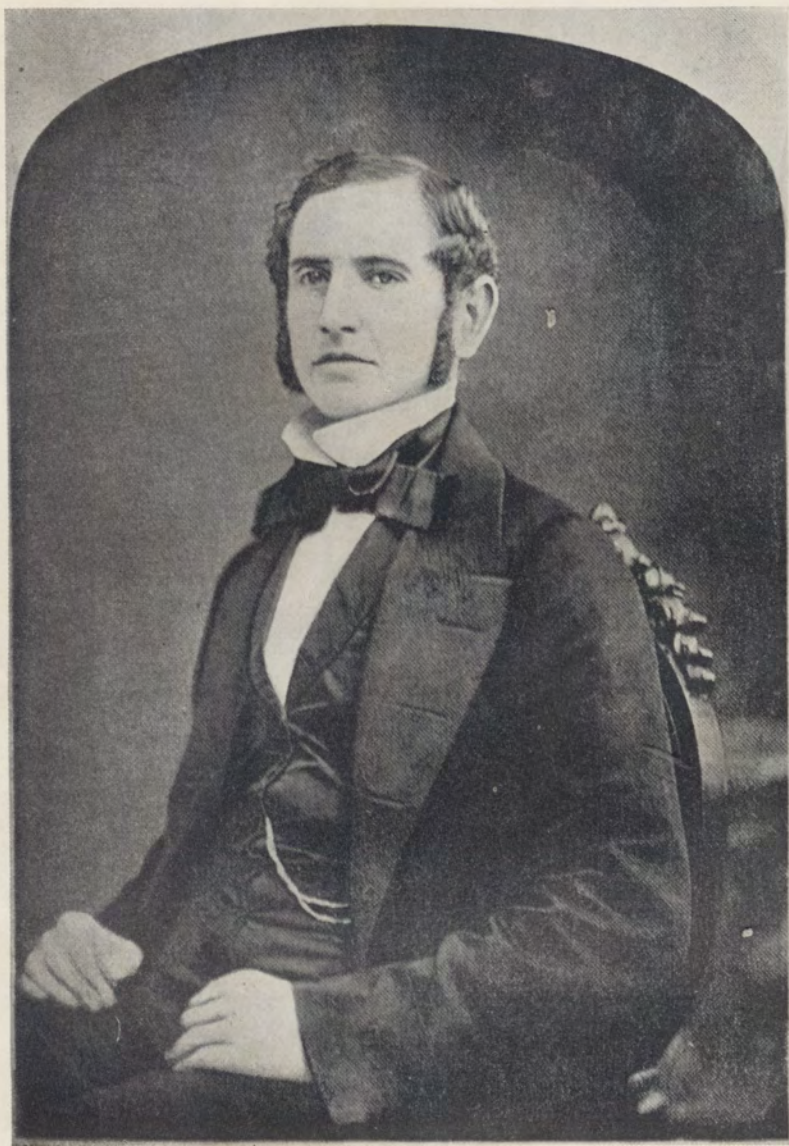


SOUTH PACIFIC ENTERPRISE

THE COLONIAL SUGAR REFINING COMPANY LIMITED

SOUTH PACIFIC ENTERPRISE

THE COLONIAL SUGAR REFINING COMPANY LIMITED



SIR EDWARD KNOX

From a daguerreotype taken in 1854 when he was 35 years of age.

(Public Library of New South Wales.)

SOUTH PACIFIC ENTERPRISE

*THE COLONIAL SUGAR REFINING
COMPANY LIMITED*



ANGUS AND ROBERTSON

SYDNEY LONDON MELBOURNE WELLINGTON

First Published 1956

SET IN MONOTYPE BASKERVILLE
PRINTED AND BOUND IN AUSTRALIA BY HALSTEAD PRESS, SYDNEY
REGISTERED IN AUSTRALIA FOR TRANSMISSION BY POST AS A BOOK

CONTENTS

CHAPTER		PAGE
	EDITOR'S PREFACE	<i>A. G. Lowndes</i> vii
	INTRODUCTION	<i>E. R. Knox</i> xi
1.	SUGAR AND THE SUGAR CANE PLANT	<i>Various</i> i
2.	THE HISTORICAL BACKGROUND	<i>Alan Birch & J. F. Blaxland</i> 11
3.	THE STRUCTURE OF SUGAR MARKETS	<i>J. M. Dixon</i> 55
4.	THE SUGAR INDUSTRY OF FIJI	<i>A. G. Lowndes</i> 67
5.	THE AUSTRALIAN SUGAR INDUSTRY	<i>H. W. Herbert</i> 91
6.	SUGAR MILLING BY C.S.R.	<i>J. M. Dixon</i> 119
7.	SUGAR MARKETING OPERATIONS	<i>J. M. Dixon</i> 147
8.	SUGAR-REFINING BY C.S.R.	<i>J. Vernon</i> 167
9.	C.S.R.'s UNUSUAL FUNCTIONS IN THE AUSTRALIAN SUGAR INDUSTRY	<i>J. M. Dixon</i> 186
10.	SUGAR IN NEW ZEALAND	<i>A. C. Isaacs</i> 199
11.	WIDENING THE FIELD	<i>Clive Turnbull</i> 207
12.	MEN AND ORGANIZATION	<i>R. W. Harman</i> 231
13.	PEOPLE AND WORK IN FACTORIES	<i>R. W. Harman</i> 257
14.	THE DIVERSE OWNERSHIP OF C.S.R.	<i>Clive Turnbull</i> 271
15.	THE REWARDS OF ENTERPRISE	<i>J. M. Dixon</i> 285
	EDITOR'S EPILOGUE	<i>A. G. Lowndes</i> 343
	NOTES ON SOME EFFECTS OF INFLATION, TAXATION AND DIRECT CONTROLS	<i>J. M. Dixon</i> 355
	APPENDICES	393
	TABLE OF GRAPHS, DIAGRAMS, TABLES AND MAPS	485
	INDEX	491

ACKNOWLEDGMENTS

The company wishes to thank all those who have helped in the writing and production of this book, and in Appendix 1 has acknowledged the assistance of many individuals and organizations.

EXPLANATORY NOTES

Explanatory notes of some terms used in this book and a brief list of the activities of C.S.R. appear as Appendices 2 and 3.

EDITOR'S PREFACE

THIS book is a landmark in the history of the Colonial Sugar Refining Company. It is the first major attempt to tell the story of its activities, its position in the sugar industries of the South Pacific and the policies which have determined its organization and expansion. In some ways the book must be a story of the sugar industry as a whole, for although C.S.R. is only a part its activities are closely interwoven in the whole fabric of the industry.

This is a company which at some stages in its history attracted much political fire, as was inevitable in the climate of Australian politics, where bigness and success are enough to arouse suspicion. Today the company's relations with other parts of the sugar industry are probably better than ever before and the reports of successive Royal Commissions and Committees of Inquiry on the Sugar Industry have not provided material for critical attacks—indeed have generally been favourable to the industry and to the company. This book attempts to describe, to a wider public than reads official reports, the role of C.S.R. in the South Pacific, and to deal with subjects that have not been the concern of official inquiries.

It is significant that the book is not primarily a history, although this would have been appropriate for the centenary of Australia's oldest large-scale manufacturing company. The historical chapter gives only the broadest picture of the growth of the sugar industry, of a few of the individuals who pioneered the industry and moulded C.S.R. and of the forces which produced the present organization and structure of the sugar industries of the South Pacific.

It is no small task to present a complete picture of a company with such wide and considerable interests and of an industry which is so complex in its structure. Decisions had to be made about the kinds of readers to whom the book should be addressed. One large group comprises the proprietors and they are very diverse, as the analysis of shareholders' occupations, given in the chapter on ownership, clearly shows. The employees are an important group, for few of them could have a complete grasp of all the company's activities and relations described in this book. Finally, while it was necessary to offer solid fare to the experts, the basic intention was to communicate with intelligent and serious-minded people who, although possessing scant

EDITOR'S PREFACE

knowledge of sugar and of the company's other activities, are interested in the wider question of how the growth and practices of a prominent corporation are related to the economic, social and political developments in our communities.

Such considerations have resulted in the production of a book which, though not intended as light reading, is not as technical and comprehensive as the specialists might wish. There had to be some compromise in the selection of material and, as editor, I must accept considerable responsibility for this. It would have required at least another volume to cover fully such things as the events which led to the present system of government acquisition of the whole of Australia's raw sugar production and the complex structure of the industry today. The battle for markets and the negotiation of agreements overseas could be described only briefly. Some of the account of technical developments in growing, milling and refining had to be curtailed. Many individuals have not been mentioned although they made significant contributions to the industry and to the company. I had to recommend the exclusion of nearly all personalities of the last thirty years or so; the editor and the historian of the sesquicentenary publication must make amends.

The book is a group effort, written largely by men whose trade is executive action and thinking rather than writing. This had to be so, for no man within the company could adequately cover every subject and no man outside it could have acquired the complete background and facts within a reasonable period. As editor I have tried to maintain cohesion and sequence and to introduce the writers and their contributions by a short preamble to each chapter. Inevitably, in these circumstances, there has been some degree of repetition but this was largely intentional to cater for those who would read only the chapters of special interest to them. I hope that those who read from cover to cover will understand.

The company did its best to ensure that contributors outside the organization had every opportunity to gain a complete picture and not only the point of view of C.S.R. Dr Alan Birch spent much time over a period of more than a year in tracing documentary material in the company's records and in libraries, and in interviewing people of long experience and knowledge of the industry. Mr H. W. Herbert spent several weeks making inquiries throughout the sugar cane areas of Australia, meeting farmers, inspecting mills and refineries, and talking with leaders of the various associations and boards in the industry. A long time was spent in sifting evidence, cross checking information and ideas, and comparing results with official reports

EDITOR'S PREFACE

which are plentiful and searching, before final conclusions and judgments were arrived at. Mr Clive Turnbull visited all the new factories and the distilleries, talked with managers and staff and was given access to any material he required.

Before writing the section on Fiji I spent three weeks in the islands seeing all phases of the industry and talked freely with all groups associated with it—with senior officers of the colonial administration, members of the Fiji Legislative Council, Indian and Fijian farmers, trade union leaders, and workers and staff in the sugar mills. I also had discussions with many leaders of the various organizations connected with the industry in Australia. The company provided voluminous reference material. At times I could have used a sugar bag to carry the masses of documents and special memos handed to me for study and comment.

Mr John Wilkes read all the manuscripts, edited them in detail and prepared them in final form for the publisher.

Confidential information was readily made available when I wished to verify a point. The complete frankness and helpfulness extended to contributors like myself, who had no previous contact with the company, were important in creating a feeling that this was a worthwhile task. This developed into a realization that the book could have a significance extending beyond the interests of C.S.R. To all of us, including many busy officers of the company, I felt that this was important in carrying us onward when the project grew into something much bigger than was originally planned.

At various stages in the preparation of the book decisions were made to deal more comprehensively with certain matters and to include some additional sections and chapters. This accounted for delay in publication. It also meant that some chapters had been substantially completed more than twelve months before others and, in this period, many changes had taken place. To avoid further delay, however, it was decided not to revise the whole book. This preface was first written in September 1955 when the book appeared to be nearing completion and, in the main, Chapters 1 to 11 are based on the situation at that time, as also are the statistics in most of the appendices. Chapters 12 and 13 were completed in March 1956 and Chapter 15 in July 1956. All chapters carry the date of writing.

While opinions are those of the writers the company accepts responsibility for all statements of fact. The degree of checking and cross-checking has been formidable, with a score of senior officers making contributions which cannot be acknowledged in detail.

EDITOR'S PREFACE

The main effort in compiling the book was made by two officers of the company, Mr J. M. Dixon and Mr J. F. Blaxland. On behalf of those whose names appear at the heads of chapters, I thank all who generously and courteously assisted us.

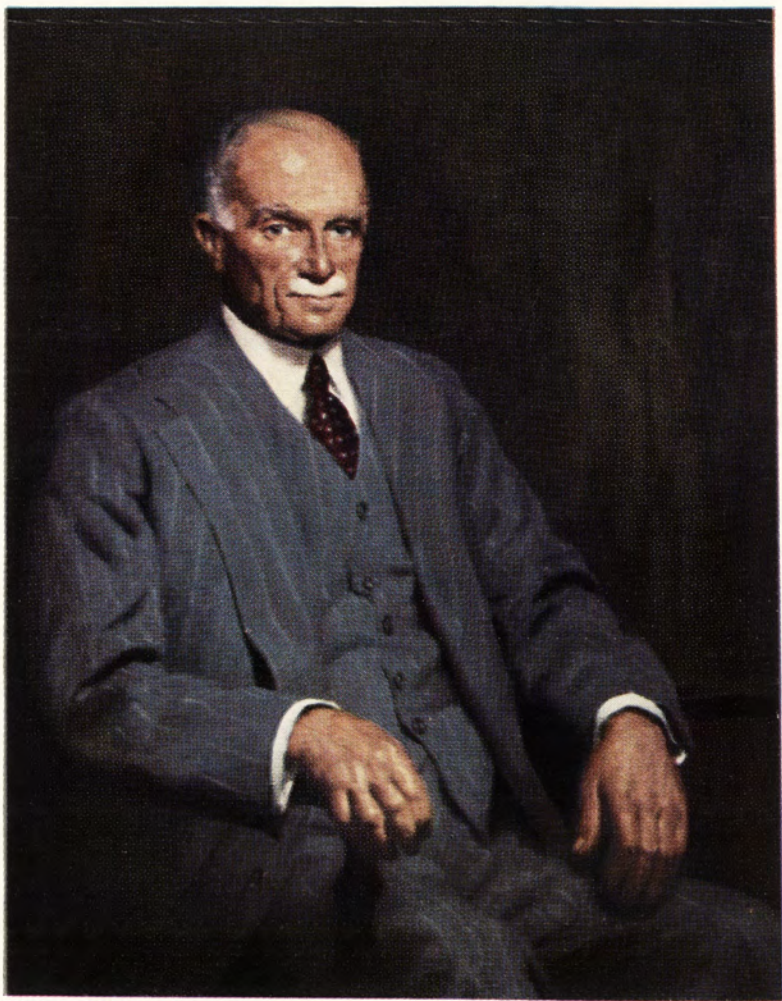
A. G. LOWNDES

SYDNEY

August 1956

Mr A. G. LOWNDES was engaged by the Colonial Sugar Refining Company Limited to write Chapter 4 on Fiji as an independent person with experience in agriculture and economics. Shortly afterwards he was recommended to the company by Angus Robertson Limited as editor for the publication, and he agreed to act in that capacity.

Mr Lowndes obtained his M.Sc. degree at the University of Sydney and studied agricultural economics at Cambridge. His background includes teaching, travel, the army, UNRRA and management. He is the author of a geography textbook, is an occasional contributor to contemporary journals, and has been chairman of the Australian Institute of Political Science for the past five years. He has been in private consulting practice since 1954, and has recently been appointed a member of the Australian Broadcasting Commission.



SIR EDWARD RITCHIE KNOX

From an oil painting by Mr Henry Hanke, 1955.

INTRODUCTION

THIS book is designed to mark a centenary and to describe The Colonial Sugar Refining Company Limited as it is today. Our objects are to communicate an understanding of the nature of the company, how it works, and the role it plays in the communities of the South Pacific. Our plan has been to present evidence and to let readers draw their own conclusions. We are not organized for book-writing and our skills do not lie in that direction, but we have assembled much information from which a coherent picture of the company does, we hope, emerge.

The growth and development of the company up to about the first world war are described briefly in the historical chapter of this book. It covers the periods of Edward Knox, my grandfather, who founded the company, and of E. W. Knox, my uncle, who was chief executive for about half a century from 1880. These two men, above all others, built and shaped the company. It is a larger and more complex organization today, in a larger and more complex environment, but we still owe to them a number of good traditions of personal and corporate behaviour which have helped us greatly. They were men of integrity who worked hard, accepted responsibility, counted costs and respected persons. Their influence gave a continuing background of character and pointed policies and practices in a positive direction. Against that background fresh ideas, new attitudes and changed policies have emerged to meet changes within the company and in the environment in which it operates. It is difficult to set down in words the nature of these ideas and the standards to which we try to work. Indeed we rarely find it necessary or desirable to reduce them to words ourselves. In part they form a kind of inherited outlook, or attitudes like those inculcated by family upbringing. However some of them are consciously evolved and change as problems and circumstances change. But the process of thinking out and policy-making which must precede and accompany action is rarely a backward-looking activity. The day-by-day worries, thoughts and plans of our board and management are concerned with the practical problems of the present and the future. It is on occasions such as this that one pauses to consider how much one does indeed owe to the past.

It is perhaps in attitudes towards our work that there has been least

INTRODUCTION

change. Our main job has always been to produce sugar, one of the staple foodstuffs of the modern world, and to produce it under the incentive of profit for the owners of the business. Edward and E. W. Knox never doubted that they were performing useful social functions, and their attitudes permeated the company's places of business. Today we produce building materials and chemicals in addition to sugar, and the consciousness that we are doing something useful remains. The provision of food, shelter and basic chemicals seems to us to be socially worthwhile.

We endeavour to show in parts of this book how the present grew out of the past but most of the text deals with us as we are now, after 100 years of growth and change: growth and change because we are a capitalist enterprise and capitalism is a social device which changes with changes in the society of which it forms a component part and which it serves. And social devices, whether they be forms of government, capitalism, trade unionism, codes of law, are not ends in themselves but means to ends. It seems to me that their final justification depends largely on their effectiveness in advancing what we broadly refer to as civilization, both in the material and non-material aspects. To promote civilization, I take it that any individual or human institution should respect the vision, manners, and material welfare of the individual man—and contribute to at least one of them.

It is difficult to judge contributions to the advancement of non-material ends, because most men have their own individual and personal opinions about such abstract matters and they assign varying importances to them. Moreover, the social aims of one generation often differ from those of the next—they have indeed changed quite a lot in my lifetime. The book will show that the kind of people who own the company and the kind who administer it represent, in the main, a cross-section of what is generally called the middle class of the community; as such they are aware of values other than material and are actuated by motives other than the purely economic—and are conscious, too, of evolution in opinion.

Motives and opinions are difficult to evaluate. There is, for instance, an honoured intellectual tradition which has been expressed as "the irrelevance of material welfare as a criterion of progress". But the political democracies in which we operate appear to set only limited store by it, and to set high store by material welfare, even as an end in itself. And it seems to me that status as a nation and even the ability to survive as a people in a competitive world, the provision of leisure, education and social services, as well as opportunities for scholastic

INTRODUCTION

and artistic endeavour, all rest heavily upon high economic productivity. Little of civilization as we know it, with its widespread distribution throughout the community, has been found amongst economically backward communities. The capitalist system of industrial production has proved itself a most efficient social device for increasing productivity and material welfare. And, despite shortcomings in some directions, I believe the private enterprise system is fundamentally more respectful of individual personality, freedom and aspirations than a collectivist system can be.

Although our communities set high store by increasing material welfare it has been remarked that economic and political policy, for some fifty years, has given much attention to the division sums—questions affecting the distribution of material welfare; and far less to the multiplication sums—the production of increasing material welfare. In practice, if not in theory, it is often overlooked that, if multiplication has taken place, the final quotients obtained from the division sums are much larger. The uneven material progress of many nations today and the centuries of very slow progress prior to the industrial revolution indicate that the multiplication process cannot be assumed to be automatic; they indicate that it needs the continuous husbanding care of deeply interested human hands and brains, the constant feeding with physical resources held back from consumption, and that continuing forward momentum which depends so much on human enthusiasm and optimism: all of which can be stimulated by material and non-material rewards and conditioned by the direct and indirect disciplines found in our communities.

Also it has been wisely said that human beings produce their best results when working in “an atmosphere of approval”—not unearned approval, not an atmosphere devoid of suggestion, of reasoned factual criticism, or of discipline; but one where recognition is freely given and approval, if merited, not withheld. For those who agree that there is importance in this concept, there is room for thought about the effect of continuing broad atmospheres of approval or disapproval on the long-term efficiency and value to society of business organizations, which are essentially human institutions.

While it is not difficult to obtain a view of the company's contributions, at least on the economic side, and while statisticians may be able to measure economic progress by mathematical means, the actual making of the progress is no mere mathematical process. The blend of physical and human resources that make for economic advancement via profit-making institutions such as we are, is one of the main themes in this book, although it is my hope that, in stressing

INTRODUCTION

this, we have not obscured the evidence on contributions beyond the economic sphere.

Business employs many methods and some formulae, but no overall formula, and attempts to generalize about it can be misleading. Intuition and judgment play their part, as well as carefully calculated sums. Risks and the partly intuitive decisions which we have to make are not reducible to formulae; nor are many of the human factors met with in business. While business does have its excitements, its victories and its defeats, its approach is, in great part, careful, economizing, sometimes humdrum—and it always tries to count the cost. Much of it is composed of a mass of intermeshed detail that is not readily intelligible, even if made known to the outsider. It is no easy matter to write about business with insight and sufficient simplicity to hold the reader's attention, yet remain accurate and avoid oversimplification of what is essentially complex and many-valued.

Except for the historical chapter, and in some respects the chapter on the rewards obtained from the enterprise, the book deals with the company as it is at the present time, with only occasional glances back to the past to explain or to illuminate the present. The period between the two wars is too close to write about as history or to view in perspective. But the twenties and thirties were important years for C.S.R. It was a period during which steady growth and development took place, and a period of evolution in forms of direction and management. About 1930 the conviction grew stronger that there was little scope for expansion of raw sugar production in Australia and Fiji. Some increase in the level of production was still possible at that time, but only by acceptance of a very low price. Our refineries, also, were producing to the capacity of available markets. As this situation meant that continued expansion of the company's existing major activities was substantially blocked, our thoughts turned to other ways of developing the business. The general manager Mr P. H. M. Goldfinch (he became Sir Philip in 1934) with the backing of the board made exploratory inquiries directed towards expansion into other fields.

The company was broad-based inside sugar, being in three countries and in both milling and refining. We had substantial liquid capital resources, in excess of the amount required for the sugar business, and we could not foresee the war and the high inflation which would follow and become a heavy consumer of financial resources.

With Sir Philip Goldfinch, a "sugar man", brought up in his earlier business life in the mills and possessed of great drive and enthusiasm, the lines of thought were: sugar in other parts of the world, or buying

INTRODUCTION

an additional part of the Australian industry; any other profitable industry in Fiji which would broaden the base of the economy of that colony and therefore be good for the company and the colony; further development of by-products of sugar, or allied products.

We carefully considered the purchase of further Australian sugar mills and decided against it. Officers of the company, including men from Fiji who understood Indians, visited India, but on receiving their report our decision was not to enter into the sugar industry in India. Cursory thought was given to sugar in East Africa.

In 1936 we started the growing and canning of pineapples in Fiji. This venture was long persevered with, in a constant endeavour to make it a success, but in 1955 we reluctantly decided to close it.

The first major factory of our Building Materials Division commenced production of cane-fibre wallboards in 1939. This division has been steadily expanded since then. In the same year we acquired a part-interest in a company manufacturing industrial solvents in Sydney; this was the seed from which grew our Industrial Chemicals Division, which was developed in postwar years and has now become part of C.S.R. Chemicals Pty. Ltd., of which the Distillers Company Ltd., of the United Kingdom, owns 40 per cent.

Naturally, proposals for new developments of many kinds are frequently put before us. Some of these are briefly examined, others more thoroughly. A number of possible developments arise from inside our own organization. At the present time there is, temporarily, a lot to do to consolidate the recent expansion in milling, refining and bulk handling of raw sugar, and in building materials and chemicals. In business, as in war, the principle holds of the concentration of force on the most important objectives—priorities have to be established.

In 1940 Sir Philip Goldfinch was given leave to accept the invitation of the Commonwealth Government to become chairman of the N.S.W. Board of Area Management, Ministry of Munitions, a part of the great organization being built up under that production genius, Mr Essington Lewis of the Broken Hill Proprietary Co. Ltd. Sir Philip served in that capacity with characteristic drive and to the detriment of his health until he died, suddenly, in 1943, while still occupying the position. Mr C. W. Rothe became acting general manager in 1940, when Sir Philip went to the Ministry of Munitions, and general manager on Sir Philip's death.

During the war sugar was important and its production was accorded fairly high priority by the Federal Government. It was rationed for home consumption so that more would be available for Britain and the allies. Industrial alcohol and building materials had high priorities.

INTRODUCTION

All the remaining human, technical and productive resources that we could organize went into specific wartime tasks as desired by government. A high proportion of the younger men went into the services and other men were loaned for various periods to government departments, particularly the Ministry of Munitions.

Difficult problems arose in Fiji during the war and Mr Rothe and Dr Harman had the most direct responsibility for handling the situation. They set in motion in Fiji the policy of much freer discussion with growers, employees and government. In the postwar period steps were taken to develop the Building Materials Division, for which the chief architect was Mr C. W. R. Powell; and to launch the development in industrial chemicals.

Towards the close of Mr Rothe's managership, increased and more remunerative raw sugar markets were obtained overseas, and capacities of a number of our mills were increased to take advantage of this improved market position. Expanded settlement and population in Queensland and Fiji were greatly assisted by these developments. In 1951 Mr Rothe retired and Dr R. W. Harman was appointed general manager.

The centenary of the C.S.R. Company finds us a large company, with a considerable forward momentum; and, because we have confidence in the long term about the people who inhabit and who will develop the South Pacific countries, and confidence also in our staff, the company is possessed of optimism about the future. I refer to the company's optimism because it is nowadays appropriate to refer to companies of our type in that way. They acquire a "personality" of their own and can no longer be interpreted by reference to some man.

To our proprietors, the shareholders, I would say that although the majority of you have held our shares for a long time, I hope you will learn from this book even more about the organization and the business, of the problems met with, of the way we tackle them, of the standards we work to, and how we intend to continue—for you have entrusted us with the direction of all these matters on your behalf.

To the staff, some of whom are second and third generation C.S.R. men, I express the hope that you will find the book does the company, including yourselves, just credit. The carriage of proceedings is in practice much in your hands and what the chairman said to the general meeting of shareholders when the company was fifty years old can be repeated today: "it is to that [administrative] staff that all businesses look for their well-being". In this book it has not been possible to describe the work of all sections of our employees; some sections, some

INTRODUCTION

activities, some individual functions, had to be brought more to the fore than others, and they should be taken as illustrative of the whole.

To sugar industry people and to people connected with our other industries, I would lay some emphasis on the point that this is, first and foremost, a book about a joint stock capitalist enterprise, a corporation, an organization of men—both owners and operators. While information is given about sugar and the sugar industries, it is not a book about sugar. We have tried to explain where we fit into those industries and the contributions we have made to them; but the occasion calls for the spotlight on the company rather than on the industries of which it is a part.

It is fitting that I should close this introduction by thanking all those, both inside and outside the company, who have helped in the writing and publication of the book. Some of the writers are members of our staff. The others have no ties whatever with us. Mr Lowndes, occupying the difficult position of editor of a symposium which was planned to finish as an integrated book, Dr Birch, Mr Herbert and Mr Turnbull knew very little about C.S.R. until they began the preparation and inquiry that formed the basis of what they have written. Their contributions have made many parts of the book more objective and more readable, and we thank them for their help.

E. R. KNOX

11 O'CONNELL STREET
SYDNEY

February 1956