance, and this process was completed on 27 August. On that date, Collins & Leahy became a wholly-owned subsidiary of John Swire & Sons (PNG). The affect of this acquisition was that Swire’s beneficial shareholding in Steamships increased to 66.6%, while the NPF official shareholding fell to its direct shareholding, which now amounted to 23.6%.

H.T. Fabila, MBE, Managing Director of the National Provident Fund, was elected to the Steamships Board. John Dunlop was appointed Managing Director of Collins & Leahy Ltd and Group holdings, and moved to Lae. Following this appointment, Vere Arava was promoted to the new position of General Manager, Finance and Administration.

Steamships had suffered a real loss with the resignation of Rose Kekedo, in 1998. She left to start a private consultancy firm with her sister, Jean. Her knowledge, experience and passionate devotion to the rights of national women had earned her the respect of the wider PNG community. Over the years she held many distinguished positions: Pro-Chancellor of both the University of Papua New Guinea and the University of Technology; Chairwoman for the South Pacific Sports Committee; President of the Young Women’s Christian Association; and active membership in many community groups, including PNG Red Cross Society and St John’s Ambulance. She held a life membership of the Women’s Softball Association.

Sadly, Dame Rose Kekedo died on 28 February, 2005, after a long illness, at the age of 64. She was replaced in Personnel and Training by Vere Arava, before he took up his new position in Finance and Administration. Mary Handen was then promoted to the position of General Manager Personnel.

At the end of 1999, the Company was employing 3,309 staff, of whom 77 were expatriates. The increase was due to the creation of new jobs in the Hardware and Merchandise Divisions. Like other companies, Steamships was struggling to recruit good-quality expatriates, particularly from Australia, where the economy was growing rapidly. The falling kina, recent sharp increases in personal tax rates and PNG’s perennial law and order problem combined to make PNG a far less attractive place in which to work than it had been a decade before.

The cost of employing expatriates had also risen sharply. Christopher Pratt presented papers to the Board which showed that expatriate employment costs - salaries only, excluding accommodation, air fares, school fees and vehicle costs - had risen from K10 million in 1997 to K20 million in 1999, despite the complement falling from 88 to 77 in that time. The increase was entirely due to the kina decline and personal tax increases. Although the Company was training nationals to fill senior management positions, experienced expatriates were still essential in key areas.

In the 2000 New Year’s Honours List, Christopher Pratt, Managing Director of Steamships, was awarded a CBE.

PART 5
INTO THE FUTURE

CHAPTER TWENTY-EIGHT

HOLDING THE LINE

The events of the opening years of the new century will be considered only in broad outline here.

The 21st century opened poorly for Papua New Guinea. Despite responsible government, the economy remained depressed, with a weak kina and high inflation and interest rates prevailing for the third successive year. Fixed capital investment was at a historic low, pushing down employment and demand. The nation was still unhealthily dependent on imported goods. Coffee, cocoa, copra and palm oil prices all fell by an average 28%, and in addition the coffee crop was one of the worst on record, down from 1.3 million bags in 1999 to 1 million.

To its credit, the Morauta Government resolutely stuck to a responsible economic path, despite the resulting short-term dislocation and pain - and political unpopularity, for new economic measures took time to bite. Sir Mekere Morauta was determined that PNG was going to live within its means. The Central Bank Act was passed in June, and the Life Insurance and Superannuation Acts in November, bolstering the independence of the Bank of Papua New Guinea. The Bank liquidated a number of dubious Savings and Loan Societies, and removed the Board of Pacific Finance Group. The Bank's central monetary policy objective was price stability, and the extent to which the government of the day could fund itself with borrowings from the Central Bank was limited.

Other major structural adjustments were announced. Several Statutory Bodies would be offered for sale to the private sector; Finance Pacific Group, followed by Air Niugini, then the PNG Harbours Board. All had suffered in the past from incompetent management and ongoing lack of funding. Substantial capital investment would be required of any purchaser to restore these important bodies to health.

As a result of the Morauta Government's policies the PNG economy survived a very difficult 2001, which saw coffee and copra prices plunge by more than 30%. Foreign reserves recovered to US\$433.9 million, and inflation fell to 10%. But the kina remained weak, falling to US\$0.255 during the year, and by 12% against the Australian dollar. Interest rates remained high.

Although the Government managed to contain its expenditure increase to 3%, this came at the cost of development expenditure and funding to local level authorities, resulting in a further reduction of basic services to the village people, including health and education. Roads in particular suffered. The Highlands Highway, lifeline of the 40% of PNG's

population who lived in the Highlands Provinces, deteriorated to such a deplorable state of repair that freight rates doubled.

The only major construction projects were in NCD, but many contracts were awarded without public tender. The management and control of the NCD Commission were the subject of court battles, seemingly to ensure that forces acceptable to former Prime Minister Skate were denied control of the Commission's funding.

Statutory agencies like Elcom, Telikom, Post PNG and Air Niugini all increased their prices to the consumer. Insurance and security costs soared as incidents of violence increased, and police resources were reduced.

The decline continued in 2002. The balance of payments deteriorated significantly, and the value of the kina fell to a disastrous US\$0.238 and A\$0.420, and during one month in the final quarter got down to US\$0.18 and A\$0.33. One result was the increase in the inflation rate to 15%. These were ruinous figures.

Compounding the economic disaster was another fall in prices and exports of almost all agricultural and mining commodities. The mooted PNG-Australia gas pipe line appeared under threat, and neither the Ramu Nickel or Frieda River projects seemed likely to proceed in the immediate future. Only the Kainantu gold project of Highlands Pacific seemed to be locked in.

To fund the budget deficit, the Government issued more than K400 million of Treasury bills, at interest rates that reached 28%.

National elections were due in June, 2002. In past elections, large numbers of sitting members had invariably lost their seats, their replacements raw villagers totally ignorant of government and the parliamentary process, who all too often saw a seat in Parliament only as a sure road to personal riches.

The Morauta Government was well regarded by business, which recognised the efforts it was making to repair the nation's economy. There was general concern that should the elections produce an untried government, or one unduly influenced by those who had failed to abide by the rules laid down by aid donors in the past, the international finance community, now on-side, might turn against PNG.

The national elections were badly managed, with many electors denied a vote because of the state of the electoral rolls, which had not been thoroughly updated for many years. The Morauta Government fell, but the new Coalition Government that emerged contained many experienced members, and was headed by the father of the nation, Sir Michael Somare, back for his third time as Prime Minister. He was an elder statesman now, not the dynamic Somare of old, but he still commanded the loyalty of most of his people.

The crucial post of Finance Minister and Treasurer was given to the well regarded and widely experienced Morobe Province politician, Bart Philemon. It was an appointment welcomed by the business community.

It is not surprising that the first years of the 21st century were also extremely difficult for Steamships Trading Company. Christopher Pratt resigned as Managing Director at the August, 2000, meeting of the Board, to take up a senior position with Swire Pacific in Hong Kong. (At the time of writing, Pratt is Chief Executive of this huge operation. "If you could

run Steamships in the late 1990s, you could pretty much run most things," he said recently.) Edward Scott, who had been Chairman since 1996, advised that he wished to resign the Chair because of time commitments.

Edward Scott remained on the Board, and Chris Pratt was elected Chairman in his place, with Sir Daniel Leahy continuing as Deputy. (Sadly, Edward Scott, the main driving force in the Swire group's investments in PNG since the 1960s, died suddenly in London on 29 January, 2002, at the early age of 63, just after receiving the high honour of a CMG in the New Year's Honours List. His death was a sad loss to the Board.)

Henry Fabila, MBE, resigned from the Board in June, in consequence of his resignation as Managing Director of the National Provident Fund. In August, Sir Michael Bromley (knighted since leaving the Board in 1996) was reappointed a Director.

INTERNAL TENSION

Bromley now held 19.92% of the Steamships shares. The story of why and how he obtained his shares cannot be fully told, but may be very briefly outlined. As noted previously, after selling his Collins & Leahy shares to Steamships, Bromley resigned from the Steamships Board, and continued to act as Chairman of Collins & Leahy. When Edward Scott initiated the move to buy out Collins & Leahy in 1999, he asked Bromley to assist him to achieve this, which Bromley did. Bromley was under the understanding that this assistance would assure him the opportunity of buying a 10% shareholding in Steamships, if Swire ever moved to full ownership of the Company.

Bromley received information that Swire was intending to move, and after failing to secure a guarantee from Edward Scott that he would be able to purchase the 10% shareholding he wanted, Bromley decided to acquire a substantial block of Steamships shares - 18.65% - from the National Provident Fund, which he did through Brislan Nominees Pty Ltd, one of his wholly-owned companies, beating Swire to the punch. Bromley subsequently increased his shareholding to 19.92%

"All hell broke loose," Bromley recalls. "Edward was furious, and I was sacked off the Swire Board, I had shafted Swire, I was dishonourable! And it was very bad for me in the business community in Port Moresby...it was a pretty difficult time for me. I told Edward that I respected the fact that Swire was the senior partner with 66% while I had only 19.9%. All I wanted to do was sit on the Board, and try to help when I was asked for help..."

The atmosphere around the Board table was tense after Bromley re-joined, and was not improved by what followed. On 20 May, 2003, John Swire & Sons (PNG) Ltd gave notice of its intention to acquire the shares it did not hold in Steamships. The Takeovers Code prescribed a number of requirements, with time limitations. There was a need to set up a committee of independent Directors to represent the Company. Bromley was not invited to join, on the grounds that he had a vested interest. Bromley held that he was entitled to be on the committee, to represent the interests of minority stockholders.

A lot of heated and protracted argument followed, and after consulting with legal advisors Bromley recommended to minority shareholders that they reject the Steamships offer.

Swire did finally increase its shareholding, to 72.12%. National Provident Fund was left with 5.03% after the sale to Sir Michael Bromley. Bromley was reimbursed for his legal costs, and once again Steamships' Board meetings became occasions of great tension, although a much

calmer atmosphere has prevailed in recent times, with the dramatic improvement of Steamships' fortunes.

The Board lost its elder statesman with the retirement of Don Harvey on 31 March, 2003. The loss of his knowledge and influence was keenly felt. "Mr Harvey served the Company as an employee from 1956," the 2002 Annual Report notes, "before being elected a Director in 1962. Mr Harvey served as Managing Director from 1976 to 1983, and Chairman from 1976 to 1986. There cannot be too much praise for the service he has delivered to Steamships, which spans more than half the life of the Company."

Bill McLellan also stepped down from the Board in 2003. He, too, had had a very long association with Steamships, and his wise counsel was also greatly missed. His contribution to the training and advancement of senior national staff was widely acknowledged.

JOHN DUNLOP

John Dunlop was appointed Managing Director in place of Christopher Pratt. The job was something of a poisoned chalice, but all observers agree that Dunlop - by profession a highly qualified accountant - was the right man to direct the management of the Company during Steamships' most horrendous trading period since the Great Depression of the early 1930s. The 2000 budget forecast was not achieved. There was a substantial fall in net profits, from K19.768 million in 1999 to K9.367 million, despite a marginal increase in sales. The next couple of years were even worse.

"When I took over the management in 2000, PNG was headed into a serious economic crisis," John Dunlop recalls. "It had been building for a while, but over that period it certainly became much worse. Interest rates were over 20%, so effectively there was no construction or development of any kind going on. The Government had run out of money, and was therefore not paying any money to the Provincial Governments and so on, so they in turn weren't spending money.

"The major statutory authorities like Telikom etc were also out of money, and in most cases Steamships was not able to honour Government cheques or Local Purchase Orders. And the kina dropped way down, to below 40 cents, and bottomed out over a few days to around 28 cents. So any expenses that we incurred were just about doubled overnight...expatriate salaries, air fares, electricity costs and so on went through the roof. Anything that came in went up...just to maintain stocks in the shops we needed almost twice as many kina...

"So the Company followed the country into an area where the policy was, basically, to batten down, not spend anything, hold capital expenditure, no new hotel rooms for example, no new trucks or vehicle replacements and so on. Interest rates, which peaked during Christopher Pratt's time at about 28%, came down to the low 20s then to 18% and were pretty much at that level when I left, in 2003.

"It made it impossible to do anything! When any new project came up you had to ask yourself, can you make 18% out of it? and the answer was always going to be, No. So you didn't go on with it, and it became a self-fulfilling thing. We just held the line, the whole way through..."

Steamships was a venerable company, set in its ways, perhaps a little bloated, with slightly hardened arteries, to some extent in thrall to its history and past successes. Over the long years it had acquired a lot of businesses, not all of them successful all the time, and many

operating on thin margins. If the Group were to cope with the challenges of the new century, it would have to refocus, slim down, and tighten up.

This was very apparent to Mike Bromley, rejoining the Steamships Board after an absence of four years. During his initial time on the Board, the Steamships Group had been making healthy net profits of K17-18 million per year. Now, for reasons almost entirely outside its control, the Group was struggling to make a third of that, and on increased turnovers.

"I became very, very vocal on the Board," Mike Bromley admits, "I really became unpopular, because I was worried about my investment. We needed to change direction, sell off the non-profitable parts of the business..."

As we have seen, Steamships had already done much restructuring during the 1990s. The Company had exited some traditional areas of its operations, had sold off under-performing businesses, and had moved into many joint ventures with local equity. Plantation Division was no more, the Company was out of the Timber industry, and was no longer involved in small trade stores. This process of retraction was now accelerated.

In May, 2002, the 50% shareholding in Steamships JV Ltd was sold to Collins & Leahy Holdings. It was renamed and merged with the merchandising operations of Collins & Leahy, which had managed the business since its establishment in 1988. Steamships continued to lease its Associated Distributors Niugini warehouse in Lae and seven retail stores to Collins & Leahy.

The shareholding in Datec (Qld) Pty Ltd was sold. For the past three years Datec's Queensland business had been used to support the Company's computer programming activities, but it was now apparent that this work could be more efficiently handled in PNG, or Fiji.

Steamships had been in the insurance business for many years, and had maintained a 20% shareholding in Lowndes Lambert since 1954. This holding was now sold to the Australian parent.

AUTOMOTIVE

One of the most potent indicators of the state of health of most modern countries is the motor vehicle industry. This was badly hit in PNG, with sales falling from 7,500 units per annum in the mid-1990s, to 2,522 in 2000. Automotive was the worst affected of the Steamships Divisions by the economic downturn. Sales decreased from K57 million in 1999 to K41 million in 2000. Truck, bus and luxury 4WD segments were more than 80% down on the 1990s average. Steamships retained 20% of the market, but it was a market that was rapidly dwindling.

All four dealers in the PNG automotive market - Ela Motors (the biggest), Steamships' Toba Motors, Boroko Motors and PNG Motors - were under increasing pressure, with no relief in sight. The vanishing market could not sustain four dealers. So early in 2002, the prudent decision was taken to downsize Automotive severely.

John Dunlop had discussions with the other dealers, in an ultimately unsuccessful effort to get them to agree to a major restructuring, with Ela Motors holding its roughly 50% of the market, and the other three banded together. This would result in a major savings in infrastructure costs. Ela Motors' dominance could not be challenged, for it held the Toyota

franchise, and the Land Cruiser model was all-conquering in PNG's harsh motoring environment.

After a promising start, negotiations failed at the last moment, and Steamships decided to act alone and get out of the major part of Automotive's market. Dunlop reopened discussions with Boroko Motors. "Boroko Motors agreed to take our Mitsubishi and Isuzu franchises," Dunlop recalls, "which left them with a very wide range: Nissan, Mercedes, Isuzu, Mitsubishi." Boroko Motors also accepted the Honda franchise. The workshops in Lae and Port Moresby were sold to the respective managers, which secured the jobs of 100 staff. Ultimately, all but some 50 of Toba's staff ultimately found new jobs.

It was a bitter decision, for Automotive had been a core business for Steamships since pre-war days. The Company had represented Mitsubishi for over 37 years, and Isuzu for 40 years. More than 400 staff were employed in Automotive at the time and the Division had many loyal customers.

Automotive now consisted only of Highway Motors, handling Kenworth heavy trucks, and the Zorba spare parts operation, with branches in Port Moresby and Lae, and a joint venture company, Tabubil Automotive Ltd, formed with local landowner group AM Investments Ltd in 2001, to service Ok Tedi Mining Ltd and Tabubil township. The drastically reduced Automotive Division - including the shares in Tabubil Automotive - was sold in May, 2004, to Boroko Motors, finally removing Steamships from the automobile industry.

Though hard to make, the decision to quit Automotive gave Steamships a much-needed injection of cash at a critical time. "The day that Boroko took our Mitsubishi and Isuzu franchises realised close to K30 million in cash, over a 12-month period," says John Dunlop, "in addition to getting rid of a business that was losing three or four million kina a year. Following that, we then looked at some of the other businesses, and right at the end of my term we sold the Monier Group and Nebiri Quarry to Sir Georgkios Constantinou's Hebou Construction Group, our major competitor."

HEBOU CONSTRUCTIONS

Georgkios Constantinou was a Cypriot, who came to PNG in March, 1952. When he landed in Port Moresby he had but four shillings to his name, but he was also a qualified boilermaker-welder. He obtained a position as electrical welder with Department of Works. "Then I hear they wanted a boilermaker-welder at Steamships' Slipway," Sir Georgkios said in a 2006 interview in Queensland. "I worked there for almost a year and a half. I stayed in a house above the Slipway, they gave it to me for free. I never paid any rent, it was an old house and they said OK, you look after the house, with another guy.

"I worked for Steamships until September, 1955. They finished me up, but they never paid my holiday pay! And I'm still looking for it now! [He laughs]. I worked very hard in the Steamies Slipway there. The foreman was Jack Parker, a very nice man. We did a lot of work on Steamies' Coastal Shipping vessels..."

Constantinou married, started a family, and went into business on his own account. Honest and hard-working, Constantinou's enterprises flourished. "And I'm still up there. We are in the construction business, we employ about 2,000 people today - hotels, construction, the timber industry, we make furniture, we have a cordial factory, and we have bought Monier and the Nebiri Quarry from Steamships. My son, young George, is involved in that. They

fit in well with my operations. George is the manager. My other son, Kostas, is up there too. It's a real family concern...."

The Hebou Constructions Group included Rouna Quarries Ltd, NDS Timber Co Ltd, Airways Hotel & Apartments Ltd, Yodda Resources, Alotau International Ltd. Kidu Kidu Ltd, Kimbe Bay Hotel and Lamana Hotel. The Group was managed by Kostas Constantinou from 1982 to 1993, and by George to the present. Sir Georgkios was knighted in 1997, and Kostas was awarded an OBE for his services to business and the community. The family has always been heavily involved in community activities and civic affairs.

"So that sale also took us out of a business which had been losing money for us for as much as five years," says John Dunlop. "And it realised more cash. I also sold the Budget franchise to Hertz. Some of the smaller businesses were sold, too, like Rabaul Metal Industries. When I retired arrangements were being made to sell NGI Steel to the manager, Mal Lewis, which was completed about April the following year. So we were out of a number of industries we had been in for a long time..."

"We did buy some things, too. We bought Ela Beach Hotel from POSF. We bought P&O out of New Guinea Transport, we bought a controlling interest in Port Services - the stevedores in Port Moresby - and we bought their trucking operation in Rabaul and amalgamated it with East New Britain Port Services. We bought a ship and part of the shareholding in Consort, and also arranged for Consort to take over the P&O stevedoring operation in Lae. That really did tidy up our shipping operation, and our trucking in Port Moresby.

"As soon as we got New Guinea Transport we put in second-hand trucks and some fork-lifts, and from that stage it started to grow again. Probably the only thing I was allowed to buy the whole four years I was in charge!"

P&O held 50% of the shares in PNG Transport Holdings, which operated trucking fleets and traded as Pomtrans in Port Moresby, and Niutrans in Lae. The share purchase was concluded in May, 2002, giving Steamships full ownership. There were other acquisitions at this time, designed to consolidate the Company's position in the Shipping and Transport industry. These included a further 23% of the shares in Port Services PNG Ltd, which provided stevedoring services in Port Moresby. This took Steamships' holding to 57%. The remaining shares were held by Motu Koitabu Council, and the villages of Hanuabada and Elevala.

A 24.5% shareholding and the management contract for Island Cargo Services was purchased. This company operated as a stevedore and transport operator in Rabaul and Kavieng. The land used by Island Cargo Services in Rabaul was also purchased, as was the land occupied by Laurabada Shipping in Port Moresby. Two agency businesses in Kavieng and Lihir were also acquired.

Steamships had held the Budget Rent-a-Car franchise since 1971, but the operation had become increasingly marginal in recent times. Budget had offices in Port Moresby, Lae, Goroka, Mount Hagen, Madang, Popondetta and Rabaul, and in 2002 was renting a fleet of almost 100 vehicles, mostly four-wheel-drives. In 2003, the Board reluctantly decided to close the business down. Arrangements were made with the purchaser, Hertz, to provide car hire services at the Coral Sea Hotels.

Rabaul Metal Industries shut down in early 2002, fatally damaged by the fall in copra and cocoa prices. The construction industry remained depressed, and Monier, Nebiri Quarry and Transitmix were struggling to achieve budgeted figures. The hard decision was taken at the end of 2003 to sell the bulk of the assets of the Monier Group in Port Moresby, together with Nebiri Quarry. As noted above, these operations were purchased by Hebou Constructions Group. The deal was finalised in early 2004.

2001-2003

These developments of course took some time to produce results, and John Dunlop's first full year as Managing Director, 2001, ended with Steamships' lowest profit for many decades - a mere K495,000. "And I was only able to come up with that figure because I remembered that somewhere in the consolidation from my Finance days there was a good write-down of some sort, and I thought we hadn't taken up the other half of the entry," John Dunlop remembers, "and I found that little bit of money and it almost got me into profit. Then Datec, bless their soul, came along with a great big profit we didn't expect! And when we took up the other half of our profit, we made K495,000..."

Net profit improved in 2002, to K4.382 million, and increased again in 2003, when a net profit of K6.912 million was recorded. During this period, Steamships underwent a great many other changes.

Capital expenditure in 2001 was K14.9 million, well down on previous years. Expenditure was limited to items of a replacement nature, but even so a cautious attitude had to be adopted, for the replacement cost of items such as vehicles, refrigerators and air conditioners was now often two or three times the original cost. Nevertheless, designs were prepared for another 26 serviced apartments at Gateway Hotel, against the time when funds for construction were available.

As noted above, the Morauta Government had offered several Statutory Bodies for sale to the private sector. There were no bidders for Air Niugini, but PNG Banking Corporation was sold to the PNG-based Bank of South Pacific Ltd. It was a complex transaction, involving the merging of the assets of the two banks. The Privatisation Commission held 25.3% of the capital on behalf of the PNG Government, plus another 12.5% through the Motor Vehicle Insurance Trust.

Steamships was the leader of a consortium of other shipping interests, landowners and unions, which bid for a 25-year lease of the assets of the PNG Harbours Board. The bid guaranteed expenditure of more than K100 million over the first five years to restore wharves, which would be handed back to the Government at the expiration of the lease.

The consortium was declared the preferred bidder in July, 2002, but the process of finalising the details was suspended, pending a review by the incoming Government.

Through its associate, Datec (PNG) Ltd, Steamships formed a joint venture company, ATH (PNG), with the Fiji telecommunications operator, Amalgamated Telecom Holdings Ltd, in a bid for a 51% shareholding in Telikom PNG. ATH (PNG) succeeded in its bid, and in June, 2001, a contract was signed with the Independent Public Business Corporation on behalf of the State.

As with the Harbours Board bid, the bid incorporated specific service obligations to customers, staff protection, and capital investment to bring assets up to a satisfactory

operating level, including the establishment of a functioning mobile telephone system.

The fortunes of the other Divisions and associates of Steamships during this hard time can be briefly summarised.

HARDWARE

Hardware suffered badly from the effect of declining sales in a weakening market. The heaviest impact was the decline of building and project work in Port Moresby, and the disappointing results from the flagship Waigani store, where sales declined by 18% in 2003. The Hardware Division operated 11 retail stores in major towns, as well as a kit home manufacturing centre in Lae. The Division's results improved slightly in 2002, and again by a meagre 5%, in 2003. Only four of the twelve businesses delivered a better performance than in 2002.

The Lae hardware businesses in particular suffered from poor demand, and it was decided to close the distribution centre, and consolidate the Lae operations of distribution and wholesale into the retail branch. The move was completed in January, 2004. A Kwik Built kit homes factory in Port Moresby, opened in 2001, was closed through lack of demand, but the Lae factory was allowed to continue despite mediocre sales.

The Rabaul store was closed in December, 2001, for most of the business community was continuing to relocate to Kokopo. The store there was expanded to enable it to carry the Rabaul branch stock.

Of the other Hardware branches Wewak performed particularly well, aided by a boom in the recently established vanilla industry. Sales in both the Goroka and Mount Hagen stores were disappointing. The Alotau store did so badly that it was closed down in early 2004.

A new strategy was tested during 2003, expanding the regular hardware range held by the branches to include household and general merchandise products. It was successful enough to confirm plans to introduce a permanent range in these goods to all Hardware stores.

Steamships had for some years held a Gibson Chemicals agency, which supplied high quality imported product into PNG. It had been struggling to compete with locally produced goods, and the stock was sold off and the Agency closed in the first quarter of 2003.

HOTELS

Traditionally one of Steamships' best-performing Divisions, Hotels weathered the 2001-2003 economic storm better than most. In 2000, the Coral Sea Hotels General Manager, David Cox, came into Steamships' Head Office, and John Dunlop promoted Warren Daniels to run the Hotels Division. Daniels came to PNG in May 1990, with his wife, Patricia and children Emma and Thomas, to manage the Collins & Leahy Hotels division, which included the flagship Bird of Paradise Hotel and the Zokozoi Hotel, in Goroka, and the Kundiawa Hotel.

Daniels was an experienced hotelier, with prior service with the big Travelodge Group, Kooralbyn Valley Resort, and Trust House Forte Group in the United Kingdom. Collins & Leahy had just completed a major upgrade of the "Bird", Sir Daniel Leahy's particular pride, and he wanted the reputation of his hotel to be upheld.

Over the following decade Warren Daniels was the Collins & Leahy Property Manager, and

also directly managed the Bird of Paradise Hotel for some time. In 2000, Daniels went to Port Moresby with his family to run Coral Sea Hotels. The Bird of Paradise Hotel was now under the banner of Coral Sea Hotels, which operated it on behalf of Collins & Leahy.

Capital expenditure during this period was limited to the upgrading of existing plant and equipment, although during the last quarter of 2003 a block of 12 townhouses was bought, adjacent to the ever-popular Gateway Hotel. As a part of the Division's concentration on its core business and market, the Planet Rock entertainment centre in Lae was closed, as was the Hibiscus Motel, in Port Moresby.

The Division concentrated during this period on the training and professional development of its staff. The improvement in service standards was very apparent.

MERCHANDISE

This important Division continued to be plagued by a multitude of problems. “This was a time of great social change,” Chris Pratt said in an interview in Hong Kong. “The traditional Steamships industrial model was to do the right thing, always obey the law, have fairly senior well-paid expatriates, but the training, the bringing-on of national staff, was very seriously accepted, it was very much the Steamships ethic.

“And under people like McLellan and Copland it really prospered. They developed some great managers, and a lot of superb local talent. But it started to fall apart, because the trading businesses in PNG suddenly became Asian, very quickly. You’d go into a trade store on Ela Beach, and the bloke serving you would be Chinese.

“That was a flood that Steamships couldn’t resist. So we basically had to exit all the trading businesses. The Government wanted people like us out of small trading businesses, they wanted nationals to be running them, but the tragedy was, they didn’t, the Asians moved in...”

Merchandise recorded disappointing losses over these three years. The reasons were many: a continuing move in consumer spending towards cheaper goods combined with increasing costs of imports; increased insurance, electricity, telephone, airfare and mail costs; losses and thefts from individual stores; increasingly aggressive competition from rival supermarkets, particularly in Port Moresby, and rising management costs.

In an effort to address these matters a new senior management team was recruited, under David Cox as General Manager. Cox filled the position for some months, before being given a general brief to assist Hardware, associated companies and any other problem areas requiring attention. David MacIndoe then took over. Inventory levels were reduced, new systems introduced and the fleet of motor vehicles trimmed back. The Alotau and Koki stores were closed. A new Kwik Stop store was opened at Tokarara in January, 2001.

The beverage market continued to be strong. The Stop and Shop and Kwik Stop stores had been granted liquor licences, and Steamships also operated two wholesale outlets under the Territory Cellars banner, and a bond store servicing all the High Commissions and Consulates within PNG. Trade Winds Liquor continued to do well.

The operations of Progressive Traders and Tabaubil Traders in Western Province continued to show strong growth. A new Family Store was opened at Kiunga in February, 2002.



Bottling, Trade Winds Liquor

Photo: Rocky Roe

But overall Merchandise losses continued to mount. In its March, 2003, Board meeting the entire question of Steamships continuing involvement in merchandising was closely examined. Bill Rothery pointed out that Merchandise had posted substantial losses over the last three years, and in that period the Company had lost K19 million of shareholder value, with a further loss expected for the current year. It appeared the Company no longer had the expertise to continue in this business in a changing environment.

Finally, the Board resolved that Steamships would exit the Merchandise business as soon as possible. The only dissenter was Sir Daniel Leahy, who wanted to hold on for another six months to see how the Division fared under David MacIndoe. It was also agreed to exit Hardware should there be no improvement in that Division in six months’ time.

The under-performing parts of the Division, including the Kwik Stop stores and Gerehu warehouse, were sold. All warehouse facilities were concentrated at one facility, at Badili. This also permitted a reduction in the numbers of senior expatriate managers.

The effect of these measures was to reduce Merchandise Division to a core business of seven Stop and Shop supermarkets, plus three distribution and wholesale departments (Associated Distributors, Badili; Port Moresby Freezers, and Territory Cellars). Its ultimate future, however, looked to be set.

PROPERTY

Property Division was another that over the years had consistently delivered good results. Despite notable increases in operating expenses - principally insurance premiums, up by

83% in 2001, power charge increases of 32% and a 56% increase in the cost of security - commercial and industrial rents increased by 12%, while occupancy rates were high at an average 92%. Windward Apartments continued to thrive. It was offered for sale in 2003 but was withdrawn as offers received were not considered sufficiently attractive.

Downtown Plaza was of course affected by the sharp increases in operating expenses, made worse by the loss of a key tenant in 2001. However, the vacated space was partly leased, with the remainder planned for development into small specialty shops, when funds became available.

Ironically, the reduction of Merchandise Division had an effect on Property during 2003, which was its most challenging year for a long time. The restructuring led to the release of the Head Office property in Waigani and the Gerehu warehouse onto a stagnant rental market. However, the former Toba Motors showroom and offices at Badili were let to Securimax Security Ltd as their new Head Office.

As we have seen, Steamships had been acquiring land in strategic positions for many years, and now held a large and valuable land bank. This was added to in January, 2002, when Steamships purchased the 50% shareholding in Hornibrook NGI held by the Baulderstone Group. This secured a prime 2.5 hectare site at the intersection of the Freeway and Waigani Drive, Port Moresby, for future development, plus two blocks in Lae.

During 2001, a policy decision was taken to try and dispose of a number of non-core properties, but there were no sales, for there was a severe shortage of investment funds. At the close of 2003, the Roundhouse, the Associated Distributors' Gerehu building and the Tanubada warehouse in Lae remained on the market.

SHIPPING AND TRANSPORT

We have seen that Steamships Trading Company was started in the early years of the 20th century by Captain A.S. Fitch with one 99-ton iron steamer, SS *Queenscliffe*. Throughout its long history, the Shipping side of Steamships' operations had always remained the emotional core of the business. The operation of small coastal vessels in the harsh maritime environment of Papua was often unprofitable, but in the overall scheme of things, Shipping had more than paid its way, and did more for the Company's image than any other part of its enterprises.

Shipping was of course as affected by the prevailing economic conditions as were the other Divisions, although Shipping had certain advantages. 2001 was a flat year, with depressed trading in most of the Gulf region - and Steamships was historically a Gulf company - but this was counterbalanced by the winning of the contract to become the sole carrier of Chevron cargo to Kopi.

The cost of oil shot up, leading to the Price Controller granting price increases to the majors, which naturally affected the Company's coastal fleet, and maintenance costs also escalated. But in December, 2001, a new contract for the purchase of fuel based on the spot price in Singapore was negotiated, which produced savings in this key area.

That old standby, the Ok Tedi Mining Ltd copper-carrying contract, delivered an increase in revenue with a rise in charter rates. Lahara Chief was docked and returned to OTML to continue her charter, which was up for renewal in August, 2002. Pacific Dove was fully refurbished by Marine and Engineering Services, and returned to Fly River operations.



Tug *Alexa*

Photo: Rocky Roe



MV *Goda Chief* loading at Port Moresby

Photo: Rocky Roe

A modern steel tug, *Alexa*, was added to the fleet.

The vessels of the coastal fleet were nearing the end of their economic lives, 25 years, apart from *Goada Chief*. The Board meeting of 25 November, 2003, agreed that either new shipping, or major life extensions, would soon have to be considered. It was decided that a general presentation of the position, including tonnage history, would be made at the first meeting in 2004.

MES continued to win refurbishments of private vessels, mainly on No 3 Slip. The main source of revenue for MES remained the maintenance of Steamships' own vessels, and the fishing fleet, on the other three slips. The docking of a PNG Navy patrol boat was also completed during 2003. Selected MES welders and paint applicators were given specialist training, to bring them to internationally accepted standards.

OK TEDI MINING LIMITED

However, the long-term future of the Ok Tedi Mine was still clouded. In September, 2001, BHP Billiton (which held 52% of the OTML shares) announced that it would be pulling out at the end of the year (the other shareholders were the PNG Government, with 30%, and the Canadian company, Inmet Mining Ltd, with 18%). BHP was finding it impossible to defend its position in OTML. Environmental damage to the Fly River from mining operations had become a burning and increasingly bitter issue.

In 1994, landowners had taken BHP and Ok Tedi Mining to court after environmental impacts from the mine were seen in the Lower Ok Tedi region, outside the area originally predicted to be impacted. As part of the settlement reached, BHP and its partners agreed to undertake a series of waste management studies to determine the best solution to the huge problem of dealing with mine waste.

During 1999 and 2000 BHP continued to suffer never-ending attacks from environmentalists, scientists and a myriad other pressure groups over the continuing damage the Ok Tedi operations were causing. It is fruitless to attempt to apportion the blame for the chain of events that had resulted in this situation. Initial planning was no doubt at fault, and mistakes in construction were certainly made. But the economic imperatives that had resulted in the mine were at the time overwhelming.

The major problem was the tailings dam, which would have controlled the release of the destructive wastes that had so ravaged the environment. But it collapsed. By 1999, over 120 studies had failed to discover a safe, acceptable alternative.

Certain facts were not in dispute. The great Fly River system - of which the Alice, or Ok Tedi, River was a part - naturally carried some 88 million tonnes of suspended sediment a year. The Ok Tedi mine added about 40 million tonnes to the suspended sediment load. The main area affected by the tailings deposition (crushed rock sediment) was around 100 kilometres downstream from the mine, and covered about 0.04% of the Fly River basin. Without doubt, many villagers living along the Fly suffered various deleterious effects, but environmental studies commissioned by BHP indicated that there would be no long-term ecological damage to the region. These forecasts proved to be wildly optimistic.

Offsetting the damage to some extent were other facts that also could not be disputed. By 1999, BHP and its partners had spent more than \$A300 million on community health, education, town infrastructure and communications, in a region that had been almost totally

neglected by the Government before the coming of OTML. Every affected village was provided with a solar-powered gravity-fed fresh water system, drawing water from deep wells drilled down to the water table, and almost maintenance-free. The Ok Tedi mine spent some A\$60 million in local goods and services each year - 68% of total supplies for the operation. OTML had paid \$A13.9 million to the Lower Ok Tedi/Fly River Development Trust for community and business development to more than 100 villages along 800 kms of the Ok Tedi and Fly Rivers.

The villagers also benefited from lease compensation payments and royalties. Some 1,500 local people had received adult education and training at a cost of A\$13 million. The communities living around the mine all wanted mining to continue. And the Ok Tedi Mine was still PNG's largest producer of export income.

BHP was worn down by the never-ending attacks that were savaging its reputation, and all on account of what was an insignificant part of its global operations. The BHP investment in Ok Tedi had been A\$495 million over 15 years, for a return of just A\$78.6 million. The Company had recently appointed a new Chief Executive, Paul Anderson. Said an article in *The Australian* in August, 1999:

“Ok Tedi presents him with a social and environmental dilemma which his company has grappled with and failed to conquer in 15 years. Everyone knew the mine was choking the Ok Tedi and Fly Rivers and causing damage to surrounding lands. Nobody realised the damage was spreading at up to twice the anticipated rate, possibly up to 900 square kilometers by 2009...”



MV *Kiunga Chief*, Fly River

Photo: Rocky Roe

Paul Anderson admitted that with the benefit of hindsight, BHP should not have become involved in the Ok Tedi project. Recent impact studies had showed that none of the four options developed for the mine offered a solution to the problems of pollution of the Ok Tedi and Fly Rivers, and the extensive forest die-back that had resulted. The studies proved that the environmental impact was far greater and more damaging than originally predicted.

The only real option for BHP was to cut its losses, and withdraw. The Company agreed to continue operating the mine while the PNG Government decided what it wanted to do. A decision to close the great mine would have major social and economic implications. It still had an estimated life of another 10 years. Ok Tedi provided some 20% of PNG's export income, and 50,000 people directly depended on its production.

In the end, BHP did pull out. The PNG Government could not afford to allow the Ok Tedi Mine to close, and decided mining had to continue for the economic benefit of the nation. BHP Billiton agreed to transfer its equity in the mine into a new company, PNG Sustainable Development Program Ltd (PNGSDP).

Share dividends would be paid to internal revenue. The income would be distributed through sustainable development programs and activities for the benefit of the peoples of Western Province. Inmet retained its 18% shareholding, and the PNG Government continued to hold 30% of the equity in OTML.

So OTML continued, and is still in operation at the time of writing. Steamships, too, carried on its long association with OTML. During 2002, the service to Kiunga again had to be suspended, this time for almost three months, due to low water levels in the Fly.

It was fortunate that the most modern vessel of the copper fleet, *Goada Chief*, was chartered for almost six months to assist with the construction of a nickel mine in New Caledonia. Both *Obo Chief* and *Bosset Chief* underwent routine overhauls, and continued to haul copper concentrates from Kiunga to the MV *Erawan*, the China Navigation Company silo vessel that had replaced MV *Karabi*. During 2003, *Kiunga Chief* successfully transported the largest amount of concentrate (nearly 5,500 tonnes) yet carried down the Fly in a single hull. She then commenced carrying concentrates directly to refineries in Australia.

Another highly qualified captain had joined the copper fleet. *Raka Tom*, a graduate of Steamships' training programme, successfully completed his Master Class 1 certification, enabling him to take any size of cargo vessel to sea, anywhere in the world.

Other aspects of Steamships' shipping and related operations fared variously. Stevedoring profits suffered from the continuing refusal of the Price Controller to enter into any discussions over tariff increases, despite clearly proven cost escalation. ENB Port Services and Madang Port Services were severely affected by the lack of both incoming and outgoing cargo, the worldwide slump in commodity prices causing growers to withdraw their produce from the market. ENB Port Services' profitability improved markedly in 2002, but minor volcanic activity continued during 2003, regularly depositing ash on Rabaul town. Equipment maintenance costs rose alarmingly as a result.

Lae Port Services did relatively well in 2001 and 2002, benefiting from two major manufacturers switching their importation of raw materials from Port Moresby to Lae, and transshipment of cargoes destined for other Pacific nations. However there was a reduction in tonnage handled during 2003, due partly to reduced imports. In May, 2002, Consort

purchased a 49% shareholding in Riback Stevedores Ltd, the second-largest stevedore of overseas cargo in the port of Lae.

Kiunga Stevedores did little work during the 2002 Fly River closure, which affected overall results, and had a flat year in 2003.

A new joint venture stevedoring company, Kavieng Port Services Ltd, was formed with local landowners following Steamship's purchase of shares in Island Cargo Services. This commenced operations in 2002, and performed to expectations during the following year.

Port Services, which supplied stevedoring in Port Moresby, was particularly affected by the refusal of the Price Controller to allow tariff increases. Shipping movements through Moresby were also down, by 37% in 2001, with a resulting fall of 20% in the volume of cargo handled. The trend continued, although Port Services handled project cargo work (in the form of large shipping containers) for the Interoil Refinery at Napa Napa. A 150-tonne track crane was purchased to service OTML vessels, and a new 35-tonne Omega fork-lift was delivered in June, 2003.

Pacific Towing Ltd, in which Steamships had a 50% interest, performed acceptably. In August, 2001, the tug *Pacific Salvor*, was sold to Polish interests, and a replacement salvage tug was ordered. One major salvage was successfully carried out during 2001, off Misima Island, and three in 2003. Towage operations continued in Port Moresby and Lae harbours, and as noted earlier, Pacific Towing had submitted a bid for docking services to tankers berthing at the new Interoil Refinery, which was expected to commence production in April 2004.

The downturn also affected Consort Express Lines (33% owned by Steamships). Consort lost its main office through fire, in April, 2001, which severely hampered the administrative aspects of the business. In line with the other operators, the cargo Consort carried on the Australian leg of the service was down by some 15% in 2001, declined again in 2002 but were marginally up in 2003.

One significant development was Steamships' final withdrawal from Chief Container Service, the partnership with John Swire & Sons through its subsidiary New Guinea Australia Line Ltd and New Guinea West Pacific Line. It will be recalled that Steamships' shareholding in CCS had already been reduced from 38.9% to 30%. CCS had grown from being a purely Australia-PNG service to one encompassing New Zealand and other Pacific countries, which removed it from Steamships' traditional area of business. Moreover, CCS had incurred considerable losses in 1999 and 2000, and looked set to make another in 2001. However, CCS signed both agency and stevedoring agreements with Steamships, and remained the most important customer of the Shipping Division.

STAFF AND TRAINING

Despite the hard times, training activities were still vigorously pursued during this period. Steamships was still the largest private sector employee, although staff numbers fell with the Automotive and Merchandise closures, to 3,267 at the end of 2001. This increased to over 3,500 in 2003, with associate companies of the Steamships Group employing a further 1,000.

In-house training courses of various kinds were attended by 842 staff in 2001, 804 in 2002



Staff using chemical analysis equipment

Photo: Steamships archives



Staff at Lae Tech College training course

Photo: Steamships archives

and 1,400 in 2003. Of 12 employees enrolled in a part-time Master of Business Administration programme, seven remained at the end of 2001, and were doing well. Six senior management positions were localised that year. External courses at Monash University and the Association for Overseas Technical Scholarship in Japan were offered to selected senior staff.

Steamships’ shipping operations continued to be supported by additional training at the Madang Nautical Training College, where ex-Steamships marine engineer Brian Wesley was now a lecturer.

The Company’s Home Ownership Scheme continued. In December, 2001, Steamships contracted to build an additional 33 houses in Port Moresby, and another 55 blocks of land for the programme were purchased in 2003. The scheme was slowing, however, due mainly to the increasing difficulty of obtaining land at reasonable cost.

The expatriate component of Steamships’ staff had continued to decline, and was down to the 60s when John Dunlop finished his time in office. Dunlop, an accountant, naturally had a particular interest in the training of national accountants. “One of the reasons I was so strong on the accounting side was that when I was in the Solomon Islands I worked with a Solomon Islander who had been educated at UPNG,” he recalls. “I worked with him for two years, and saw what he was capable of doing. He was at the University with Mary Handen, one of our senior accountants who is running the Shipping Division now. A typical hard- headed Manus woman, who nobody pushes around...”

“When I joined Steamships there were something like 35 expat accountants and about 70 expat women. With David Copland’s support I put in place a programme of recruiting Papua New Guinean accountants. The first was Murray Tatang, and the following year Vere Arava arrived. We continued to bring people in, and towards the end of my time there was only one other expat accountant, apart from myself. There’s about four or five now under Steamships’ current management, but I think I made my point: national accountants were capable of doing the job.”

There were in fact two expatriate accountants, Eddie Ruha and Christopher William Raper. A Briton, born in Singapore, Christopher Raper was educated in the United Kingdom and joined the Swire group in 1995. He served in Hong Kong with John Swire & Sons and Swire Pacific Ltd until 2002, when he was sent to PNG, to Collins & Leahy. In 2003, Raper was transferred to Steamships’ Head Office.

John Dunlop’s four-year term as Managing Director was due to expire at the end of 2002. His successor, D.H. Cox, had been chosen by the Board as early as May, when he was appointed a Director. David Cox, by this time Senior General Manager, had proved himself in a wide range of positions with different Divisions.

“I brought David into Head Office, where he spent a lot of time with Datec, getting their company more structured than it had been,” Dunlop recently remembered. “He also ran Merchandise Division for about six months, and he spent the last year or so familiarising himself with all the Board rigmarole associated with becoming the incoming MD.

“I had had a tough three years, looking at the result each month and thinking, Oh God! Not again!...but I was quite comfortable that I had left the Company in better shape than when I took it over. With the help of the team of General Managers as much as anything.

“Sometimes I wish I had stayed on for a year or two more, but I had had enough, and we got out. I have stayed on the Board as a Director, and over the last couple of years I have been involved in Collins & Leahy matters more than is normal for a Director.

“And I was still Company Secretary when I retired! Ere Kariko was appointed Secretary in my place...”

CHAPTER TWENTY-NINE

STEAMSHIPS TODAY

Over the past four years, Steamships has staged a dramatic recovery of its fortunes. The restructuring and refocussing of the Pratt-Dunlop years continued, and under the leadership of David Cox the Company went on to record a net profit of K14.703 million in 2004 - up from K6.912 million the previous year - rising to K40.208 million in 2005, and to K47.479 million in 2006. Capital expenditure in 2006, excluding the purchase of new businesses, was K70.168 million, against K20.9 million in 2003, K54.4 million in 2004, and K42.555 million in 2005. In addition, K43.445 million was spent in the acquisition of new businesses in 2005.

The Somare Government remained in power, and this period saw a degree of political and economic stability not seen in PNG for years. High prices generally prevailed for many of PNG’s primary products (although heavy rains in the Highlands during 2006 reduced the output of coffee by 39%, and tea production also suffered). The nation was supported by international agencies, which recognised the progress that had been made. The kina remained relatively strong, as did the exchange rate, inflation was down to just 1.6%, and interest rates fell steadily, reaching historically low levels in 2005.

Foreign reserves soared. Treasurer Bart Philemon introduced a range of new measures designed to boost investment confidence which included cuts in personal tax rates over two years, and tax breaks to boost tourism and mining (Philemon was removed from the Treasury portfolio during 2006, but Treasury policy has remained solid). However, the tax incentive for investors in long-term corporate bonds was removed, and businesses were still not permitted to maintain foreign currency bank accounts in PNG, which would have removed volatility in exchange rates.

The economic resurgence was however driven by foreign aid and by the mining industry, on which the nation was overly dependent (in 2006 it was announced that the long-anticipated PNG-Australia gas pipeline project had been abandoned, principally because it proved impossible to secure markets for the sale of the gas). PNG still faced many challenges. The law and order situation had still not been brought under control. The Public Service remained overlarge and under-performing. Corruption remained an issue. Rural infrastructure and services continued to be deplorable, telecommunications costs were amongst the highest in the world, and airline costs were unacceptably high. PNG’s primary products, while currently trading well, ultimately remained at the mercy of world markets.

The health of the nation remains at serious risk from a high and increasing incidence of AIDS. In late January, 2007, Steamships became a founding Platinum Sponsor of the PNG

Business Coalition on HIV/AIDS (BAHA), which is part of a major world-wide initiative by the business community to promote awareness of and proper responses to the threat of HIV/AIDS through the workplace.

The general elections of July 2007 were the first under a new system of preferential voting. Under the old first-past-the-post system, changes of government in PNG had all too often resulted in confusion, and economic chaos, but the new Government is once again headed by the veteran Prime Minister Grand Chief Sir Michael Somare. What the future holds will be awaited with keen interest by all PNG observers.

David Cox undoubtedly benefited from the work of his predecessors and the stable PNG economy. As noted in an earlier chapter, Cox came to PNG in November, 1992. Born in Sydney on 26 July 1961, after finishing his schooling Cox entered the Hospitality industry. He worked in various aspects of the industry in Europe and the United States, building up a sound knowledge of the operation of hotels.

David Cox was recruited as Group Beverage Manager, Coral Sea Hotels. He married a year after coming to PNG, and his wife joined him in Port Moresby. He soon demonstrated his managerial ability. His long experience in the industry enabled him to identify quickly a number of areas where he considered improvements in the running of the Coral Sea hotels could be made.

“David started arriving in my office when I was still Finance Director, with suggestions as to what we should be doing in Hotels,” John Dunlop remembers. “I told him to get on and do it, which he did. The previous General Manager had been terminated, and Christopher Pratt had gone off to recruit his replacement. He looked in various countries overseas, including South Africa, and then went on a month’s leave.

“When Chris came back I said, I don’t think we will need to go on recruiting, Cox has just jumped in and done the job, and he should be given a chance at it. Christopher’s preference was to recruit from inside the Company, so he took me up on the Cox question, and David ran the Hotels Division, very successfully.”

David Cox then moved to Merchandise Division, and as previously noted was later transferred to Head Office. “I was sort of Group General Manager,” Cox recalled in an interview, “and then I took over as Managing Director after John Dunlop stepped down.”

Cox’s appraisal of his achievements as MD is modest. “Steamships is a fairly big company,” he says. “It sort of sails along, driven by the Board and senior management. It is very hard to say what the achievements were in my time. I suppose you could say that Steamships has changed its direction a bit. PNG is changing, and business has to move, too.

“So yes, we got out of supermarkets, industrial buildings, and the other things. I think we are heading for a core of four or five business, rather than the 10 of the past. And Steamships is in quite a lot of joint ventures, which means you are not taking on the full load with new developments.

“When you come up here from Australia it takes a bit of time to learn that there is a different type of culture in PNG, a different type of business. It’s not always about money and the bottom line. Steamships is about building up a long, long term business that employs people and is a part of the community. We’ve been around for a long time, we don’t think about next week, we take the long view, it’s about the next 20 years. So if things go wrong somewhere we don’t panic.

“I think our shareholders are very conscious of that. We have to make a profit to survive, without profits we would die, and it’s nice to make a little more money. But if we are losing money somewhere the Board won’t particularly stop it, because they know there’s say 200 staff out there. We don’t just sack them, we try and fix the problem. We try and look after our staff, they do the right thing by us, and we make sure we do the right thing by them. And we are not politically aligned, we don’t get tied up with any of the politics going on, whatever the rules are we abide by them.

“All our assets, everything is here basically, even though we have talked a few times about moving out of PNG. I don’t think we will. Our expertise is PNG, the few times we ventured out, like the Datec office in Queensland, we didn’t do very well.

“The thing I noticed immediately when I came to PNG was that there was plenty of work here. Whatever your job was, there was another ton of work sitting there waiting for people to pick it up, so you had opportunities to do things that you probably wouldn’t get in Australia. So you’d say, I’ll have a go at it...

“It is fairly fast-paced. Swire doesn’t interfere much in the running of the Company. It’s more the Board saying, tell us what you want to do, where we should go. I explain where and why, and if they agree they say, that’s fine by us. You get very little direction, they leave it pretty much to management...”

Despite his modest assessment, David Cox undoubtedly played a large part in the recent restoration of Steamships’ fortunes. One close observer says of him, “I think he is very much like David Copland. Both quite ruthless in getting what they want, very important in a place like PNG. David Cox is a very tough piece of work. Good sense of pride, good sense of values. His track record speaks for itself. John Dunlop is very smart financially, he wouldn’t have handed over to someone who didn’t have it...”



Steamships supports the community. L – R: Andrew Potter, General Manager Steamships Properties, Captain Sodi Maraga, Public Relations Secretary, Salvation Army, Sir Brian Bell, Chairman Salvation Army Red Shield Appeal, David H Cox, Managing Director Steamships Trading Company Limited.

Photo: Rocky Roe

In the 2008 New Year Honours List, Mr Cox was appointed an “Officer of The Order of Logohu “ for service to commerce and business management through his leadership in a variety of business activities including manufacturing, hotels, merchandise, stevedoring, transport, staff training, and to the community through industry organisations.

There were some changes in the Board makeup during David Cox’s time. The much respected Sir Anthony Siaguru died on 16 April, 2004. Sir Daniel Leahy, Deputy Chairman, resigned on 16 May, 2005. Mrs Winifred T. Kamit was appointed a Director on 15 August, 2005, and Christopher Raper was promoted from the position of Senior General Manager to Finance Director, to assist David Cox. G.L. Cundle was appointed on 27 February, 2006. Company Secretary Ere Kariko resigned, and Christopher Raper also took on this responsibility.

Christopher Pratt retired as Chairman in 2006, and was replaced by W.L. Rothery, who was now Chairman and Chief Executive Officer, John Swire & Sons Pty Ltd. Bill Rothery remains Chairman as this book goes to press.

THE END OF COLLINS & LEAHY

Sir Daniel’s resignation followed the final eclipse of the Collins & Leahy name, so long famous throughout the Highlands. In May, 2005, the Company asked its shareholders to approve the purchase of the bulk of the operating companies of the Collins & Leahy Group. This was a logical move, for as noted in Chapter 28, Collins & Leahy had become a wholly-owned subsidiary of John Swire & Sons PNG in August, 1999.

Because the purchase was a significant related-party transaction with John Swire & Sons - the parent company for both Steamships and Collins & Leahy - the Swire group did not exercise its votes.

The transaction was approved. Sir Daniel Leahy left PNG and retired to his family property outside Toowoomba, Queensland, although he retained significant real estate holdings in Goroka in partnership with Sir Michael Bromley. He still spends several months each year in the Eastern Highlands. It was a sad exit for Sir Daniel, who has never wavered in his love for PNG.

“The purchase of the Collins & Leahy businesses was a fair deal for both sides,” says Eddie Ruha. “The inclusion in the sale of accumulated tax losses which Collins & Leahy could not use but which Steamships could take up made it a particularly sweet overall investment for the Company.” At the time of writing, 2007, Eddie Ruha is General Manager, Finance, and as noted previously, is the longest-serving expatriate employee of Steamships Trading Company.

The consequences of the Collins & Leahy purchase were considerable. Steamships acquired East West Transport, which greatly increased its national road haulage interests. Also included were the Collins & Leahy shares in Laga Industries. Steamships bought out all but one of the minority shareholders and ended up with 68% of Laga Industries, best known for its Gala brand of ice-cream, the only ice-cream manufactured in PNG. Laga also distributed several imported ice-cream brands, and was the only local manufacturer of ice-cream cones.

Laga also manufactured, packaged and distributed a range of other food products, including vegetable oils, condiments and seasonings. A line of health and beauty products was

introduced, including a range of hair-care creams and sprays, male deodorants, shaving cream and hair gels under the registered brand name, “Black Beauty”.

2006, the first full year of operation under the Steamships banner, saw sales and profit figures increase. Steamships expanded the Laga plastics division, upgraded the ice-cream manufacturing capability, and increased the penetration of the brand into remote out-station areas. Ice cream parlours and freezer cabinets were introduced. Laga also acquired the adjoining land and building previously owned by PNG Forest Products on which a big new warehouse was erected. New products and capital expenditure was slated for 2007.

As with all the Steamships businesses, staff training was an important element in the operations of Laga Industries. Staff training resources were increased by 50% during 2005. During 2006, 68 staff members attended various external training courses, and Steamships’ own in-house management team provided additional training. A new training philosophy, adopted across the Divisions, was based on the implementation of HSS&E (Health, Safety, Security & the Environment) strategies.

The Collins & Leahy shareholding in Melanesian Soap Products was part of the deal, which brought Steamships’ shareholding to 99.9%. In December, 2005, Steamships bought out its joint venture partners in Trade Winds Liquor Ltd, which became a 100% subsidiary of the Steamships Group. Trade Winds had lost its production facility in a disastrous fire in 2004, but a new production plant was commissioned in January, 2005. Sales increased, management improved and expense controls tightened, and Trade Winds continued to be the major supplier of imported wines and spirits in PNG.



Laga Industries - ice cream production Photo: Rocky Roe

These three disparate manufacturing businesses - Laga, Melanesian Soap and Trade Winds - were now brought together in a Manufacturing Division.

In October, 2005, what was left of Merchandise Division was sold to the City Pharmacy Group for almost K20 million, delivering a profit above net asset and stock values. Included were the supermarkets now called Stop & Shop. These had in fact performed well during 2004, but uncontrollable costs (electricity, fuel and gas), security and theft issues and increasing competition decided the Board to accept Cox's recommendation that the time had come to get out of merchandising. Territory Cellars was closed in July, 2004, with the imported wines and spirits agency sold to Trade Winds. The small convenience store located on the adjacent property at Ela Beach was also disposed of.

The businesses in Western Province in which Steamships had shareholdings continued to trade profitably, although there were supply problems caused by low levels in the Fly River in the second half of 2004, and later.

Steamships had now exited many historic areas of its operations - Plantations, Timber, Automotive, Merchandising, Industrial - and had trimmed and consolidated other aspects of its businesses. Dedicated management teams manned each individual business that remained, supported by a small Head Office team providing oversight, strategic direction, treasury, personnel management, staff development, and investment and performance reviews.

Staff training, and the localisation of as many positions as possible, remained an important part of Steamships' operating philosophy. The extent and emphasis of this training has been indicated in earlier chapters of this book. By 2006, the Company had a great many national employees occupying middle and senior management positions. Space considerations makes a full listing of these impractical, and brief details of but a few of these employees must serve.

Hari Avara was born in Hamuhamu Village, Gulf Province, in October, 1958. She was educated at Kila Kila High School, the Administrative College, Waigani and at Deakin University, from where she graduated with a Bachelor of Commerce degree in 1995. Married, with two children, she is today a single parent.

She had wide experience in senior positions with several organisations before beginning her association with Steamships This included 20 years with Telikom PNG in the Finance, Transport, Engineering, Personnel and Properties sections. During those years, Hari Avara was the first PNG female to attend the Mt Eliza Management course, in Victoria, and was the first to graduate from Deakin University through an in-house training programme.

Hari subsequently worked for Port Services (PNG) Ltd, Deloitte Touche Tohmatsu, British American Tobacco (Madang), Akzo Nobel Ltd and finally East West Transport, where she is currently Depot Manager, Lae.

Rex Apuka was born at Maia Village, Pangia, Southern Highlands Province - the last of the Highlands Provinces to come under government control. His entire employment history has been with Steamships, commencing in 1992, as a clerk with the Madang Hardware branch. He progressed through the Steamships in-house training system, and along the way attended external correspondence courses in sales and marketing. He obtained management certificates from Monash Business School and Monash University, Melbourne, sponsored by Steamships. In 2004, Rex Apuka was appointed Area Manager, Highlands.

Jessie Thumala is from Petats Island, Buka, North Solomons Province. Her career with Steamships has been with Coral Sea Hotels; at Huon Gulf Motel, Highlander Hotel, and Melanesian Hotel. She is currently manager, Huon Gulf Motel. She was educated at Hutjena High School, Southport Institute, College of Tourism Hospitality, PNG Institute of Management, and PNG Institute of Public Administration. She attended many Steamships in-house management and training programmes.

Pollie Togarewa was born in June 1966, at Irikaba Village, Milne Bay Province. She was educated at Holy Name High School, Sogeri National High School and University of Technology, Lae, where she graduated with a Diploma in Commerce, and a Bachelor of Commerce degree.

Pollie joined Steamships as a graduate accountant in Merchandise Division in February, 1988. She subsequently worked in Hardware, Toba Motors, Budget Rent-a-Car, Datec, Property Division and Finance Division, where she was appointed senior accountant in 1999. In November, 2004, Pollie Togarewa became Finance & Administration Manager, Finance Division.

Polo Sione Possiri is from the Mortlock Islands, North Solomons Province. A big, imposing man, Polo is currently Human Resource Manager/Personnel Controller at Steamships Head Office. He attended Hutjena High School and University of PNG, where he graduated with a degree in Economics, and in later years successfully completed a variety of professional development training courses.



Monica Kiapen and Polo Possiri

Photo: Rocky Roe

Polo began his business career with Panguna Catering Services on Bougainville, attaining the position of Project Manager before being forced out of North Solomons Province with his wife and children during the Bougainville crisis, in December, 1989. He then joined Coral Sea Hotels, and worked as Assistant Divisional Manager, Hotel Manager, and Auditor/Operations Manager at several of the hotels in the Group before becoming National Manager, Budget Rent-a-Car. He was promoted to his current position in Head Office in October, 2003.

Steamships had from early days played its part in community relations. As we have seen, the Managing Directors all took prominent positions in a variety of public bodies, and all encouraged Company employees to support community, cultural, social and sporting events. Financial support was provided to a wide range of community programmes. During 2006, for example, Steamships provided cash, goods, services and other benefits in kind, including the services of various senior executives, to a number of charitable causes throughout the country, valued in excess of K500,000. Much of the aid was delivered behind the scenes, attracting little or no publicity for the Group.

The opening years of the 21st century saw a rapidly increasing awareness throughout the world of the dangerous impact of many of the activities of humankind on the environment. In 2003 Steamships added another commitment to its Corporate Governance Statement: protecting the environment from harm. This was expanded in the 2006 Annual Report:

“As a major, diversified business group, the Company is very conscious of the potential impact of its activities on the environment. The Company is committed to ensuring its businesses meet or surpass legal and regulatory requirements for environmental best practice wherever it does business.

“In line with the commitment and requirements of the Swire group, Steamships is implementing formal systems actively to monitor the impact its businesses have on the environment, and will report the results of this. Over time, as data are accumulated, this information will be used to implement policies which will help to manage and reduce adverse effects on the environment and encourage sustainability across the Company’s operations.”

The format of the 2006 Report also represented a significant change from earlier years. Instead of producing the report on glossy coated paper with many colour photographs, the Report was more sombre, printed largely on recycled paper, without photographs.

THE DIVISIONS

The Company now concentrated on the hard core of its operations. Hardware had had a struggle during the 2001-2003 period, as we have seen, but the experiment of introducing household and general products into the Hardware stores had been successful, and this concept was now expanded. Competitors were offering hardware goods of lower quality, and Steamships introduced a range of quality products under the “Haus & Trade Depot” brand, backed by a price guarantee. Staff training was intensified, and a new Training Officer was appointed, to improve customer service and customer awareness.

The branches in Waigani, Lae, Kokopo, Kavieng and Wewak were re-stocked with the new merchandise during 2004, with Mount Hagen and Madang following in 2005. A new centralised inventory management system was introduced, to ensure the stores were always

well stocked. Key stores became Origin Energy gas dealers. A gas “kiosk” concept was introduced at Waigani, and plans were developed to extend this to the other centres during 2006 and 2007.

At the beginning of 2005, Hardware had been boosted by the acquisition of the Collins & Leahy Mitre Hardware operation, together with many experienced staff. The Mitre store in Lae was not doing well and it was closed, but the Mitre stores in Goroka and Mount Hagen, in the populous Highlands, were very profitable.

Increasing emphasis was placed on obtaining white goods like television sets and washing machines from Asia, which were able to be sold to consumers at prices well below those of competitors. During 2005 and 2006, new markets were accessed in China and India. Exclusive supply contracts were secured with Makita Power Tools, MTD Mowers and UBL Variety, which helped to grow the wholesale side of Hardware’s business. Goods were supplied to established retailers in regions where it was not economical for Steamships Hardware to maintain stores.

The Kwik Built Kit Homes side of Hardware continued to attract a steady stream of customers. In 2005, a contract to construct 25 homes for the Public Officers’ Superannuation Fund was secured, and there were good prospects for sales to other Pacific countries in 2006 and beyond.

The Hotels Division continued its past excellent performance. The Collins & Leahy acquisition included the Bird of Paradise Hotel in Goroka, and in June, 2004, the Division



Hardware Division Store

Photo: Rocky Roe

purchased the Ela Beach Hotel in Port Moresby (originally established in the early 1960s as the Davara Motel) and a complete facelift was commenced, which was completed in late 2005. This delivered two new conference rooms on the ground floor, a gaming room and a jazz bar. The poolside area was extensively remodelled. The Beachside Brasserie Restaurant, operated under a franchise arrangement, soon became one of Port Moresby’s premier dining and social venues.

During 2006, six serviced apartments were constructed on the roof-top. Further improvements, including the resurfacing of the car park and rebuilding of the restaurant, were carried out in 2007. In 2008, a function room will be built on top of the restaurant and a new wing of 42 premier rooms will be constructed at the western end of the property.

In late November, 2004, Whittaker Apartments was purchased, a block of 30 apartments overlooking Ela Beach. Extensive renovations were carried out and a new swimming pool, spa and recreational area were added.

Eight of the Highlander Hotel’s suites were converted into fully serviced three-bedroom apartments with kitchenettes. A major upgrade of the restaurant, bar, poolside area and car park will follow in 2008.

Ten more serviced apartments were added to the existing 20 at the Gateway, still one of Coral Sea’s best-performing hotels. Residents at Gateway Apartments now had access to a private swimming pool, a well-equipped gymnasium and a tennis court with night lighting.



Ela Beach Hotel, Port Moresby

Photo: Rocky Roe

Plans were under way to build additional conference facilities and guest rooms, and renovate the hotel’s 12 townhouses in 2007.

Gaming machines were still located discreetly within all the hotels in the chain, apart from Coastwatchers at Madang.

As always, considerable emphasis was placed on staff training. In 2006, of a total staff of just over 700 in the Hotels Division, 99% were nationals. A Human Resources manager and two training officers conducted on-the-job training at all the hotels, and in 2006 a management training programme was commenced, to develop selected national officers for senior management positions. As a part of this focus, Steamships continued a partnership with Divine Word University, Madang, and Lae Technical College, to produce a stream of skilled young hospitality workers for placement throughout the Coral Sea chain.

At the end of 2006 the Coral Sea Hotels chain comprised the Gateway and Ela Beach Hotels in Port Moresby, the Melanesian Hotel and Huon Gulf Motel in Lae, the Bird of Paradise Hotel in Goroka, the Highlander Hotel in Mount Hagen, the Coastwatchers Hotel in Madang, and the little Lamington Hotel in Popondetta. Together, the Coral Sea hotels provided 409 rooms plus 83 serviced apartments and 12 townhouses, making it the largest chain in PNG.

There was one associated area that had long been badly neglected in PNG: tourism. A number of dedicated people had been working for years past to build up the tourist industry, but always with very little real support from successive Governments. In fact, during the early post-Independence years some national leaders were openly opposed to tourism, as being somehow demeaning to PNG’s dignity as a sovereign State.

This was an attitude that was slow to subside, and PNG’s unfortunate reputation for lawlessness did not help the situation, despite myriad attractions, many of them unique in world tourism. Steamships tried to win its share of the meagre inbound tourist market, and for years past had worked closely with all tour operators, but with limited success. While the numbers of visiting tourists had been slowly increasing, most were surfers, divers and trekkers, who provided relatively little business for hotels.

A number of familiarisation visits for overseas travel agents and journalists were hosted, in conjunction with Air Niugini and PNG’s Tourism Promotion Authority, to ensure that the right first-hand information was passed on to potential visitors. In 2006 Hotels launched a new website, which among other features provided an extensive gallery of PNG photographs. It was an immediate success internationally. The Division also signed an agreement making it a major sponsor of the PNG Sports Federation. But it must be said that the promotion of tourism remains a relatively low Government priority in PNG. A good deal of money has actually been spent in promoting tourism, but to meagre effect.

Property Division delivered a loss in 2004 (K1.9 million), but had a much better 2005, with a trading profit of K7.53 million, before property sales. 2006 continued the trend. Much of Property’s woes were caused by the ever-increasing cost of electricity, water, maintenance and security, all largely beyond the Company’s control, although in 2004 meters were installed to ensure that all tenants were responsible for their own electricity bills.

A high occupancy rate was maintained in all Steamships’ commercial and residential properties throughout the country, particularly Windward Apartments and Steamships Plaza

in Port Moresby. In July 2004 the large warehouse leased to Trade Winds was completely destroyed by fire. The old NGI site on Spring Garden Road was sub-divided and tenanted. Two properties in Lae, one in Goroka and another in Mount Hagen were acquired in the Collins & Leahy purchase.

It had been decided to concentrate on the active trading of the property portfolio, selling off properties that were not delivering acceptable returns, and seeking new and profitable investment properties. A new Deputy General Manager was appointed in November, 2004. During that year Roundhouse Entertainment Centre in Boroko was sold, as was the Tanubada building in Lae. Six more properties were sold in Port Moresby during 2005, and three in Lae, with another seven to be marketed in 2006.

Work began on the redevelopment of the Waigani Estate, to consist of two large warehouses, with roads and gardens. Property Division relocated its operations from Waigani Estate to the Badili Estate in late 2005, to allow this work to proceed. The old building was renovated during 2006, and divided into three areas for tenanting. Stage 2 of the development will take place in 2007. The Sletfjord Street property in Lae was also redeveloped into a Warehouse Centre containing five large warehouses.

Twelve more non-performing properties were sold during 2006 - seven in Port Moresby, three in Lae, one in Alotau and one in Madang. The sales realised K11.3 million. Another 14 properties were listed for sale in 2007, with an anticipated revenue return of K20 million. One strategically located property was purchased in Lae, opposite the main wharf.



Staff - Steamships Property Division

Photo: Rocky Roe

Of the Associate companies, Datec (PNG) Ltd, in which Steamships has a 50% shareholding, did particularly well. There was strong growth in service-related revenue flowing from the Company's success in securing a number of long-term management contracts, continuing growth in the ISP business and an increase in communications-related revenue.

During 2004 a bid was made to merge Datec with Daltron Electronics, its major PNG competitor. However, the merger was effectively blocked by the Independent Consumer and Competition Commission. Technical deficiencies in the Telikom network resulted in the ISP business delivering a lower profit than could have been realised. Datec remained committed to building up a strong service delivery capacity as a base for future expansion.

2006 saw Datec deliver a profit 31% in excess of budget, with prospects for 2007 robust.

When East West Transport was acquired from the Collins & Leahy Group in mid-2005, it was decided to split Shipping & Transport Division into separate trading identities. Transport Division comprised the existing businesses of PNG Transport Holdings and Niutrans, and East West Transport. A substantial investment in new equipment for PomTrans had been made during 2004. Six new prime movers and four tankers, all built to the highest international standards, replaced the bulk fuel fleet in Port Moresby. They were intended to go into service on the road to Napa Napa Refinery, which was being upgraded, and in the meantime operated from the existing fuel depots.



East West Transport trucks crossing the Markham Bridge near Lae

Photo: Rocky Roe

The reorganisation took some time to bed down. The only major changes contemplated were the need to acquire new premises, in Port Moresby and Lae. A Human Resources Manager and a Group Financial Controller were appointed to the Division. A new workshop at Lae was commenced, to be completed by March, 2007, and the yard revamped.

Transport had a disappointing 2006, caused mainly by the poor coffee and tea harvests in the Highlands mentioned above, and the continuing deterioration of the vital Highlands Highway, which resulted in the loss of a total of 38 days to road closures because of the deplorable road conditions between Goroka and Mount Hagen. Considerable damage to truck suspensions and transmissions was another inevitable consequence. Although contracts were awarded late in 2006 for repairs to the Highway, past experience indicated that little long-term benefit would result - the Highway was too far gone for temporary measures to work. A full-scale reconstruction was the only ultimate answer, and the cost would be enormous.

Freighting into the Highlands Provinces remained strong, however, and in November, Transport Division secured the Trukai freight contract. One of the major concerns of the Division was the safety of employees, equipment and freight. Road transport operations in most rural areas of PNG carried with them a risk of hi-jacking of valuable cargoes, but this was particularly so in the Highlands Provinces, where criminal gangs infesting the Highway had bedevilled truck operators for decades past. The police Highlands Patrol was woefully under-resourced, and in October, 2006, a State of Emergency was declared in Southern Highlands Province, which resulted in police being diverted there, a circumstance promptly taken advantage of by criminal gangs.

Steamships had an Occupational Health and Safety Committee overseeing the management of risk, but in the final analysis there was little that an individual operator could do to reduce significantly these threats on the long-haul routes. Short-haul freight and distribution services were conducted with few problems, particularly in the Port Moresby district.

We shall next consider ancillary companies that support the shipping operations of Steamships Trading Company.

The shipping support businesses mostly fared well during this 2004-2006 period. Marine Engineering Services attracted more overseas clients, docking prawn boats for the Australian firm of Raptis & Sons, and completing the annual refit of FSS *Micronesia*, a Federated States of Micronesia naval patrol boat. The PNG Defence Force landing craft, HMPNG *Salamaua*, was also slipped for annual overhaul, with HMPNG *Buna* following in 2006. Maintenance support was provided to four patrol boats: HMPNG *Tarangau*, *Dreger*, *Seeadler* and *Basilisk*. Another seven Raptis & Sons fishing trawlers were docked during 2006. Two Taiwanese long-liners went on the slip, and other fishing craft were docked.

Owners of private yachts from Australia continued to bring their vessels to MES, taking advantage of the high quality of the workmanship offered, and pricing which was more than competitive with Australian yards. A 250-tonne hydraulic press with specialised aluminium/stainless steel welding equipment was installed to improve the service offered to clients.

MES continued to undertaking dry-docking of vessels used on the Coastal trade, and charter work. *Erima Chief* underwent a major overhaul in the latter part of 2006, involving hull repairs, hold refit and equipment overhaul. *Goada Chief*, Ok Tarim and the new Steel

Challenger all had maintenance performed by MES during 2006.

MES also fabricated a guide to assist an Alcatel vessel in the laying of the replacement undersea fibre optic cable for PNG Telikom.

The stevedoring joint ventures fared well, with volumes handled increasing each year, but the reform of waterfront working hours was long overdue. PNG's price-controlled stevedoring and handling rates were set at levels well below international standards, which limited sustainable port development. A move in 2004 to introduce more flexibility was delayed by the Industrial Tribunal's refusal to support reforms. The matter will be brought before the Supreme Court for final judgment.

Stevedoring's results suffered from lower than usual import and export volumes during 2006 and steep increases in repair costs due to the deterioration in national port infrastructure, and an escalation of labour costs on the waterfront. A large investment was made during the year in new cargo handling equipment, part of Stevedoring's continuing capital expansion plan, which provides for the rollout of port handling equipment and development of terminal management systems over the following three years. Heavy emphasis was placed on the implementation of HSS&E policies, to instill a culture of "safety first" throughout the ports in which Steamships operates, for stevedoring is an inherently risky business.

Pacific Towing delivered a strong result. The commencement of Napa Napa Refinery operations in July, 2004, resulted in an increase in tanker traffic, although there was little salvage work on offer. New towage operations were established in Kimbe and Rabaul, and two more tugs were purchased, MT *Hamilton* and MT *McLarty*.

On 1 July, 2006, the vessel *Zhi Qiang*, loaded with 37,500 tonnes of sugar, stranded on Long Reef, and was salvaged by Pacific Towing in PNG's largest-ever operation. Mooring operations commenced at Rabaul in July, 2006, following the purchase of the launch *Nancy Daniel* from PNG Ports Corporation. Two additional tugs were also purchased during the year, the *Turmoil* and the *Wanilla*. At the end of 2006, Pacific Towing was operating a fleet of 10 tugs and seven launches, with a total staff of 125. Towage operations were conducted at Port Moresby, Lae, Kimbe, Rabaul and Madang.

Pacific Towing also operated a small Dive branch. All dive staff were engaged on repairs to *Zhi Qiang* for a period of three months. The lead diver obtained his Commercial Diver Class 2 Licence in October, 2006.

Consort Express Lines (in which Steamships maintained a 33% interest) performed well, although continuing berth congestion at the main port, Lae, adversely affected vessel schedules. Volumes of cargo increased, and more vessels were acquired to meet the demand. The first was a 5,273 DWT geared multi-purpose carrier built in 1996. She was named *Niugini Coast*. The old ship of this name, which had been trading in PNG waters since 1986, was renamed *Sepik Coast*. An option to purchase the sister ship of the new vessel was taken. To support the growing demand for containerised cargo, Consort also purchased 1,500 new 20ft shipping containers. During 2006, the third vessel in Consort's upgrading programme, the renamed *Niu Ailan Coast*, joined the fleet.

The K60 million spent on these new assets represented the single largest investment made by any shipping company in PNG's maritime history.

Rising volumes of imports and exports led to satisfactory trading by the Shipping Agencies

during the 2004-2006 period, but with growth balanced against a rise in global shipping costs. In late 2003 Swire Shipping acquired the venerable Bank Line, whose vessels had been trading into PNG ports since the 1920s, and in November, 2004, Indotrans Pacific was launched, a new service geared to carry Australian steel to ports on the west coast of the United States, which on the return voyages called at Lae on a monthly basis.

In March, 2005, the Indotrans Asia service was launched, with direct southbound calls into PNG from Hong Kong, Southern China and Vietnam, and eastbound from PNG to the Pacific Islands and the west coast of the United States. These services opened lucrative opportunities for PNG importers and exporters.

Chief Container Service lengthened three of the four Miho-class vessels on the Australia/PNG run during 2005, with the fourth docked in February, 2006. In October, 2005, CCS commenced a Lihir shuttle service, with an additional direct sailing connecting Brisbane, Lae, Port Moresby and Lihir. A software package called Swireship, tailored to meet the needs of the Swire Shipping trades, was introduced to Port Moresby and Lae in September, 2005. These two major PNG ports were now electronically linked to a network of other Swire trade ports in Australia, New Zealand, Asia, USA, Canada, Europe and the Pacific Islands. Other PNG ports were included in the network during 2006.

Of Steamships' 2004 capital expenditure of K54.4 million, some K40 million was invested in the replacement of ageing vessels of the Coastal Fleet. It was the largest Company investment in ships since 1999, abundant proof of Steamships' continuing commitment to the shipping side of its operations.

It will be recalled that the Board had agreed to examine the question of the replacement of the vessels of the coastal fleet - apart from *Goada Chief* - at its first meeting in 2004. This was held in March. Management tabled a proposal to dispose of *Hiri Chief*, *Motuan Chief* and *Moale Chief*. Laurabada Shipping had been working these tired old ships on the Gulf and Western Province runs for very poor returns over the past five years. The cost of repairs and maintenance had increased to the point where keeping them going would be pouring good money after bad. The three ships would be replaced by a single geared LCT of approximately 1,100 DWT. Cutting down the size of the coastal fleet would hopefully return the business to profitability.

The proposal was approved. Another management proposal, for the construction of a new research vessel to measure and evaluate the impact of OTML copper mining on the Fly River environment, was also supported, in principle.

A suitable second-hand LCT, Kim Trans Express, was located. She was somewhat larger at 1,300 DWT than the original estimate but was in sound condition, only five years old, Malaysian-built, equipped with twin Cat 3412 TA engines, and available for US\$2 million. The Board agreed to her purchase - through a kina loan - and left the question of re-naming until the acquisition was completed.

The Labroy Shipyard of Singapore contracted to build a new 1,500 DWT barge for S\$880,000, to stronger than usual specifications to withstand the harsh conditions of service on PNG rivers. The Kim Trans Express would tow the barge back to Port Moresby. The barge would be named *Steel Challenger*. She replaced *Pacific Dove*, which had been damaged in an accident off Daru in late 2003. The new barge was intended to service construction, mining and petroleum projects.

A new vessel for the OTML research work was inspected, and design and costing of required modifications decided on. The purchase price was US\$2.7 million. A trim steel diesel-engined catamaran, 34.06 metres long, with a displacement of 253 gross tones and with a maximum draft of 1.4 metres, she had been built of steel in Australia in 1999. The catamaran was delivered in late December, and was named *Tabua Chief*.

Kim Trans Express was duly purchased, and renamed *Kikori Chief*. She was fitted with the latest 30-metre MacGregor crane, and with *Goada Chief* would form the backbone of Laurabada Shipping's coastal fleet for the foreseeable future. The three old warriors that had been put up for sale in 2004 attracted little interest, but *Motuan Chief* and *Moale Chief* both found offshore buyers during 2005. No buyer wanted *Hiri Chief*, so she was laid up. (She is currently being prepared for sinking in Fairfax Harbour to act as an artificial reef and dive site.)

Coastal Shipping continued to face difficult trading conditions during 2005 and 2006, but performed well. *Goada Chief* and *Kikori Chief* delivered improved trading results, but these were still well short of expectations, for expenses -fuel, repairs, maintenance and employee costs - were constantly rising. Charter work picked up considerably during 2005, with Steel Challenger, *Erima Chief* and *Agutoi Chief* all engaged in charter work, principally for the oil exploration companies. *Goada Chief* and *Kikori Chief* were dedicated to the Line service throughout 2006.

Stevedoring operations for the Liner trade were improved by the purchase of a 150mt crawler crane, which was used to load and discharge vessels from the Laurabada Wharf, located at Stanley Esplanade, Port Moresby.

Steamships' logistics support of the Ok Tedi mining operations continues. The arrival of the environmental research vessel Tahua Chief brought to five the number of vessels of the Copper Fleet. She was chartered to OTML, and went into service on 1 January, 2005.

For the first time two vessels were sailed to Keppels Dockyard in Singapore for annual survey. Major dockings had hitherto been done in Australia, but costs there were continually rising, and the Singapore yards were so efficient that the expense of the extra steaming time was more than justified. Bosset Chief was the first copper carrier to go to Singapore, followed by Kiunga Chief, which underwent its first five-year special survey.

Steamships looked after the routine maintenance and repair of its coastal vessels on the four Slips of Marine Engineering Services, but from the beginning of the Ok Tedi work the copper carriers had been docked in Australia, usually at Tropical Reef Shipyard, Cairns. As we have seen, Fly River service was very hard on the copper ships, and during 2006 docking costs were heavy. The entire question of the future costs of maintaining the fleet was placed under intensive study.

"We had to take our ships down there because the Steamships Yard at Paga Point wasn't big enough to look after these new ships," Captain Ray Taylor recently recalled. "Working on the Fly, you'd hit floating logs, you'd bend a propellor, you'd run aground, you'd back off a sandbank and bend your rudder, and you'd cripple down to Tropical Reef Shipyard, and they'd do all the work.

"Captain Dave Clark was the Shipping Manager, and he would come down with us, we'd get a motel in Cairns so we could keep an eye on the work while it was getting done, make



Tahua Chief, with the modern buildings of Port Moresby in the background

Photo: Rocky Roe

sure it was right up to date. They were all under the ABS - American Bureau of Shipping. Most of the other Steamships' vessels were Lloyd's.

"Dave has retired. He was a Swire skipper, and he has gone to America, where he's got a big sheep station. Swire's really look after their captains when they retire..."

There was a period of about 12 months when Ok Tedi Mining Ltd were forced to abandon the proven system of loading concentrates from the mini-carriers to a bulk carrier moored in the sea off the Fly River mouth. "The Harbours Board were missing out on all the harbour dues and so on," says Captain Taylor. "All this copper concentrate was being shipped out, exported overseas, and they weren't getting anything out of it. So they told Ok Tedi they had to stop using the system, they would have to base the bulk carrier in Port Moresby, and bring the mini-bulkies to Moresby for discharging.

"This caused a lot of trouble! When the mini-bulkies came down the Fly they had to steam right across the Gulf of Papua to Port Moresby. For about six months they were running right against the south-east weather, and sometimes they would have to turn back and anchor behind Umuda Island, until the weather moderated.

"Then when they got to Moresby they'd have to wait to get a pilot to take them into the harbour to tie up alongside the bulk carrier. When the mini-carrier had discharged its cargo, it then had to get another pilot to take it across the harbour to tie up to the main wharf to load Ok Tedi containers and cargo for Kiunga. Then another pilot to take it back into the open sea again!

"Every time a mini-bulkie came into Moresby fully loaded with three or four thousand tonnes of copper concentrate from Kiunga, the Harbour Board would charge for all this inward freight. And when the bulk carriers came in from overseas they'd have to pick up a pilot, come in alongside the bulk carrier holding all the copper concentrate, pick up their full load, then get another pilot to take them out to sea. And the Harbours Board would charge Ok Tedi great heaps of money for exporting all this cargo through the port of Port Moresby.



Captain John Indeng



Captain Charlie Morris

“After twelve months Ok Tedi were losing so much money that they produced figures and finally convinced the PNG Government to go back to the system we had developed - anchoring the bulk carrier off the mouth of the Fly River, and loading it direct from the mini-carriers. And they are still using the system today.”

Accidents inevitably occurred when discharging concentrates from the small mini-carriers into the big mother ship in Papua’s always changing open sea conditions. One that occurred in November, 2002, was typical. *Bosset Chief* was involved in a collision with the *Western Endeavour*, while coming alongside the bulk carrier, MV *Erawan*. Damage was relatively slight.

Bosset Chief was at the time under the command of Captain Andrew Lauwasi, who had held a Master Class 3 Certificate since early 1996, and from May that year had served as Master on a number of ships, including *Labara Chief*, *Goada Chief*, and *Obo Chief*. Captain Lauwasi had served as Second Officer on the delivery voyage of *Kiunga Chief*, and was rated an experienced, competent seaman.

At the time of the accident the bulk carrier, MV *Erawan*, had just returned from Port Moresby, where she had been withdrawn throughout the south-east season. *Bosset Chief* had been anchored off Umuda for some days, awaiting her return. The south-east season should have been over, but it was still hanging on. The *Erewan* was swinging and rolling heavily, in a strong wind.

When *Bosset Chief* made her approach the wind and swell conditions caught her suddenly and brought her into collision with the *Western Endeavour*, which was also discharging. All accidents at sea are the subject of investigation. Said the report on this incident:

“In cases like this, it’s worth looking for lessons that can be learned, or re-learned cheaply, rather than waiting for a big one, but we find nothing here to criticise, and no lessons to be learned. Ship handling ain’t easy, nobody’s perfect, and little bumps like this are bound to occur occasionally when parking.

“Rather than being critical, we would say Captain Lauwasi is a good example of Steamships’ fairly enlightened training and localisation policy. His record book shows a steady progression over many years, a solid background of good experience, and the impression of a smart and professional seaman...”

Unfortunately, *Kiunga Chief* suffered a major engine breakdown in early 2005, which pulled down profits for the year. Captain Lauwasi went on to serve as Master of this vessel. He was later transferred ashore to Shipping Office as Fleet Safety Officer. Captain Raka Tom relieved him on *Kiunga Chief* (sadly, Captain Tom died of a heart-attack in July 2007.)

As we have seen, Steamships had in earlier times trained its own seamen, and in later years sponsored professional training, principally through the Madang Nautical College. By 2006, the Company was becoming seriously concerned about the shortage of certified national seamen. No sponsorships or contributions were being offered by other shipowners and shore-based institutions which drew upon the trained pool. Unless the training of professional seamen was accelerated, there was a real possibility that the shipping industry of the future would be unable to find suitably qualified PNG officers to man the national fleet. Of course expatriate officers were available, but at a heavy cost, which the coastal shipping industry - historically marginally profitable, at best - was in no shape to bear.

Steamships retained the loyalty of the majority of its trained seamen and in 2006 was employing many national masters and chief engineers in the ships of its fleet, some with up to 20 years of service. Among them were Masters Raka Tom, Enos Penea, Charlie Morris, Benjamin Livinai, Donald Gadebo, John Indeng, Max Stoessel, Ben Sapom, Alfred Druven, Hubert Ihel, Daniel Kuna, Andrew Ambai and Alberth Sale, and Chief Engineers Willie Allegre, Hanua Kora, Nicholas Moroutu, Benson Collins, Kiong Wia, Gehasa Gegesana, Patel Kari, Kenneth Tuba, Stanley Sengle, Paul Melkie, and Henry Hare.

In 2005, the National Maritime Safety Authority (NMSA) was formed. A thorough review of the technical and safety legislation governing the shipping industry was launched. Three sections of existing legislation were revised during 2006 and 16 new sections were drafted, together with amendments to the PNG Merchant Shipping Act. When passed by Parliament, the new legislation will bring PNG into line with regulations governing the various international conventions to which PNG is a signatory. The NMSA initiative was welcomed by Steamships’ shipping people.

In 2007, Steamships continued to go from strength to strength. The economy remained buoyant, and the elections, the first under the new Limited Preferential Voting system, were the calmest in recent memory. The Company reported a record kina profit for shareholders of PGK 74.729 million. Capital expenditure for the year, at PGK 77.732 million, remained high, and there are projects still in the pipeline, including some major property developments, and significant continued expenditure on hotels and on vessels, which will continue the growth and expansion of Steamships over the next few years. The Company also continued to deepen its involvement with the welfare and well-being of the community in Papua New Guinea. In addition to the Platinum sponsorship of BAHA, with its aims of transforming health care for the people of PNG, Steamships also became involved as a major sponsor of Susu Mamas, which provides free advice and care to expectant and nursing mothers, seeking to reduce the rate of infant mortality, and of the White Ribbon campaign, which addresses issues of violence against women in PNG. All three of these are major issues which affect the future of PNG, and the prominent involvement by Steamships was a deliberate effort by the Company to be, and to be seen to be, investing in the future of its home country and its own people. The close involvement over some years with the Salvation Army also continued, with David Cox as Deputy Chairman. In 2007, Steamships chaired the Red Shield Appeal, which raised a record K160,000 towards the work of Salvation Army. By taking a strong leadership role in these projects, Steamships continues to serve its community as it has for the past 90 years, with responsibility, care and a weather eye to the interests of all stakeholders.

And so we come to the end of this account of the history of Steamships Trading Company. The Company began as a shipowner, and throughout its long life shipping has remained an essential chapter in the Steamships story. It is appropriate that this book should end with the shipping side of Steamships’ operations.

The Company’s enduring association with Papua’s maritime history had long been publicly recognised. A number of streets in the nation’s capital, Port Moresby (itself born of shipping, established because it was the only good harbour in close proximity to North Queensland, from where the town was for many years supplied, by sea) were named after Steamships’ vessels: Pipi Gari Street, Kano Place, Kuku Place, Kaia Place, Kobo Place, Muniara Street, Nusa Street, Queenscliffe Street, Chinsurah Street, and Moisana Street. There is also a Laurabada Avenue, named after Sir Hubert Murray’s beautiful official yacht, and perpetuated also in Steamships’ Laurabada Shipping, and Laurabada Wharf.

Steamships faces the future with confidence in Papua New Guinea, and in its place in that future. One fancies that the spirit of Captain Fitch looks down on and approves the progress and direction of this great company, which he founded with such scanty resources so many years ago, and which has grown and developed with the nation.



Port Moresby Head Office reception

Photo: Rocky Roe

EPILOGUE

Steamships Trading Co. Ltd. - proudly Papuan New Guinean for 90 years. This is a testimony to the determination and strength of its owners and managers over these years and to the growth and resilience of the country and its people. The history of the Company and the country are inevitably closely intertwined.

Looking back today, it is hard to recognise the origins of its shipping heritage and the environment in which it operated. It has been a wonderful journey and a sometimes miraculous story. The telling of it has involved the memories of many, but ultimately has depended on the meticulous research and diligence of its author. To Jim Sinclair we all owe a great debt, and he is to be congratulated and thanked for his skill and passion in recreating the facts, the legends, and the rich ambience of yore. Ultimately this is a history of those individuals that not only have created and shaped a company but also, to a greater or lesser extent, a country. A country that is now rapidly leaving its past behind and joining the developed world with many of its benefits while, we hope, avoiding some of its pitfalls.

These individuals appear through these pages, often as larger-than-life characters. Their courage, fortitude and humanity have been an example for those who have followed them. Certainly they were not all saintly and there is a fair smattering of rogues amongst them. It is also self-evident that, whilst many of the Company’s foremost characters were expatriates, most exhibited a genuine love of Papua New Guinea and its people. Many owed their lives to the unselfish actions of their national colleagues and citizens. As this history unfolds, the involvement of senior national staff has been crucial to the success of Steamships, no less than it has to Papua New Guinea as a whole.

One can only wonder what Captain Algernon Sydney Fitch would think of his Company today. He would undoubtedly be disappointed that the plantations, general stores and fledgling automotive businesses that he established before World War II have gone. He would be incredulous that Burns Philp and P&O no longer exist. However, he would be delighted that his shipping company, flying the distinctive Steamships flag, can navigate 460 miles up the Fly River with 6,225 dead weight tonne vessels, and can service every major coastal town in the country in conjunction with its associated company, Consort Express Lines. He would be surprised by the success and the extensive coverage achieved by the hotels division: Coral Sea Hotels. He would find it hard to comprehend the development throughout the Highlands and through the manufacturing and road haulage divisions that have expanded significantly with the purchase of Collins & Leahy’s New Guinea businesses. What is certain is that Captain “Cappy” Fitch would feel totally vindicated and proud of his faith and belief in the future of Papua New Guinea. If it were not for the natural resources of PNG’s land and people, this story would have foundered on the rocks of world history many years ago.

The Swire connection with Steamships dates back over 50 years, and the fortuitous meeting of Sir John Masson and Viv Crisp in 1952 is well documented in this history. The links between these two similar transport and trading companies continue to be forged and fostered today. Who knows what the future holds? Every indicator would signal more chapters of success and growth with the inevitable road bumps and blind corners to be navigated. All of us who are responsible for the future of Steamships Trading Company owe a deep debt of gratitude to our forebears, and can only hope that our heirs have similar successes, stories and happy memories by which to judge us.

Bill Rothery
Chairman

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