

# The British State and North Atlantic Shipping 1921–1939: Rationalization and Modernization

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## Introduction

In 1934, the British Treasury advanced loans of £9.5 million to Cunard White Star Line to complete the construction of two transatlantic ocean liners, *RMS Queen Mary* (QM) and later *RMS Queen Elizabeth* (QE), on condition that two traditional British shipping lines, Cunard and White Star Line, merged to form one entity, Cunard White Star Line. Cunard was a British flag carrier on the transatlantic ocean journey, and White Star Line, which once operated *RMS Titanic*, was in the second place on the service. The merger of two large shipping companies was a big reform in the British shipping industries. On 7 March 1934, Leslie Hore-Belisha, the Financial Secretary to the Treasury, described the main objective of this action at the second reading in the House of Commons as follows.

He [Neville Chamberlain] came to the conclusion that if the problem were to retain the ascendancy of Britain on the Atlantic, ruinous competition between British firms should be eliminated as being a hindrance to the main objective, and that all our resources, skill and experience should be concentrated in one single channel. Therefore, he made it clear that financial assistance could be forthcoming only if the two rival companies' effective fusion of the North Atlantic shipping interests were to take place.<sup>1</sup>

On the same day, The North Atlantic Shipping Bill was passed in the second reading and moved to the third reading with 194 votes in favor and 30 against.<sup>2</sup> On 15 March, the bill was passed in the third reading in the House of Commons, and on 27 March, it officially became law with the approval of the House of Lords.<sup>3</sup> The financial aid under the Act allowed the newly formed

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<sup>1</sup> Statement by the Financial Secretary to the Treasury (Hore-Belisha), *Hansard* (Commons), 5<sup>th</sup> ser. CCLXXXVII, 7 March 1934, col. 1828.

<sup>2</sup> North Atlantic Shipping Bill, *Hansard* (Commons), 5<sup>th</sup> ser. CCLXXXVII, 7 March 1934, col. 1909.

<sup>3</sup> North Atlantic Shipping Bill, *Hansard* (Commons), 5<sup>th</sup> ser. CCLXXXVII, 15 March 1934, col. 748; North Atlantic Shipping Bill, *Hansard* (Lords), 27 March 1934, col. 467.

Cunard White Star Line to complete the construction of QM, which had been suspended for two and a half years due to the Great Depression.

The suspension of the QM's construction and the subsequent government assistance is a well-known story. Since the 1930s, newspapers, magazines, popular books, and documentaries have featured this story, and indeed the building of the QE started in 1936. Even today, there are many popular books by amateur historians about the QM and QE, most of which feature the construction story in detail. QM's popularity is also shown in the fact that she became a memorial and hotel ship in Long Beach, California, after her retirement.<sup>4</sup> Most of these popular works explain that the loan was provided to resume and complete the construction of the QM and build her sister ship, QE. Some argue that the government intended to create employment in the shipbuilding industry through this financial assistance.<sup>5</sup> However, as this paper shows in the later parts, the government had a different objective in mind. It wanted to assure British leadership in the transatlantic passenger service through the rationalization of the North Atlantic shipping industry and the modernization of the British transatlantic passenger ship fleet. The government loan was given not to support shipbuilding, or even for the building of these two ships, but because these two huge express liners were essential if the UK was to maintain a leading role in transatlantic shipping, a role threatened by new subsidized Italian, German and French liners. In this, the government succeeded.

Academic historians have shown that British shipping was supported in four ways during the interwar period. These were the Mail Contract, the Trade Facilities Act (TFA) of 1921, the North Atlantic Shipping Act of 1934, and the British Shipping Act of 1935.<sup>6</sup> The Mail Contract provided Cunard and other predominant British shipping companies with subsidies for carrying the Royal Mail. Yet, it started in the 19<sup>th</sup> century, and so this paper does not consider it as an industrial policy during the interwar period.<sup>7</sup> Lewis Johnman and Hugh Murphy have argued that

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<sup>4</sup> Hotel • Attractions • Events Queen Mary, (<https://queenmary.com/>, accessed 29 August 2024).

<sup>5</sup> Andrew Britton, *Classic Liners RMS Queen Mary* (Cheltenham, 2012), 11; David Ellery, *RMS Queen Mary 101 Questions & Answers about the Great Transatlantic Liner* (London, 2006), 23–29; David Ellery, *RMS Queen Mary The World's Favourite Liner* (Barnsley, 2023), 8–9, 18; Gray Chamber, *RMS Queen Mary Manual* (Chicago, 2019), 2–7; Janette MacCutcheon, *RMS Queen Mary Transatlantic Masterpiece* (Stroud, 2000), 16–24.

<sup>6</sup> Derek H. Aldcroft, *The Inter-War Economy: Britain, 1919–1939* (London, 1970), 226; S. G. Sturmeay, *British Shipping and World Competition* (Liverpool, 1962), 83–115.

<sup>7</sup> Chih-lung Lin, “Studies in Shipping Subsidies and International Shipping Rivalries: Case Studies from the North Atlantic to the Far East” (Manchester Univ. D.Phil thesis, 2005), 19–50.

the TFA primarily aimed to reduce unemployment in the traditional staple industries, especially shipping and shipbuilding. Under this law, the Treasury guaranteed companies loans for projects that would increase employment. Particularly in shipping, the Treasury guaranteed shipping lines' loans to increase orders in the shipbuilding industry.<sup>8</sup> Nevertheless, the TFA worsened the world's shipping surplus and failed to modernize the industry.<sup>9</sup> The British Shipping Act of 1935 was for modernizing the tramp ships by loans and subsidies.<sup>10</sup> Frank R. Dobbin has suggested the British Shipping Act of 1935, which included scrap and built schemes with a subsidy, as the result of the change in British industrial culture caused by the Great Depression. Industrial culture refers to the economic customs that structure industries and economies and to the designations that are socially constructed in enacting those customs. The British industrial culture shifted from protecting small firms to creating internationally competitive companies through rationalization and modernization.<sup>11</sup> Yet, the British Shipping Act did not proceed with the rationalization enough to expand the British share of shipping because it did not stimulate the enterprising minds of the shipping companies.<sup>12</sup>

However, few academic historians have studied the North Atlantic Shipping Act. Derek H. Aldcroft, an economic historian, mentioned this government assistance in his work in passing, and S. G. Sturmeý, a maritime historian, described the outline of this support in his book about British shipping.<sup>13</sup> Although business historian Leslie Hannah studied the interwar rationalization movement in the UK, he overlooked the Cunard White Star case.<sup>14</sup> The only academic work that tackles this case seriously is *Cunard and the North Atlantic 1840–1973* (1975), by Francis E. Hyde, who was a professor of Economic History at the University of Liverpool. Hyde carefully investigated the Cunard documents in the 1930s stored at the University of Liverpool archive. He argued that the salvation of White Star Line, which was almost bankrupt in the early 1930s due to the Great Depression, played a pivotal role in deciding the direction of the complicated negotiation

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<sup>8</sup> Lewis Johnman and Hugh Murphy, "Subsidy and Treasury: the Trade Facilities Act and the UK Shipbuilding Industry in the 1920s", *Contemporary British History*, 22 (2008), 89–110.

<sup>9</sup> S. G. Sturmeý, *British Shipping and World Competition* (Liverpool, 2010), 92–95, 115.

<sup>10</sup> Aldcroft, *The Inter-War Economy*, 226.

<sup>11</sup> Frank R. Dobbin, "The Social Construction of the Great Depression: Industrial Policy during the 1930s in the United States, Britain, and France", *Theory and Society*, 22(1) 1993, 1–56.

<sup>12</sup> Sturmeý, *British Shipping*, 92–95, 115.

<sup>13</sup> Aldcroft, *The Inter-War Economy*, 226, Sturmeý, *British Shipping*, 91.

<sup>14</sup> Leslie Hannah, *The Rise of the Corporate Economy* (London and New York, 1976), 29–44.

among the Cunard, the Oceanic Steam Navigation Company (the holding company of White Star Line, hereafter Oceanic Company), and the Treasury. This allowed Cunard to request financial support for the construction of the QM and the QE from the government, insisting that Cunard would salvage the White Star Line if the Treasury assisted.<sup>15</sup> However, Hyde did not consider the government's perspective on why they advanced a considerable amount of money, which went beyond saving the White Star Line and even almost surpassed the value of the company's total assets.<sup>16</sup> Therefore, he misunderstood the government's intention.

The misunderstandings in the popular books and Hyde's work are a consequence of two fundamental shortcomings. First, Hyde and all other historians failed to explore the position of government. This lack may result from their little investigation into government documents, particularly Lord Weir's report. Hyde mentioned in his work that this report changed the direction of discussion from the government's rejection of the support to the approval, but he did not investigate it. Second, some historians understand this financial assistance as a measure to support shipbuilding like the TFA. Yet, this case is different because it followed the perceived failure of the TFA. This tendency is apparent in the newspapers in the 1930s and some popular books that overestimate the effect of the construction of QM and QE on the economy.

There is another important and more general blindspot in that the relative scale of the Cunard interventions is not appreciated. £9.5 million assistance to Cunard was the largest direct state intervention into the shipping industry during the interwar years in terms of the amount of money and the social impact. Except for the Mail contract, the only direct financial assistance to shipping during the interwar years was the British Shipping Act of 1935, which provided £2 million in subsidies and £3.55 million in either a loan or government-guaranteed loans.<sup>17</sup> The TFA supported shipping indirectly by the Treasury guaranteeing loans of companies.<sup>18</sup> By the standards of industrial intervention, the Cunard loans were enormous, but even so, historians barely figured this case in histories of industrial policy nor asked why such exceptionally large expenditures were authorized. This lack of investigation on the government's perspective prevented other historians from recognizing this case in the historiography of British industrial policy or generally in modern

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<sup>15</sup> Francis E. Hyde, *Cunard and the North Atlantic 1840–1973* (Liverpool, 1975), 191–218.

<sup>16</sup> The National Archives [hereafter TNA], T190/80, "The Oceanic Steam Navigation Company Limited Balance Sheet", 31 December 1931. The total assets of the company were approximately £12 million.

<sup>17</sup> Sturme, *British Shipping*, 92.

<sup>18</sup> Johnman and Murphy, "Subsidy and Treasury", 89–110.

British history.

This study primarily discusses why the Treasury decided to advance a considerable amount of loans to Cunard White Star Line by investigating the government's standpoint. In so doing, this study further offers the first step toward a comprehensive understanding of British industrial policy for the shipping industry during the interwar years. Revealing the government's view on the Cunard case fills the gap in the historiography, which allows all governmental assistance to shipping and industrial policies to other industries during the interwar period to be comparable. Additionally, given the popularity of QM and QE among the public, it is worth clarifying the reason.

This study utilizes four primary sources to capture the government's perspective: the Treasury and the Board of Trade documents including Lord Weir's report, *Hansard*, the board of minutes of the Cunard company from 1927 to 1934, and newspapers. Among them, this paper primarily focuses on Lord Weir's report, which was considered to form the government's opinion on this support, but no historians have analyzed it.

This paper is divided into three parts that are organized chronologically, focusing on the progress of the negotiations between Cunard, White Star Line, and the government.

### **1. Government's Rejection to the Assistance (1931–1932)**

Cunard, the most prominent British transatlantic shipping line, began considering new steamers to replace the old ships in 1922. This was the start of the QM and QE. Cunard initially planned to build one express liner to replace *RMS Mauretania*. Around 1926, however, Cunard's directors drastically altered the first plan and decided to build two large express liners that could maintain the weekly service. This was an unprecedented attempt because the transatlantic weekly service was usually maintained by three vessels.<sup>19</sup> If this plan was realized, each ship would depart from Southampton and New York on Saturday, pass each other in the middle of the Atlantic Ocean, arrive in New York and Southampton on Wednesday, respectively, and start the next voyage on Saturday.<sup>20</sup> Thus, the new liners had to be large and fast enough to carry all the passengers that used to be transported by three ships. Finally, the specifications were decided to be approximately

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<sup>19</sup> Denis Griffiths, *Power of the Great Liners A History of Atlantic Marine Engineering* (Somerset, 1990), 148–149.

<sup>20</sup> *Daily Telegraph*, 20 November 1931, 10.

80,000 in gross tonnage, 310 meters in length, and 29 knots in cruising speed, crossing the North Atlantic Ocean in four days. In the late 1920s, Cunard's financial condition was strong, and they were confident they could build the two liners without government help.<sup>21</sup> After careful consideration and hundreds of tank experiments, Cunard concluded the contract with John Brown & Company, a shipbuilder in Glasgow, Scotland, in 1930.

The construction of QM (Called No.534 before launching) started in December 1930 at the John Brown & Company shipyard. By December 1931, a 310-meter gigantic hull was almost completed, and Cunard had spent approximately £1.5 million for the construction. However, the work was suspended on 12 December 1931 due to the decline in Cunard's profit caused by the Great Depression. The primary and most important prerequisite in constructing No. 534 was that Cunard could continue to gain enough annual profit to cover all the fleet's depreciation. The decline in passenger and freight traffic in the North Atlantic reduced the earnings of 1931 and was insufficient to cover the depreciation.<sup>22</sup> The net loss for 1931 was £553,204, while Cunard had earned a net profit of £18,601 in 1930 and £809,638 in 1929.<sup>23</sup> Moreover, this deteriorated financial situation made it difficult to finance the construction cost by making use of the London Bill Market and repaying the liabilities from the earnings set aside annually for the normal depreciation of the fleet and partly from the earnings of the ship herself during the first few years of her operation. The outlook for North Atlantic traffic in 1932 was also grave, and therefore, the Cunard directors decided to suspend the construction until the pending situation changed.<sup>24</sup>

The government's initial reaction to this suspension was a rejection of assistance. The first approach to the government asking for support to resume the construction was made by a Scottish politician, David Kirkwood, an MP from Dumbarton burghs in Glasgow. As an MP of that area, he was particularly concerned with the economic impact and increased unemployment caused by the suspension.<sup>25</sup> On 11 December, he questioned Walter Runciman, the President of the Board of Trade, about this matter in the House of Commons. Runciman rejected Kirkwood's suggestion and

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<sup>21</sup> Hyde, *Cunard and North Atlantic*, 203–205.

<sup>22</sup> TNA, T 190/79, Circular from the Cunard Steam Ship Company Limited. to the Shareholders, 10 December 1931, 1–2.

<sup>23</sup> Merseyside Maritime Museum, Liverpool, [hereafter MMM], B/CUN/2/1–2 1/1 – 2, 3, and 4, "Annual Reports and Accounts of Cunard Steam Ship Co., Ltd.", 1929, 1930, and 1932. Cf. The largest loss was in 1932, £927,300.

<sup>24</sup> TNA, T 190/79, Circular from the Cunard to Shareholders, 10 Dec. 1931, 2.

<sup>25</sup> *Daily Telegraph*, 11 December 1931, 13.

replied, “I am afraid that any idea of direct Government financial assistance is out of the question.”<sup>26</sup> Prime Minister Ramsay MacDonald also had a similar idea as Runciman; if Cunard approached the government, they would give careful consideration but could not provide direct financial assistance.<sup>27</sup> The next approach was from the chairman of Cunard, Sir Percy Bate. He wrote a letter to the Prime Minister on 15 February 1932, asking for help from the government to resume work at the earliest point. On 1 March 1932, Bates received a response to his letter from the Chancellor of the Exchequer, Neville Chamberlain, not from the Prime Minister, and it clearly stated that the government could neither provide any subsidies nor guarantee loans in this regard.<sup>28</sup>

The issue of financial assistance was, however, linked to the Cunard-White Star merger in February 1932. Sir Charles Hipwood of the Board of Trade recommended to Bate that when approaching the government for assistance, Cunard should associate it with the offer for White Star. This is because the negotiation of the Cunard and White Star Line amalgamation had been discussed twice since 1926. First, in the process of regaining the White Star Line from the International Mercantile Marine (IMM) in 1926, Cunard had received a suggestion to purchase the line, but Cunard declined. Second, in 1930, when the White Star Line’s business situation deteriorated due to the Great Depression, Cunard again received a suggestion from Runciman for the purchase, but the negotiation was not concluded.<sup>29</sup> On the 22 of February 1932, the Finance Committee of Cunard accepted the recommendation. Cunard made a new proposal consisting of two mutually dependent sections and submitted it to the Board of Trade at the end of February. The first section covered the financial assistance necessary to restart the work on No. 534 and to construct the projected second ship. The second section dealt with the purchase of the White Star Line North Atlantic ships and goodwill. Yet, Runciman replied that although the government carefully examined the scheme, they could find no reason to alter the decision stated by the Chancellor of Exchequer on 1 March.<sup>30</sup>

Since the stoppage, Kirkwood and other MPs from the Glasgow area had been arguing for financial assistance to Cunard from the perspective of the unemployment issue. They explained

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<sup>26</sup> *Daily Telegraph*, 12 December 1931, 13.

<sup>27</sup> Hyde, *Cunard and North Atlantic*, 207.

<sup>28</sup> Special Collection & Archives [hereafter, SC&A], University of Liverpool, D42/B1/12, Minutes: Board of Directors, Vol. 11, 14 Jan 1927 – 30 Dec 1935, Board Meeting, 23 March, 1932.

<sup>29</sup> Hyde, *Cunard and North Atlantic*, 191–203.

<sup>30</sup> SC&A, D42/B1/12, Minutes: Board of Director, Board Meeting, 23 Mar. 1932.

that resuming the construction of No. 534 would increase employment at the shipyard and the related firms in the UK.<sup>31</sup> This argument strongly appealed to the public because unemployment was one of Britain's most severe social problems throughout the interwar period. Particularly in the early 1930s, the unemployment rate reached twenty per cent, and there were more than three million unemployed people in the early 1930s.<sup>32</sup> Nevertheless, the government was reluctant to act on this perspective. Prime Minister replied in the Commons in February 1933, "Assistance by the Government, we cannot and must not expect that schemes of this kind [...] are going to make any appreciable effect upon the major problem of unemployment".<sup>33</sup>

The government had four main reasons for this rejection. First, the Admiralty was indifferent to the ships. Bate requested the government's assistance by referring to the precedent of the government's financial support in 1903 of £2.6 million for the construction of *RMS Lusitania* and *RMS Mauretania* and annual subsidy to maintain the condition of the ships for wartime use as an auxiliary cruiser or a troop carrier. To Cunard's surprise, the government sharply distinguished this case from the previous case. The Admiralty was not interested in the character of No.534.<sup>34</sup> The Admiralty was in fact no longer considering the support for constructing passenger ships at the time of the late 1920s. When the financial assistance agreement in 1903 expired in 1927, the Admiralty expressed no intention of renewing it.<sup>35</sup> Second, the Treasury was skeptical about the necessity of financial support. The Cunard directors explained that the suspension of work was a natural and proper precaution against the unprecedented character of the North Atlantic traffic conditions. The Treasury thought that provided the Cunard's financial conditions improved, Cunard could recommence the work without relying on state assistance. Moreover, the Treasury doubted in the first place whether a ship of this size, speed, and luxury was necessary. Third, the Treasury did not comprehend enough the scale and acuteness of the international competition of passenger ship construction in the late 1920s and the early 1930s. One of Cunard's arguments for help was that other countries subsidized the construction of giant liners, but the Treasury refuted that such reasoning was an afterthought. Yet, the Treasury and the Board of Trade asked Lord Weir

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<sup>31</sup> *Daily Telegraph*, 12 Dec. 1931, 10.

<sup>32</sup> Christopher Price, "Depression and recovery, in Francesca Carnevali, et al.(eds), *Twentieth century Britain: economic, social cultural change* (New York, 2007), 145–152.

<sup>33</sup> TNA, T190/80, Unemployment, House of Commons, 16 February 1933, 1220.

<sup>34</sup> Hyde, *Cunard*, 145–148, 207.

<sup>35</sup> TNA, ADM1/8697/82, Correspondence from V. W. Baddeley of the Admiralty to the secretary of the Board of Trade, 2 September 1926.

to report the situation of foreign subsidies in October 1932. From this fact, it is assumed they did not have enough information about the transatlantic trade situation in early 1932.<sup>36</sup>

There is another more fundamental reason for this attitude. The Treasury was haunted by the failure of the TFA in the late 1920s. The guaranteed loans through the TFA for shipping and shipbuilding only contributed to the worsening of the overcapacity of tonnage rather than creating employment and strengthening the industries. Hence, the TFA was abolished in 1927.<sup>37</sup> The Treasury's understanding is generally encapsulated in the remark by Winston Churchill, the Chancellor of Exchequer, in the Commons in April 1929 that "very little additional employment and no permanent employment can in fact and as a general rule be created by State borrowing [namely, the state loan] and State expenditure."<sup>38</sup> It did not only work as expected but caused the Treasury to incur a significant monetary loss. Only £13 million out of the £73 million covered by TFA was repaid by 1932, and there had already been a loss of £1.5 million. It was also expected that there would be another loss of £5.5 million caused by the default of the Royal Mail Group.

In the early 1920s, the Royal Mail group was considered impregnable, and therefore, the Treasury guaranteed loans for them, but they fell into financial difficulties easily because of the recession. The Treasury was also concerned that the same thing could happen to Cunard in an adverse situation. Moreover, if the government had guaranteed the loan to Cunard, it would have required legislation. Once the legislation was established, other applications from other industries that could seemingly create employment would ask for assistance, and it could be difficult for the government to reject them.<sup>39</sup> Therefore, reopening the TFA-type assistance or supplying direct financial assistance to increase employment was the last option to take for the government. Among the four points, the fourth reason seemed to be the most critical and significant ground for the rejection.<sup>40</sup>

The government's rejection, mainly based on the failure of TFA and the Admiralty's indifference, showed that the seemingly plausible explanations for the government's assistance to Cunard, such as the government's enthusiasm to complete the construction of two ships, the

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<sup>36</sup> TNA, T190/80, Memorandum by Warren Fisher of the Treasury, 23 February 1932.

<sup>37</sup> Sturmev, *British Shipping*, 92–95.

<sup>38</sup> Statement by the Chancellor of the Exchequer (Winston Churchill), *Hansard* (Commons), 5th ser. CCXXVII, 15 April 1929, col. 54.

<sup>39</sup> TNA, T190/80, Memorandum by Sir Warren Fisher, 23 Feb. 1932.

<sup>40</sup> TNA, T190/80, Cunard and Oceanic, Memorandum by St. J Bamford, 16 February 1932.

financial support to increase employment, or the Admiralty's need for the large ship are all wrong.

## 2. Lord Weir's Report (1932–1933)

After the decisive government's rejection in March 1932, the negotiations became quiet for a while. Still, around the beginning of the summer of 1932, Cunard began emphasizing the argument about the growing threat of foreign competition. Bate stressed that Cunard's main competitors had their Treasuries as their bankers and built and operated new ships with subsidies.<sup>41</sup> In fact, other European countries expanded and modernized the transatlantic passenger fleet. On 28 September 1932, the Italian super liner *Rex* (51,000 tons, 28knots), built with the state's subsidy, departed from Genoa, Italy, for its maiden voyage. On 29 October, the French liner *Normandie* (75,000 tons, 29knots), the largest and expectedly the fastest liner in the world at that time, was launched at St. Nazaire in France.<sup>42</sup> The construction of *Normandie* was also suspended in 1931 for a few months due to the decline in the Cie. Gle. Transatlantique's (C.G.T.) revenue. Yet, the immediate subsidy from the French government enabled them to continue building the liner.<sup>43</sup> Such news about foreign transatlantic liners and state subsidies frequently appeared in British newspapers like the *Daily Telegraph* and *The Times* in detail, comparing them with the British No. 534 lying idle in Clydebank and the state's reluctance to assist.<sup>44</sup> With the increased pressure, the government began to recognize the importance of this argument. On 21 October 1932, Runciman and Chamberlain asked Lord Weir, a well-known industrialist and a mediator of the Cunard-Oceanic merger negotiation, to report on the passenger trade situation in the North Atlantic Ocean. The letter from W. B. Brown of the Board of Trade to Lord Weir stated that,

The Chancellor of the Exchequer [Chamberlain] and he [the President of the Board of Trade, Runciman] wish to invite you [Lord Weir] to conduct a confidential enquiry into the trading and financial position of the British Shipping Companies carrying on mail and passenger services in the North Atlantic, with special reference to the New York-European berth, to give particulars of the

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<sup>41</sup> Hyde, *Cunard*, 208–209, *Daily Telegraph* 7 April 1932, 5.

<sup>42</sup> *Daily Telegraph*, 28 September 1932, 14, *Deily Telegraph*, 31 October 1932, 9, 14.

<sup>43</sup> *Daily Telegraph*, 14 December 1931, 11.

<sup>44</sup> *Daily Telegraph*, 11 Dec. 1931, 1, 12–13; TNA, MT9/2716, *The Times*, “Plight of British Shipping Subsidized Foreign Competitors”, 19 October 1932; TNA, MT9/2716, *The Times*, “Atlantic Liners The New French Vessel Conditions Two Years Hence”, 20 October 1932.

character of foreign competition experienced, e.g., in respect of subsidies paid for the construction and operation of ships, and to report to them your conclusions.<sup>45</sup>

This report changed the government's attitude and the course of the negotiation in 1933.

The reason why they asked Lord Weir to analyze this issue can be attributed to Lord Weir's ability and good reputation as an advisor. He was born in 1877 into a family with a maritime manufacturing business in Glasgow. He inherited his family business in 1898, and his exceptional organizing power and standardization strategy increased their sales considerably. Owing to this success, Lloyd George invited him to his central advisory committee on munitions in 1914, and he was appointed as director of munitions in Scotland in 1915. In 1916, Weir advised Lloyd George to establish an Air Board under the Ministry of Munitions to replace the Royal Flying Corps and the Royal Naval Air Service. Then, he expanded the plan and worked for the foundation of the Royal Air Force. After the war, he chaired an advisory committee on civil aviation, dealing with government subsidy issues for emerging commercial aviation. In the early 1920s, he served as several chairs of military affairs committees and was appointed chair of the committee on electricity supply in 1924. He suggested the establishment of a central electricity board to build the national grid and standardize frequencies. Due to his enterprising mind and career, Lord Weir was regarded as a competent advisor on industrial policy.<sup>46</sup> Christopher W. Miller, a historian studying business-government relations in the twentieth century, evaluated that “[he was] the most powerful industrialist of his generation, rubbed shoulders and influenced the prime minister, chancellor, foreign secretary and others through his role.”<sup>47</sup>

*Report on North Atlantic Shipping* by Lord Weir is a fifty-six-page report composed of five sections with many charts. The report argued for the reconstitution of British North Atlantic mail and passenger shipping and the completion of two express liners through state assistance, explaining three reasons: the plight of British shipping in the North Atlantic, foreign subsidies to North Atlantic shipping, and the necessity of introducing new express liners and the merger.

First, Lord Weir analyzed the statistics and concluded that British lines lost their

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<sup>45</sup> TNA, MT9/2716, Correspondence from W. B. Brown to Lord Weir, 21 October 1932.

<sup>46</sup> Richard Davenport-Hines, “Weir, William Douglas, first Viscount Weir (1877–1959)”, *Oxford Dictionary of National Biography* (Oxford, 2004).

<sup>47</sup> Christopher W. Miller, “The Clydeside Cabal: The influence of Lord Weir, Sir James Lithgow, and Sir Andrew Rae Duncan on naval and defence policy, around 1818–1940”, *The Mariner's Mirror: The International Quarterly Journal of The Society for Nautical Research*, 107 (2021), 355.

international competitiveness in the North Atlantic in the early 1930s due to the development of foreign shipping lines. Observing Atlantic shipping in general, Britain's share decreased considerably. Britain occupied 31% of the estimated total earnings from passenger, mail, and freight on New York and European berths in 1928, but its share decreased to 22% in 1931, while German lines increased from 17% to 25%, and other countries retained the shares. As for the passenger trade specifically, Britain lost its dominant position during 1926–1931, decreasing from 52% to 33% in first class and from 50% to 38% in other classes. However, Germany, France, and Italy increased their share.<sup>48</sup> The rapid progress of Germany from 9.3% in 1926 to 28.8% in 1931 in first class and from 11.8% to 20.5% in other classes was attributed to the advent of two German super liners, *Bremen* (51,656 tons, 27.5 knots) and *Europa* (49,746 tons, 27.5 knots).<sup>49</sup> France also introduced the new liner, *Île de France* (43,150 tons, 23knots), in 1927, contributing to their share increase. Moreover, Italy put their gigantic liner, *Rex* and *Conte di Savoia*, into service in 1932, and France launched even larger and faster liners, *Normandie*, in 1932, which would be in service from 1934.<sup>50</sup>

However, all Cunard and White Star Line express liners were launched before the First World War. The oldest was *RMS Mauretania*, launched in 1906, and the newest was *RMS Majestic*, launched in 1914 in Germany and entered the service in 1922 in Britain. If the current situation continued, in 1934, the British fleet would become a collection of the oldest, slowest, and almost smallest ships. Meanwhile, France, Germany, and Italy would be equipped with large, fast, modern ships with luxurious and comfortable interiors.<sup>51</sup> Lord Weir warned that “a still further depression in the share of total revenue obtained by the British Companies” would be inevitable.<sup>52</sup>

Second, Lord Weir discussed the foreign states' assistance to shipping in the North Atlantic and stated that “the development and maintenance of national prestige on the Atlantic has become a fixed and definite national policy”.<sup>53</sup> According to the report, the U.S. government extended a

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<sup>48</sup> TNA, MT 9/2716, “Report on North Atlantic Shipping” by Lord Weir, 21 December 1932, 6–19

<sup>49</sup> *Ibid.*, 20. Additionally, *Bremen* and *Europa* grabbed the Blue Riband prize from the British *RMS Mauretania* in 1929 with an average speed of 27.83 knots. Denis Griffiths, *Power of the Great Liners* (Somerset, 1990), 134–138.

<sup>50</sup> TNA, MT9/2716, “Report on North Atlantic Shipping”, 21 Dec. 1932, 20.

<sup>51</sup> *Ibid.*, 17–20. Lord Weir reported the ages of *RMS Homeric* and *RMS Majestic* as 10 and 11, although they were launched in 1913 and 1914. Their construction of the upper part was suspended during the First World War, and its whole construction was completed after the war.

<sup>52</sup> *Ibid.*, 20.

<sup>53</sup> *Ibid.*, 25.

sum of over £720 million (£45 million annually on average) in ship construction and operation in the sixteen years up to June 1931. The American shipowners could obtain loans for the entire construction cost at the same interest rate as the lowest state obligation. After the commission, they also received financial assistance for the operation through the American mail contract. The French government also gave abundant subsidies to shipping companies. The C.G.T. obtained government-guaranteed loans for constructing *Île de France*, *Champlain*, and *Normandie* and received total operating and mail subsidies of £200,000 per annum. In 1932, the financial situation of C.G.T. deteriorated so much that the company underwent reconstitution under a scheme wherein the French government became the controlling shareholder. Additionally, after 1932, the government guaranteed existing creditors and paid the new company a subsidy of £1.2 million annually, although the subsidy was later reduced to £400,000 per annum. Germany officially claimed they did not have uniform state assistance, but Lord Weir wrote that the German government undoubtedly helped the German companies through either grants or loans. That was because Germany needed to restore the fleet after the war and attempted to regain its prewar position in North Atlantic shipping. One example was that the government placed a loan of £3.5 million at the disposal of the two German companies to operate as a single unit in North Atlantic shipping. The Italian government assisted in constructing *Rex* and *Conte di Savoia* with direct grants of £150,000 at par for each vessel and construction loans on easy terms. In addition, the Italian government exempted Italia Company, an amalgamation of two Italian shipping companies operating North Atlantic service, from income tax.<sup>54</sup>

Lord Weir compared all of them with the British situation. In 1932, British shipping in the North Atlantic essentially received no financial assistance from the government except for the Mail Contract. He described the Mail Contract as just a payment for mail carrying and did not constitute commercial inducement. The TFA could be an assistance to shipping, but it was abolished in 1927 due to its inefficiency. The single exception was the construction of *RMS Lusitania* and *RMS Mauretania* in 1903. Yet, this was a military expenditure rather than financial assistance to the industry.<sup>55</sup> Thus, the British shipping lines were in a disadvantageous position in the face of heavily subsidized foreign shipping lines.

In the last section, he directly entered the discussion of the financial assistance and the

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<sup>54</sup> *Ibid.*, 22–25.

<sup>55</sup> *Ibid.*, 21–22.

Cunard-White Star merger based on the information he provided. Lord Weir argued the need to modernize the British fleet in the North Atlantic and rationalize the British North Atlantic shipping. He first discussed the merits and demerits of constructing new express liners. He stated that No. 534 and the sister ship would modernize the British fleet by replacing old ships, leading to the recovery of British shares and prestige. Britain would be the only country with a pair of the largest and fastest vessels if two gigantic liners were introduced. This enabled Britain to operate a weekly service at 29 knots, crossing the Atlantic Ocean within four days. Lord Weir assured that the planned size and speed were the optimal design for replacing the obsolete express vessels, and the other types of vessels would be a “losing hazard.” The fuel efficiency of these two liners was also better than the existing express ships. For instance, *RMS Berangaria* of 50,000 tons and 24 knots consumed 9,400 tons of oil fuel per round trip, but No. 534 of 75,000 tons and a speed exceeding 28.5 knots required only 10,100 tons of oil per round trip. Moreover, in terms of the ability to attract passengers, as shown in the German case, giant, fast, modern and luxurious ships would contribute significantly to the increase in the total number of passengers and earnings. Even though it was feared that introducing these liners would ignite other countries’ rivalry, leading to the “wasting and stupid construction race”, he suggested that concluding the international agreement could stop such competition.<sup>56</sup>

Lord Weir described that the merger of Cunard and Oceanic Company with the two express liners would rationalize British North Atlantic shipping, preventing duplication of overhead charges and dissipation of state aid in domestic competition. In Britain, Cunard and White Star Line had pursued to increase their shipping share, competing and requiring new express vessels and state aid. However, companies operating express ships in other countries selected more efficient ways under difficult economic conditions. Two German companies, Hamburg-America and North German Lloyd, operated as a single unit in the North Atlantic shipping through the state intervention, while two Italian companies, Navigazione Generale Italiano and the Lloyd Sabauda Lines, amalgamated and operated under the new name, Italia. France and the U.S. also had a single line C.G.T. and United States Lines. French government furthermore stepped into the management by being a shareholder of C.G.T. after 1932.<sup>57</sup>

Given these facts and Cunard’s relatively sound financial situation compared to White Star

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<sup>56</sup> *Ibid.*, 27–31.

<sup>57</sup> *Ibid.*, 2–3, 32–33.

Line, Lord Weir concluded that Cunard should purchase White Star Line North Atlantic assets to be operated under a single control to increase international competitiveness. He also insisted that the Treasury provide financial assistance to Cunard to construct the two liners. He explained that the state intervention in this case would be reasonable when these two measures were taken simultaneously.<sup>58</sup>

H.M. Government should be prepared to guarantee capital and interest of a construction loan to be obtained by the Cunard Company, and that this should be made conditional on an agreement being come to between the Chairman of the two Companies, under which the North Atlantic assets of the Oceanic Company are merged with those of the Cunard Company.<sup>59</sup>

This condition indicates that Lord Weir aimed to reconstitute British North Atlantic shipping through modernization and rationalization rather than pursuing either the salvation of the White Star Line or merely the construction of two liners. In doing so, he ultimately aimed to retain the British leading position in the North Atlantic. His argument for the reconstitution of the North Atlantic shipping to recover the British share made the government realize the need for assistance and intervention, leading to a change in their opinion.

### **3. The Road to the Agreement (1933–1934)**

This report made the government's attitude more amenable. Lord Weir sent the report to the Board of Trade and the Treasury on 21 December 1932. Runciman read his report on 23 December 1932. He praised it as the ablest document on this subject. Runciman utterly agreed with Lord Weir's opinion of the immediate merger of the Cunard and White Star Line and their subsidiary companies. As for the financial assistance, however, he expressed concerns. He assumed that the South Atlantic route operators, Peninsular and Oriental Steam Navigation Company (P&O)<sup>60</sup> against the subsidized Japanese and Italian lines, and tramp shipping lines competing with subsidized foreign lines would claim they should also be helped. Additionally, he was concerned

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<sup>58</sup> *Ibid.*, 45–51.

<sup>59</sup> *Ibid.*, 55.

<sup>60</sup> P&O is the British shipping company that mainly served the route between Britain and the empire, while Cunard served the transatlantic route.

about whether the taxpayer would approve of such help to construct the luxurious ship.<sup>61</sup>

To these questions, E. J. Foley of the Maritime Department in the Board of Trade, made answers for him based on the report. He explained that the transatlantic route had distinct characters from other routes. The number of passengers, wealth, and organized character of the populations served by this route were exceptional. And the size, speed, and cost of vessels needed to restore British supremacy are extraordinary. He stated that the government could stand on this special character of the North Atlantic express service when the government receives pressure from the other lines and industries.<sup>62</sup>

The Treasury also accepted the suggestion of the report. In the meeting held at the Treasury on 15 February 1933, the Chancellor of Exchequer clarified that the government accepted the report in principle and grasped a basis for the financial terms of the construction loan.<sup>63</sup> Also, on 22 March, the Chancellor of the Exchequer stated in the House of Commons that if certain preliminary conditions were fulfilled, the Government was prepared to consider granting the financial assistance. To justify his point, he explained the necessity of terminating the situation where two companies were competing and engaging in ineffective trade, ultimately weakening their power to compete with foreign lines in the North Atlantic.<sup>64</sup> Greatly influenced by Lord Weir's report, the Board of Trade and the Treasury changed their opinion. This change can be attributed to Lord Weir's influence as an advisor in the British government and the government's lack of knowledge about the severe condition of the transatlantic trade.

The board of Cunard and Sir Percy Bates fully accepted Lord Weir's report. It was partially because the proposal was favorable to Cunard. In contrast, Lord Essendon, who represented the secured creditors of Oceanic Company, expressed disagreement with the absorption scheme, though he accepted the necessity of rationalizing the British North Atlantic shipping.<sup>65</sup> Lord Essendon argued that the absorption would eliminate the Oceanic Company and they were sacrificed so that Cunard could receive loans to complete their new ships.<sup>66</sup> Therefore, he

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<sup>61</sup> TNA, MT9/2716, Correspondence from an official of the Board of Trade to Fergusson of the Treasury about the opinions of the president of the Board of Trade, 24 December 1932.

<sup>62</sup> TNA, MT9/2716, The note by E. J. Foley in the correspondence from Foley to Runciman, 4 January 1933.

<sup>63</sup> TNA, T190/80, "Mediation Note on the North Atlantic Problem" by Lord Weir, 14 March 1933.

<sup>64</sup> TNA, T190/80, "Extract from Chancellor's Speech in House of Commons on 22<sup>nd</sup> March 1933".

<sup>65</sup> TNA, T190/80, "Mediation Note," 14 Mar. 1933; TNA, T190/80, "Cunard-Oceanic Merger Note on Lord Weir's Mediation Report and Lord Essendon's reply," 21 March 1933.

<sup>66</sup> TNA, T190/80, "Memorandum on Lord Weir's Report so far As it relates to the relative position of the

proposed a plan to form a new company to take over the North Atlantic assets of both Cunard and the Oceanic Company. This enables the Oceanic Company to keep its position, preventing the establishment of an apparent power relationship between Cunard and the Oceanic Company, where Cunard eliminated the competitor.<sup>67</sup> Lord Essendon presented the advantages of the White Star Line to argue against Lord Weir and Bates. The White Star vessels were, on average, one year younger, 7,000 tons larger in tonnage, and one knot higher in speed than the Cunard vessels in 1933. Moreover, they had more passengers per sailing on average in 1932 than Cunard, and the cruising by White Star ships attracted more than double the number of passengers of Cunard. He emphasized that the White Star Line stood almost even with Cunard without financial help. In contrast, Cunard received substantial aid from the government in 1903 to build the *RMS Mauretania* and *RMS Lusitania*, which contributed significantly to their growth.<sup>68</sup>

The government and Lord Weir gradually comprehended the advantages of creating a new company to maximize the effect of rationalization and modernization. Even though Cunard purchased the Oceanic Company, it was unclear whether Cunard's future management would succeed. The financial structure of Cunard, with a large debenture issue and financial difficulties in one of its subsidiaries, was not stable enough to absorb the Oceanic Company with liabilities. If the new giant Cunard, which included the Oceanic Company, could not earn its keep, the government would need to assist Cunard again once it was involved in financial assistance to construct two express liners. To mitigate such a possibility and to make the North Atlantic shipping as stable as possible, the Treasury thought the merger company should be free from any mortgages or debentures except for the loans for No.534.<sup>69</sup> By establishing a new company with capital from Cunard and the Oceanic Company, the company could start its business with no fixed charges and be equipped with new express liners, which is an advantage for its growth.

At the meeting between Lord Weir and Lord Essendon on 16 May 1933, Lord Weir asked Lord Essendon "to prepare a detailed scheme showing his conception of settlement upon operating company lines [a new merger company]."<sup>70</sup> At the meeting held in the Treasury on 25 May, the

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Cunard Steam Ship Co. LTD. And Oceanic Steam Navigation Co. LTD", 21 March 1933.

<sup>67</sup> TNA, T190/80, "Cunard-Oceanic Merger Note", 21 Mar. 1933.

<sup>68</sup> TNA, T190/80, "Memorandum on Lord Weir's Report", 21 Mar. 1933; TNA, T190/80, "Memorandum of Conversation with Sir Percy Bates at Cunard House, Cockspur Street, S.W.1. on Thursday, March 16th, 1933, at 3.30 p.m." enclosed in the correspondence from Lord Essendon to Warren Fisher, 17 March 1933.

<sup>69</sup> TNA, T190/80, "Cunard Vessel 534", 6 April 1933.

<sup>70</sup> TNA, T190/80, Correspondence from Richard Hopkins to Ferguson, 17 May 1933.

government agreed that “An operating company scheme on the lines proposed appears to be the only practical way of arranging the transfer of the assets on an equity basis.”<sup>71</sup> Although Bates showed disagreement until June, the Board of Cunard found it difficult to argue against the amalgamation plan in mid-June and decided to accept it.<sup>12</sup> At that point, the main framework of the merger was decided. After that, from July 1933 to December 1933, detailed matters, such as the new company’s financial structure and loan terms, were discussed.

On 30 December 1933, an agreement was reached between The Cunard Steam Ship Co. Ltd, The Oceanic Steam Navigation Co., and The Commissioners of His Majesty’s Treasury. The Treasury advanced not exceeding £3 million for the construction of QM, £5 million for QE, and £1.5 million for the working capital of the new company on condition that the new company, “Cunard White Star Limited,” would be established on 1 January 1934. The new merger company consisted of 62% of Cunard’s capital and 38% of White Star Line’s capital.<sup>72</sup> The agreement was delivered to Parliament as the North Atlantic Shipping Bill at the beginning of 1934. After three months of deliberations in Parliament, the North Atlantic Shipping Act of 1934 was established on 27 March 1934. Eventually, the construction of No.534 restarted on 3 April 1934, and five months later, she was launched under the name of Queen Mary by Queen Mary, the wife of King George the Fifth. In 1938, QE was also launched at the John Brown & Company shipyard.

## Conclusion

Even though this financial assistance to Cunard White Star is generally comprehended as a measure to complete the construction of QM and QE, this state intervention was not essentially for constructing these two liners. The government intended to maintain the British leading position in the North Atlantic by simultaneously implementing the financial aid and merger.

This fact is shown in the change of the government’s attitude in the negotiation. When the construction of QM stopped in 1931 due to the Great Depression, the government manifestly rejected the argument for assistance as they did not find any necessity in QM and QE. There was an insistence that the resumption of the work would create employment, but the Treasury had already learned from the failure of the TFA that the state loans were ineffective in increasing

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<sup>71</sup> TNA, T190/80, “Cunard-White Star Negotiations. Note on Lord Essendon’s Scheme of 19<sup>th</sup> May 1933”, memorandum about the meeting on 24 May 1933 by Bamford, 25 May 1933.

<sup>72</sup> TNA, T190/81B, “Cunard and Oceanic and H.M. Treasury Agreement”, 30 December 1933, 1–30.

employment. However, Lord Weir revealed the plight of Britain in North Atlantic shipping and clarified the need for the two express liners and the merger to achieve efficient management. This suggestion for rationalization and modernization changed the government's attitude and opinion. The government then proceeded with the negotiation based on Lord Weir's proposal. Therefore, what moved the government to authorize such a large amount of loans was the need to reconstitute the North Atlantic passenger and mail shipping industry through rationalization and modernization to retain the British leading position in transatlantic passenger shipping.

Placing this fact in the historiography of industrial policy, a difference can be found between the two assistances in the 1930s, the North Atlantic Shipping Act of 1934 and the British Shipping Act of 1935, and the assistance through the TFA in the 1920s. The TFA was essentially for reducing unemployment, but it did not work. Learning from it, the government required rationalization and modernization under the North Atlantic Shipping Act. The British Tramp Shipping Act also aimed to modernize the tramp fleet by providing financial assistance. The act stipulated a scrap and build scheme to reduce excess or obsolete tonnage. This shows the change in the main point of the British industrial policy toward shipping during the interwar years, from bolstering the industry with financial assistance to reconstituting the industry to increase efficiency and international competitiveness.

## イギリス政府と北大西洋海運 1921–1939 ——合理化と近代化

小林 朗大

1934年、イギリス政府は世界恐慌により建造が停止した大西洋遠洋定期客船 RMS クイーンメリー号 (QM) と RMS クイーンエリザベス号 (QE) の建造に対して総額 950 万ポンドの支援を行った。本研究は、この建造支援が単に 2 隻の船を完成させるための支援ではなく、大西洋横断を担うイギリス海運業の合理化と客船隊の近代化を実現することで、北大西洋航路におけるイギリスの優位性を維持するための政策であることを明らかにした。この点を明確にすることで、QM と QE の建造支援をイギリスの産業政策研究の文脈へ取り入れることが可能となり、他の海運業に対する政策との比較を通して戦間期イギリスの海運業に対する産業政策を一体的に理解することができるようになる。イギリス産業政策の研究史において、本ケースはほとんど研究されておらず、先行研究は建造支援を、客船建造と雇用創出のため、またはホワイトスターラインの救済のためと議論しており、本質を見誤ってきた。それらに対し、本研究はイギリス財務省と商務局の史料をもとに、イギリス政府がなぜこのような巨額の融資を行うに至ったかを明らかにし、政府の支援に対する意図を議論する。その結果、1930年代のイギリス政府による海運業への支援と 1920年代の支援では、政府の意図に大きな変化が見られることが明らかになった。