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TRADE AND POSTAL COMMUNICATIONS AND
SHIPPING CONFERENCES.

[10th Day.

Sir D. DE VILLIERS GRAAFF—*cont.*

the scope of the Commissioners' inquiry was, and conclusive as the Commissioners' findings are, we prefer to base our case upon our own experiences; but it is useful to bear the Commissioners' Report in mind and therefore I have taken the liberty of quoting it.

Now, to return to the specific case of the South African Shipping Ring, it should be noted that there are about a dozen distinct Steamship Companies participating in the combine. I have already mentioned that the membership of the Ring includes vessels sailing under the German and Portuguese flags. The tonnage involved cannot be far short of 700,000 tons, of which roughly a quarter of a million tons belongs to the Union Castle Company. The next largest owner is probably the German East Africa Line, with approximately 85,000 tons. The total number of steamers representing this tonnage is in the neighbourhood of 120, of which 27 belong to the Union Castle Company. The figures I have just given do not include certain vessels engaged in the East Coast or American trades. It will be apparent to all what a power can be wielded by a combination controlling such an enormous amount of shipping tonnage.

Before proceeding further I shall explain exactly what is meant by the "deferred rebate" system which is practised by the South African Shipping Ring. If there is any member who does not know what a "deferred rebate" means I will just explain it. Shippers in the South African trade who consider it in their interests to ship all their steamer goods by the Conference Steamship Lines only receive a commission percentage on the net freight subject to completion of a declaration which is to the effect that the shippers, during the period affected, have not shipped or been interested, directly or indirectly, in any shipments by steamers other than those despatched by the Conference. This commission, or as it is more commonly called deferred rebate, is computed for periods of six months up to stated dates, usually to 30th June and 31st December in each year, and becomes due and is payable *six months after such respective dates*, provided that also during this second period shipments have been exclusively made by the steamship lines specified. So that in effect the payment of the rebate is deferred until twelve months after the shipment is made, during the whole of which period the shipper has to submit to the terms of the combine or sacrifice his rebate.

It can readily be imagined what an effective weapon this "deferred rebate" system may become in the hands of a powerful and wealthy shipping corporation. In the language of the Royal Commissioners' Report the system "imposes a continuous obligation upon the shipper to send his goods by the Conference Lines. The shipper, it is true, is not *bound* to send his goods by the Conference Lines. He does not, by contract, expressed or implied, bind himself to do so. But for the shipper who has sent goods by the Conference Lines there is, unless he chooses to cease shipping altogether for a considerable period, no day in the year on which he is free to ship by 'outside' vessels, save by forgoing his rebates. The cardinal principle is that a shipper, who, during a particular period ceases to confine his shipments exclusively to the Conference, loses his right to the rebate, not only in respect of goods shipped during that period, but also in respect of goods shipped during the previous period."

In the South African trade the growth of the power of the combine has been so stealthy and gradual as to be almost imperceptible, until to-day it may be said, without fear of contradiction, that the great majority, in numbers and importance, of the shippers doing business in or with that country are so far in the toils of the combine that they can only ship with outside lines under penalty of loss of their rebates—a sacrifice too great for them to face. The strength thus acquired by the Conference Lines has enabled them to prevent all private competition, and to-day the amount of shipping accommodation offering by other than the Conference vessels for the transportation of goods to or from South Africa is negligible.

Efforts have been made by outside owners on several occasions to enter into active competition with the Conference Lines, for the South African trade, but these efforts have resulted either in the absolute defeat of the competitor or in his absorption by