

Varieties of Industrial Relations in the Shipping Industry: A Comparison of two Anglo-Saxon Liberal Market Economies and two European Coordinated Market Economies

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Abstract

The paper examines industrial relations in the shipping industries of two Liberal Market Economies (LMEs), Australia and the United States and in two Coordinated Market Economies (CMEs), Germany and Denmark. Hall and Soskice's (2001) theory of *Liberal versus Coordinated* market economies has been used to discuss two polar approaches to the issue of reform in industrial relations in the context of globalisation pressures. The scope to which local institutional factors offset the major trend towards the 'globalisation' of the shipping labour market is assessed by discussing the role of state policies on shipping, trade unions, and employer organisations. The paper argues that in shipping two distinctly different policy approaches and reforms of industrial relations at the industry and national levels can be identified. The paper delivers empirical evidence to the understanding of industrial relations differences in liberal and coordinated market economies.

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Introduction

It is commonly believed that the economies of the world are increasingly interwoven into a single global economy, or at least that economic activity is much more international than it has been in the past. This trend has been described as “globalisation” (Leisink, 1999; Katz & Darbishire, 2000; Hardt & Negri, 2000; Goldsmith & Mander, 2001). Despite such global trends, Hall and Soskice argue in their work *Varieties of Capitalism – The Institutional Foundations of Competitive Advantage* (2001) that some economies “converge” (Kerr, et al.; 1960; Ohmae, 1990; Katz and Darbishire, 2000) towards a more liberal approach while others tend towards coordinated systems. Hall and Soskice’s (2001: 8) distinction between liberal and coordinated market economies can be summed up as:

“In liberal market economies, firms coordinate their activities primarily via hierarchies and competitive market arrangements. Market relationships are characterised by the arm’s-length exchange of goods or services in a context of competition and formal contracting. In response to the price signals generated by such markets, the actors adjust their willingness to supply and demand goods or services, often on the basis of the marginal calculations stressed by neoclassical economies. In many respects, market institutions provide a highly effective means for coordinating the endeavours of economic actors.

In coordinated market economies, firms depend heavily on non-market relationships to coordinate their endeavours with other actors and to construct their core competencies. These non-market modes of coordination generally entails more extensive relational or incomplete contracting, network monitoring based on the exchange of private information inside networks, and reliance on collaborative, as opposed to competition, relationships to build the competencies of the firm. In contrast to liberal market economies (LMEs), where the equilibrium outcomes of firms behaviour are usually given by demand and supply condition in competitive markets, the equilibria on which firms coordinate in coordinated market economies (CMEs) are more often the result of strategic interaction among firms and others actors.”

Hall and Soskice (2001: 20) identify several countries showing characteristics of either LMEs (mostly Anglo-Saxon countries such as Australia and the USA) or CMEs, such as Japan, and a number of European countries, such as Germany and Denmark. To characterise LMEs and CMEs, the authors argue that coordination problems must be solved in five spheres: a) industrial relations, b) vocational training, c) corporate governance, d) inter-firm relations, and e) employee-management coordination. For the purpose this paper, we will focus on industrial relations in an industry common to both LMEs (Australia and the USA) and CMEs (Germany and Denmark). The objective of

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the paper is to discuss whether industrial relations in two LMEs and two CMEs provide enough evidence to support Hall & Soskice's theory. Furthermore, the paper seeks to clarify whether or not industrial relations in one of the most globalised industries, the shipping industry, has converged towards a single global model of shipping industrial relations or has it remained inside the parameters of LMEs and CMEs?

In many ways, the maritime industry with its highly mobile assets has been in the forefront of the internationalisation of economic activity. Ocean transport is the principal means of moving goods among nations. World seaborne trade grew from 3,977 million tons in 1990 to 5,230 million tons in 1999, continuing a long-standing trend (UNCTAD, 2000: 3). The ocean transport industry has seen the appearance of vessel operators, both old and new, eager to shrug off traditionally tight regulatory frameworks, registering their ships in loosely regulated *Flags Of Convenience* (FOC) or in new maritime countries such as Taiwan, South Korea and China. The growing globalisation of the maritime industry has been demonstrated by the rise of vessels registered in FOC states in the post-World War II period. While only 5.6% of the world's fleet was registered in FOCs in 1950, this number grew to 46% in 1990 and reached 48.1% in 1999 (ITF, 1997; UNCTAD, 2000). As a corollary, the percentage of the world's fleets belonging to the "traditional" maritime nations has been declining.

An indication of the growth of less developed nations as leaders in maritime registration is the decline in the carrying capacity of the traditional leaders. In 1970, the five largest were (in order): the United Kingdom, Norway, Japan, Liberia, and the United States (MA, 1998). Around 30 years later, in 1999, the five largest were, Panama (with almost double the tonnage of any other fleet), Liberia, the Bahamas, Malta, and Greece (UNCTAD, 2000) with about 17% of the world's fleet being registered in Panama. Thus, in 1970 only one of the leading fleets was a FOC country, Liberia, while in 1999 only one of the leading fleets was a non-FOC country – namely Greece (Zarocostas, 1999).

Changes in ship registration patterns have affected the off-shore employment of 404,000 officers and 823,000 ratings currently employed in the global shipping industry (BIMCO, 2000). Developing nations, have found that maritime employment can be a significant source of foreign exchange. The top ten maritime labour supply nations in the late 1990s were the Philippines, Indonesia, Turkey, China, Russia, India, Japan, Greece, Ukraine, and Italy (ITF, 1999). The Philippines, Indonesia and India are all excellent examples of nations whose seafarers sail largely on vessels owned by non-nationals and are registered in the fleets of other nations. By 2000, seafarers from the traditional maritime countries (mostly the economically developed countries) contributed only about 27% of the global marine workforce compared to 31.5% in 1995, again continuing a long-term decline (ISF, 2000; BIMCO, 2000). The *Crews Of Convenience*, who staff the greater part of world shipping, represent something of a 'Trojan horse' for the seafarers of the OECD, in terms of an intractable threat to jobs, security, wages and conditions (Klikauer & Morris, 2001b). While many of the traditional maritime nations limited or

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even forbade the use of such crews, vessels registered in FOCs have had few limitations on their ability to hire crews wherever they please.

Traditional maritime LMEs (Australia and the United States) as well as CMEs (Germany and Denmark) are all excellent examples of maritime employment whereby their industrial relations systems are closely tied to national patterns and institutions. In all four countries, wages and benefits were determined for seafarers much as they were for other (shoreside) employees. This reflecting closely Hall & Soskice's (2001: 7) coordination problem in the area of "coordinated bargaining over wages and working conditions with the labour force, the organisations that represent labour, and other employees". In the shipping industry, these arrangements were further supported by various protective measures to reduce exposure to international competition (Donn, et al., 1996; Morris, 1993; Morris & Klikauer, 2001a). During the last decade the growing international competition had dramatic effects on maritime industrial relations in the LMEs and CMEs. The LMEs (Australia and the United States) and the CMEs (Germany and Denmark) have developed shipping policies that highlight the differences between them. To illustrate these differences, the paper begins with a discussion of the two LMEs and the two CMEs. The discussion and conclusion sections draw together the different industrial relations' responses to increased globalisation in all four countries.

Industrial Relations in a Liberal Market Economy: Australian Shipping

The Australian flag fleet consists of a mixture of predominately passenger ferries, container ships and oil-bulk-ore carriers engaging in coastal trade. By 2000, some 59 out of 120 Australian owned vessels were registered under foreign flags (LR, 2000). As such, there are about 2,500 seagoing and 500 shore based jobs left in the industry, compared to some 10,000 in 1988 (ANMA, 1989: 16). Blue-collar seagoing personnel are organized in a *de facto* union shop by the Maritime Union of Australia (MUA), a 1994 amalgamation of unions representing stevedoring and seagoing staff (Charles, 2000). Seagoing engineers, mates and masters are members of two separate craft unions (Byrne, 2000; Ross, 2000): the Australian Maritime Officers' Union (AMOU) (which also recruits stevedoring supervisors) and the Australian Institute of Marine and Power Engineers (AIMPE).

These seafarers were employed on 61 Australian flag vessels in 1998, some 17 fewer than in 1994. At the same time, the relaxation of cabotage regulations has led to a substantial increase of foreign vessels in the coastal trade. A 27% increase in cabotage exemption permits over the previous year is reflected in the 1996 figures (ASA, 1999: 38). Major domestic ship operators still include the marine divisions of minerals and manufacturing conglomerates, local subsidiaries of the oil majors, and specialized international 'integrated' transportation providers. In the world hierarchy of significant maritime countries, Australia has continued to move downward, although the island

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continent continues to account for about 12% of the world's seaborne trade and in 1998, it occupied 34th position; below Croatia but above Kuwait (ASA, 1999: 24-5). According to the ship operators interviewed, the continuing decline of the Australian fleet coincides with the withdrawal of Federal Government fiscal support, uncertainty with regard to government shipping policy, and the comparatively high costs of Australian registered shipping (ASA, 1999: 16).

As business groups continued to demand cheap shipping and the maritime labour unions remained entrenched in high wage union shops, progress toward low cost shipping became stalemated. One possible solution for the government (who had been drawn into labour-management disputes over the official staffing requirements of the Navigation Act of 1912 and the wage determinations of the Commonwealth sponsored compulsory arbitration tribunals), was to attempt to engineer a consensus over cost-reducing reforms between shipowners and unions. In principle, this meant the promotion of 'integrative bargaining' and new compromises between owners and labour.

Between 1985 and 1989, the Federal Government promoted the modernization of the industry through programs of subsidies and tax concessions on investment that were intended to act as incentives for labour reforms as a way of reducing operating costs. This process led to the establishment of the Shipping Industry Reform Authority in 1989. The Federal agenda was moving at a brisk pace toward market-based solutions. The Cabinet approved the sale of all government's shipping interests. The Minister of Transport emphasized the return of the industry to "commercial arrangements" as a policy direction (SIRA, 1994).

The incoming business-oriented Liberal/National Coalition Government in 1996 accelerated the shift towards a neo-liberal model with anti-protectionist measures and in 1997 the government began considering a raft of deregulatory measures (Manser, 1997). Such reforms were most cogently exemplified for Australian policy makers by near neighbour New Zealand, where cabotage was abolished by the 1994 *Transport Maritime Act*. Although this agenda was never realized in full by 2000, the government had abolished remaining special tax and subsidy benefits to shipping, further liberalized the cabotage system, and closed down the government sponsored seamen's engagement centres, which were the monopoly hiring halls for blue collar seafarers. With this buttress to the union shop removed, the Minister for Workplace Relations and Small Business, whose brief included maritime transport, sought further reforms to reduce the union shop monopoly by the abolition of regulations prohibiting 'crimping,' as the use of private employment agencies had been known in the bad old Victorian days (Hansard, 1998: 5369). By 2000, Australian shipping policy had moved from support of the high cost national regime in the style of the US merchant marine, to a position where an expensive national fleet, even in token form, was no longer to be defended (Klikauer & Morris, 2001).

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Traditionally, Australia's ship operators handled labour relations in a reactive fashion, through a centralized wage fixing system under the umbrella of compulsory arbitration. Protected from price competition by cabotage and by the vertical integration of many shipowning entities with mineral extraction and manufacturing conglomerates, ship operators did not vigorously resist the acceleration of crew costs to levels exceeding OECD norms. However, as a result of the 1980s revitalization movement and piloted by the Federal Government, a new policy body appeared, the Australian National Maritime Association (ANMA) which institutionalised the employer voice in a new holistic approach to shipping reform (Morris, 1993).

By 2000, a number of factors were exerting pressure on the industry's employer organizations. On the issue of cabotage, employer opinion was divided. Lobbying by their officials against the abolition of Federal subsidies and tax concessions had not proved fruitful. In addition, the decline in industry-wide collective bargaining and compulsory arbitration, and the new emphasis on enterprise level bargaining, the role of central employer organization in industrial relations had been reduced. The organizational reconfigurations of Australian shipping employers can be interpreted as an attempt to cope with these challenges.

Once the zone of early compromise had been explored, further negotiated reform proved increasingly difficult. Pressures from shipowners for freight rate reductions added to the tension which meant that it was harder to reconcile the priorities of employers and trade unions. New entrants to the shipping business with multi-divisional structures and company-wide human resource departments lobbied for enterprise control over hiring and labour allocation, which reflected the liberal policies then gaining currency in much of the rest of the Australian economy. In 1994, the ANMA dissolved itself as the tripartite consensus ended, and the employers collective re-emerged as the Australian Shipowners' Association (ASA). The ASA redefined its mission and organizational structure that formally broke with the corporatist traditions of the previous decade. By late 1999, this body had transformed into the Australian Shipping Federation, incorporating the trade association for largely foreign ship operators and the Australian Chamber of Shipping as employers sought to retain a collective voice through further organizational re-structuring (ASA, 1996; ASA, 1999; Payne, 2000).

Changes in the balance of industrial and political power adverse to the unions in most respects have also occurred and reflected in part by the dramatic drop of spontaneous vessel level disputes between about 1983 and 1999. The main reason for this was the support for the revitalization movement by union officials and their subsequent efforts to discourage unsanctioned rank and file disputes in the interest of 'strategic unionism'. This move did in some respects sacrifice the defence of the wage and conditions aspirations of the members (Morris, 1997). With the withdrawal of employers and the Federal Government from tripartite arrangements in 1994, the maritime unions moved to collective bargaining in which 'enterprise agreements' negotiated primarily between head

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office officials, company human resources departments and specific vessels or company fleets became the norm. Reflecting the decline in its bargaining power, in 1998 the MUA quietly dropped its campaign to retain the industry wide hiring hall system for blue collar seafarers, but it was successful in retaining a *de facto* union shop for the time being.

Political and industrial campaigns to thwart the sale of ANL (the government-owned shipping line) met with early success, but eventually, the government ship operator was sold and staffed with 'crews of convenience' (AIMPE, 1998). However, government plans to de-unionise the Australian maritime sector were successfully resisted. The major stevedoring strike in 1998 put an end, for the time being, to Federal Government and employer plans to introduce non-union labour en masse on the waterfront. Similarly, so far, the MUA and the Australian Council of Trade Unions have been able to muster political support to shelve legislative proposals for the blanket opening of the coast to low wage foreign seamen recruited through crewing agencies (Hansard, 1998).

As the organisation of the maritime industry changes, the interests of professional and blue-collar seafarers continue to diverge. Protected by professional qualifications but exposed to the full impact of low wage competition, members of the AMOU and AIMPE look to the growth of well-compensated job opportunities in the world's 'quality' fleets. At the same time, AMOU and AIMPE showed less interest in the 'Crews off Convenience' issue threatening the lower-deck seafarers. This separation of interests was reflected in a 1998 dispute when MUA personnel put to sea with marine engineers officially designated as "scabs" by the AIMPE (AIMPE, 1998). Although still effective enough to yield only slowly to government and employer pressure for changes, thought to be unfriendly to labour, Australia's shipping unions have nonetheless become more fragmented in their direction and strategy as exposure to international maritime product and labour market trends have accelerated.

Industrial Relations in a Liberal Market Economy: US Shipping

The United States flag fleet consists largely of tankers, container ships and roll-on/roll-off cargo vessels in which many of them are involved in the protected coastal and Great Lakes trades. Container vessels are the fastest growing category with almost half of the foreign trade fleet as of 2001 in that category (MARAD, October, 2001). The domestic fleet was dominated by tankers, which constituted over half the fleet.

This relatively small fleet reflects only a small portion of that owned by US nationals. Most US owned vessels are flagged overseas, especially in FOC states. For example, although the cabotage restrictions require that vessels carrying oil from Alaska to the US be registered under the US flag, US-based petroleum companies importing their product from overseas are allowed to have their large tanker fleets registered overseas. Thus, the US ranks 12th in the world in the size of its flag fleet but 4th in terms of the size of the fleet its nationals own (MARAD, October, 2001).

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The seafarers on US-flag vessels have been largely unionized since the 1930s. They belong to a variety of unions with more than one organizing every category of both officers and ratings. These unions compete with each other vigorously. Employers were traditionally organized into various associations for purposes of collective bargaining. Those associations varied according to which unions the employers bargained with, whether the employers were directly subsidised, what kind of cargo they carried and which coast (east or west) they operated from.

The number of jobs on the US-flag fleet has been in a long-term decline since at least the 1950s. This reflects changes in technology (which have permitted larger ships carrying more cargo, loading and unloading faster and sailing with smaller crews) and the decline in the ability of the US-flag fleet to compete except in those market segments where it received either a direct subsidy or an indirect subsidy (cabotage or cargo preference). As of January 1999, there were 8,956 seagoing jobs in the fleet, compared with 13,446 in January 1987. This compares with over 40,000 workers from around the world who sail on ships under the Liberian flag alone (TI, 2001).

Traditionally, the US Government has regulated the maritime industry in terms of commercial policies (e.g. attempting to regulate pricing and monopolistic practices) and has provided both direct and indirect subsidies to maritime vessel operators. It has also regulated maritime operations in terms of safety, requiring certain levels of staffing and training as well as insisting that the vessels themselves meet certain requirements in terms of safety and environmental standards.

Direct subsidy has been provided since 1936 in terms of both vessel operation and vessel construction. Only vessels constructed in the United States were eligible for direct subsidy or were allowed to be use in the US domestic trades. Construction subsidies disappeared in 1980 when the government ceased to fund the existing program (a program of subsidised loan guarantees remains). This made it harder and harder to maintain the system of operating subsidies, which were based on long-term contracts. Vessels had to be built in the United States but when operating subsidy contracts for individual vessels expired, it was not cost-effective to replace those vessels with unsubsidised US construction. Therefore, except for temporary periods in which operators were allowed to purchase vessels overseas, arrangements were made to extend the subsidy life of existing vessels, rendering the fleet older and technologically obsolete.

The Maritime Security Act of 1996 replaced this system. Construction subsidies (except for loan guarantees) no longer exist but operating subsidies (which were changed from long-term contracts to annual appropriations) became available for a relatively small number of vessels that no longer had to be built in the United States. This Maritime Security Program (MSP) also changed the subsidy formula in a crucial way (as well as reducing total subsidy payments and the total number of vessels eligible for subsidy). While the pre-1996 formula had specifically compensated ship operators for *inter alia*,

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the high cost of using US crews (the difference between US-flag costs and other costs under other flags), resulted in the MSP providing fixed subsidies per vessel (at a level of about US\$1 million per year per ship below what the previous system had provided). Accordingly, the MSP provided vessel operators with a considerably increased incentives to keep the wage, benefit and staffing-level costs of crewing each ship down.

At the same time, although domestic trade vessels cannot receive a direct subsidy, cabotage has been largely preserved whereby the domestic trade is still open only to US-flag and US-built vessels. Again, this system has encouraged an aging and out-of-date fleet that, if the coast-wide trade were opened to competition, it would be unable to compete effectively.

For most of the period since World War II, the US-flag maritime industry was a paradigm of strong unionism and strong collective bargaining relationships. Employers were organised into a variety of associations for bargaining purposes and collective bargaining agreements met or exceeded standards set by the strongest industrial unions on shore (e.g. the automobile industry). This resulted in high wage and benefit costs and large crew sizes compared to most other fleets in the world. However, during the 1980s and 1990s, as the subsidy system became less and less significant, centralized bargaining also gradually became less important. Employers played off competing unions against each other, forcing them to make frequent downward exceptions to their collective bargaining agreements in order to win various government cargoes. In this new more competitive and more cut-throat environment, the internecine warfare among the competing unions which had been ongoing since the 1930s, continued. In a few cases, the employers simply rid themselves of certain unions entirely. However, by the 1980s this once strike-prone industry saw the virtual disappearance of strikes in the face of declining government support and inability to compete internationally.

It also became increasingly impossible for the US-flag fleet to compete with FOC and other inexpensive (e.g. second registry) fleets because of the low levels of wages and benefits associated with FOC fleets. Accordingly, US-based vessel owners have continued to move their operations elsewhere (to “flag out”) except where direct or indirect subsidy or particular market niches makes it impractical to do so. Clearly, the result has been declining work opportunities for US-citizen seafarers. As US-vessel operators have flagged out, they have sometimes taken some of their American licensed officers with them (albeit at much reduced wage and benefit levels). However, as in the Australian case, unlicensed ratings have had a worse fate and job opportunities for them are rapidly disappearing.

This new ‘flag market’ has changed collective bargaining in the industry dramatically. Some vessel operators insisted that lower subsidies under the MSP should be compensated with lower labour costs. This would stabilise the *quid pro quo* for those operators agreeing to participate in the subsidy program as opposed to flagging out.

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Wage and benefit cuts of 20% were common. Some officers' unions negotiated the right of members to work on US-owned foreign flag vessels but this typically reduced the benefits by up to 40% and required the workers to give up collective bargaining rights.

In summary, the change in Government policy toward reduced subsidy and greater exposure to market forces has accelerated the decline of the US-flag fleet, reduced job opportunities for US-citizen seafarers, and resulted in the demise of centralised collective bargaining structures. As such, dramatic reductions in wages and benefits have occurred for most of the remaining seafarers. Because of the ideologies and approaches of U.S., the maritime operators and workers have been increasingly exposed to market forces and have found it difficult to compete in the world market.

Industrial Relations in a Coordinated Market Economy: German Shipping

Germany's position as a manufacturing export nation is reflected in a relatively large number of container ships (6,252), while dry cargo carriers only amount to 1,285 and ship types such as tanker (204), fishing vessels (29) or special purpose ships (76) play only a limited role. In the same year (2000), the total tonnage registered was 19,924 million tons which was roughly equally distributed between ships registered under Germany's second register (6.5 million tons), ships registered under German flag but chartered out (bare-boat charter) with 6.7 million tons, and ships registered under FOC with German owners (6.6 million tons). The number of German nationals employed on these ships has continuously declined from 17,879 in 1983 to a mere 7,594 in 1999 with the overwhelming majority being officers and shipmasters (Titel, 2000). German ratings have been virtually non-existent in the year 2000 as a result of industrial relations policy during the 1980s and 1990s.

The industrial relations actors in the German shipping industry consist of a number of parties, not only employers, trade unions and government agencies, but also voluntary and professional organisations. The employers' federation – *Verband Deutscher Reeder* (VDR), represents approximately 400 shipowners. The VDR represents mostly shipowners whose ships that are "flagged out" to FOC registers and as a result many VDR policies are driven by the consideration of those members. However, inside the VDR there are different factions supporting different policies on shipping. While the pro-FOC group of shipowners register its ships under FOC flags and supports FOCs, the other group uses the German or the GIS register. There are also conflicts over policy and strategy between international ship operating companies and smaller companies that, according to their members, are usually won by the small and medium shipowners (Stuchtey, 2000).

Apart from VDR's 'economic lobbying unit' consisting of all shipowners, the 'employers unit' also engages in collective bargaining for shipowners using the German flag and

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German crews. However, the membership in VDR's collective bargaining unit is declining because more and more employers *flag out* to FOC registers or use individual agreements, leaving only 10% - 20% of shipowners inside the bargaining unit. Another source of change is the separation of VDR's traditional membership of owners and operator or shipmasters (Klikauer & Morris, 2001c). The so-called 'captain's shipowners' (that is, captains who own their ship or small fleets), are increasingly separated into two groups: shipowners and captains. New companies have also taken up VDR membership, such as "ship managing" companies, based on market considerations rather than on the familiar networks of the past (Benze, 2000; Noell, 2000).

Representing the interests of employees are two trade unions and one association. In the German system of industrial trade unionism, the transport industry is represented by the ötv, a union that actually covers two industries: public service (*öffentlich*) and transportation, with a strong shipping division located in Hamburg. When the second register policy began in 1989, ötv had 18,000 off- and on-shore union members but soon declined to 15,000 members in which approximately three-quarters of whom were German nationals mostly working on GIS registered ships (Meyer, 2000). The second trade union is the DAG or *Deutsche Angestellengewerkschaft* which represents around 12,000 white-collar workers in the maritime industry, with some 2,000 workers linked to sea-going activities and only 900 workers in offshore shipping. Apart from the two trade unions, the professional association VDKS (*Verband deutscher Kapitäne und Schiffsoffiziere*) or the Association of German Masters and Ship Officers, represents the scholastic and ethical interests of masters and deck and engine room officers (VDKS, 2000).

Despite earlier divisions in 1977 created when DAG works councils in shipping quit to join ötv because of dissatisfaction with 'management friendly' policy, the two unions have become more united in their views. There was general agreement between the two unions over the Germany's shipping tax and the German International Shipping Register (or GIS) that allows shipowners the use of FOC like second register. At the time of writing, the DAG is not affiliated to the International Transport Federation (ITF), the supra-national union body that has co-ordinated industrial action against FOC and GIS tonnage. However, during the 1980s both unions united to oppose deregulation under the GIS and argued for alternative institutional reforms involving the transfer of German shipping to a proposed EU registry, together with tax concessions for shipowners employing national crews (Müller, 2000; DAG, 2000).

As a third actor, the state is represented through the Federal Department of Transport (*Bundesministerium für Verkehr, BMV*) and through departments at the State (*Länder*) level in coastal regions, for example Hamburg, Bremen, Lower Saxony, and Schleswig-Holstein. However, the latter, although involved in the subsequent debate, were not active in the debate to introduce a second shipping register, that is, the German International Shipping Register (GIS).

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As with the previous examples of countries, the severe global competition has led to an increasing trend among German shipowners to ‘flag out’ which in turn has resulted in a decline in employment as ships under FOC flags operated with non-citizen crews. Employment sank from 55,000 at the beginning of the 1970s to 11,429 in 1997 (Dörr, 1988: 366). Yet, as the trend developed, Germany’s Federal Parliament debated whether Germany needed a commercial fleet at all (Hoffmann, 1984: 10). Both the VDR and the ötv were of the view that the government could not stand by and watch the decline of its maritime fleet without attempting to stop it and therefore demanded action from the policy makers, who had no great sympathy for new liberal “open market solutions” (Herber, 1988: 645).

In spite of being in favour of reform, that would underpin German employment in its most globalised industry, the unions strenuously opposed the introduction of a second register. However, the German International Shipping Register (GIS) concept became the preferred option because it is a “virtually tax free” system (Strothmann, 2000). It allows the crewing of non-German ratings to be paid non-German wages, while still protecting the employment of German shipmasters and officers. Consequently, significant industrial conflict ensued between the union members and ship managers, including personal attacks on shipping managers, hunger strikes, demonstrations and boycotts (Birk, 1978 & 1983; Däubler, 1997; Meyer, 2000). The ötv organised a series of demonstrations in major port cities, including a sit-in at Hamburg’s City Hall, strikes by ferry workers, hunger strikes by members of shipping works councils and boycotts of meetings with shipowners (ötv-Reports, 1986-90).

The proponents of the GIS argued that the new register would make German shipping more cost effective (Stuchtey, 2000) if the “GIS was organised like a FOC” (Schönberg, 2000). Although there were minor job losses mainly amongst the ratings, the proponents of the GIS maintained that this was a small price if Germany’s maritime industry was to survive and in fact job losses through flagging out would be far higher. Moreover, the mixed crews of different national, cultural and linguistic groups, which the GIS were designed to permit, would not pose significant safety concerns and communications problems.

According to Gefken (2000), it was a sad day for German seafarers when the GIS was introduced as it has had severe implications for employment in the German shipping industry, already declining over the past 12 years prior to the GIS’s existence. Since its introduction, there has been a steady move out of the standard register system into the GIS, thus allowing shipowners to exchange German ratings with ratings from labour supply countries such as the Philippines. Moreover, the GIS has moved working conditions and wages on board GIS registered ships downward to ‘third world’ levels hitherto unseen in Germany. As a consequence, the GIS has not only introduced German shipping to a world previously seen only in reports by the International Labour Office and by the ITF on sub-OECD maritime working conditions but has also accelerated a declining

union membership, particularly amongst ratings (Klikauer & Morris, 20021b). Under the banner of cost cutting and competitiveness, the problems of third world labour have gained a foothold in German shipping. Rather than moving working conditions, wages and shipping standards upward, the GIS has promoted a downward trend, although severe operational problems have, to date been avoided, probably with the aid of high capital investment.

Further, the GIS introduced social fragmentation and cultural apartheid on board of German ships with foreign crews. While enabling access to cheaper non-German labour, it has created objectionable working conditions and has reduced German maritime training and employment to levels that are hardly compatible with a flourishing port infrastructure of national maritime industries geographically anchored in Germany. It is hard to argue that the GIS has been an unreserved success for the German public interest and national economy. Employer preference for the low wage, 'low road' approach is at odds with the trade union concerns and government support for alternatives. In conclusion, despite the departure from traditional neo-corporatism (Culpepper, 2001: 281) in favour of a coordinated approach among the state and employers, with the exclusion of trade unions, Germany's cooperative industrial relations had led to the introduction of a regulated system – namely the GIS.

Industrial Relations in a Coordinated Market Economy: Danish Shipping

Even though Denmark occupies a geo-strategic position between north and continental Europe, Denmark's core shipping does not lie in ferries or coastal transport ships but in international trade. In terms of world shipping, Denmark's commercial shipping fleet ranked in 22nd position behind FOC state Bermuda and in front of Taiwan. Even though most of the 523 vessels registered under the Danish flag in 2000 (DR, 2000: 7) are general cargo ships (232), the vast majority of Denmark's total tonnage lies in oil tankers and bulk carriers (61%). While the Danish shipping industry employs roughly 50,000 workers, the vast majority are to be found in on-shore employment. Denmark's off-shore shipping industry employed 13,700 seafarers in 1999 with 9,800 Danish nationals and 3,900 foreigners (DR, 2000: 15) or 5,353 officers and 4,522 ratings (UNCTAD, 2000). Moreover, Denmark's shipping industry is highly monopolised by A. P. Moller, owner of Maersk Shipping.

During the 1980s, Danish shipowners became increasingly exposed to international competition and felt that their fleet was declining because of high employment costs. In 1988, Denmark introduced the Danish International Ship Register (or DIS) modifying Danish shipping in two ways. First, Danish shipowners could now employ overseas seafarers at overseas wages, whilst maintaining a Danish master. In reality however, about 70% of all seafarers are Danish but some ratings come from overseas. Danish ratings can be found almost exclusively on new technically advanced containerships.

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Second, the shipowners pay no income tax and only pay net wages. Thus, the DIS has become the backbone of Danish shipping with virtually all newly built ships registered under it. In practice, the DIS is not Denmark's 'second register' but the main register. One finds mostly ferries operating locally in Denmark's traditional or first register. DIS follows the normal rules of Danish shipping, with the exception of the modifications as outlined above. Under DIS, a seafarer pays no income tax but the company pays a normal business tax. If a seafarer earns 200 Krona, he/she has to pay 50% income tax, so what he/she gets at the end is 100 Krona. However, under DIS, the shipowner only pays 100 Krona and thus saves the seafarer another 100 Krona that he/she would otherwise pay in income tax. Therefore, the main advantage of the DIS is that it reduces the wage costs by 50% for Danish seafarers. As a result, it has kept Danish seafarers on board Danish-flag vessels while at the same time Danish shipping has remained competitive. However, only about one-fourth of Danish ships are registered in the DIS register. Most Danish-owned ships are in foreign registers for political or economic reasons. Some are under Arab flags because they operate in those areas, while others are under the Singapore flag as they operate in these waters. The shipping company Maersk, for example, has such a policy and has ships under US flag for reasons of market access.

The Danish shipping company, Maersk, which is owned by A.P. Moeller, is not only the biggest shipping company in Denmark, but it is also the largest shipping company in Great Britain and Singapore (Lund, 2000). It is also Denmark's biggest liner trading company and is three times the size of the second biggest company. Overall, more than half of Denmark's fleet is owned by Maersk, with around 250 ships in the liner trade. Maersk is also expanding its overseas interests and now owns Sealand, one of the largest US-flag vessel operators. Although Moeller's main business is shipping oil, he has a diverse portfolio including "Netto" supermarkets. He and his company also play a strong role in the Danish shipowners' association.

The Danish's shipowners' association, the *Danmarks Rederiforening* (DAS, 2000) not only has 20 of the biggest shipping companies as its members, but it also includes owners of small vessels. According to Lund (2000) "the association's strongest members are Denmark's five biggest shipping companies: Maersk, Nordon, Torn, Lauritzen, DFDS". Ganzhorn (2000) adds that "... the Danish shipping industry is run by Moeller (Maersk) with 3.02 million tons, followed by Torn (0.4), Norden (0.29), Scanlines (0.24), DFDS (0.22), ELSAM (0.18), Elite (0.15), Lauritzen (0.09)".

In an effort to balance the impact of the powerful Maersk within the shipowners' association and to maintain the level of Danish-flagged ships and Danish employment on those ships, the association has pushed for more governmental assistance. According to Lund (2000) the unions are also in agreement with the aspirations of the Danish shipowners' association as they too want maintain the level of Danish employment in the shipping industry. He added that "... on the whole, Denmark has a tradition of a close working relationship between unions, the state and employers; they seek mutual agreement on

employment issues". Kelly (1998: 93) and Thelen (2001: 102) further acknowledge this view and state that Denmark's cooperative and centralised industrial relations indicates a *Cooperative Market Economy approach*.

The militant ratings' and general workers' union, the *Specialarbejderforbundet i Danmark* (SiD), has been critical of Danish policies, although there are some strong elements within SiD that see the DIS as positive. SiD is the biggest union in Denmark organising ratings and manual workers. The ratings' union used to be an independent sailors' union but in the 1990s it merged with SiD. SiD also has a strong political character representing Danish seafarers in all political issues at national and international levels. Recently the unions have secured a new agreement with the shipowners. The agreement between unions and owners extends the unions' right to negotiate wages for overseas seafarers (section 10). It is designed to produce understandings between owners and unions before the owners go to the Philippines to negotiate wages with unions there. Shipowners, anxious to avoid any industry trouble, endeavour to comply with ITF standards and will even pay for union observers to travel to the Philippines to assist in negotiations.

The second union is the Danish officers' union, known as the Danish Navigators Union or *Dansk Navigatorfoening*. This officers' union organises mostly navigators or deck-officers (around 5,000) and some masters, mates, pilots, harbour masters, and captains. It also organises chief engineers, engineers and on-shore engineers. Among its 5,000 members, the *Dansk Navigatorfoening* has 3,100 active members who work on ships in which approximately 500 to 600 members work for Maersk. The union has a standard agreement with Danish shipowners, including Maersk. *Dansk Navigatorfoening* has also begun to negotiate on behalf of the foreign officers in an effort to stem its declining union membership amongst the Danish officers as a result of their declining employment, and to narrow the pay and benefits gap between Danish and foreign officers.

Apart from trade unions and employers, Danish shipping policy and industrial relations are also influenced by the third actor, the Danish Maritime Authority (DMA) which is part of the Ministry of Trade and Industry. Founded in 1988 by a merger of six different governmental shipping agencies, today DMA is the sole state authority for shipping. DMA is the agency that registers ships, oversees safety, provides training and is involved in industrial relations. Traditionally DMA has had a close working relationship with unions and employers in tripartite committees that operate inside a long established cooperative framework common to Danish industrial relations. According to a representative from DMA (2000):

"... for many years DMA has a memorandum of understanding with trade unions and employers. We seek to enhance high standards in shipping within our cooperative framework based on common understandings but without written rules of conduct."

In summary, Danish shipping policy and industrial relations includes three actors, the state (DMA), the employers, with Maersk as a strong dominant company, and a trade union for ratings and one for officers. Traditionally, trade unions and employers operated within a cooperative and tripartite framework supported by the state in the form of the Maritime Authority (Lind & Knutson 2001: 65). By the mid-1980s Denmark's shipping industry felt more and more exposed to low-cost international competition. Utilising Denmark's tradition of cooperative industrial relations, the state successfully introduced a new shipping register that has subsequently become Denmark's main ship register. Initially, the ratings' union strongly criticised the introduction of the second register because of a fear of job losses among ratings. However, the introduction of the second register did not lead to a dramatic loss of employment but rather it seems to have slowed its downward trend. Overall, industrial relations in the Danish shipping industry have been cooperative despite conflicts over the introduction of the second register.

Discussion

As we look at the industrial relations in the liberal (LMEs) and the coordinated (CMEs) market economies, we find that both have been responding to the same external stimuli brought to their economies through increased competition under globalisation. While the responses have differed based on national industrial-relations traditions and systems, the range of responses is limited by the similarity of the challenges faced. Our findings support the LMEs and CMEs theory because the variations in employment patterns and industrial relations we found in the LMEs and the CMEs, are reflected their industrial relations policy which in turn are a response to strong competition in the global shipping industry. Australia and the USA (LMEs) as well as Germany and Denmark (CMEs) found two distinctly different ways of responding to the increased competition based on their institutional foundations. That is, while the two LMEs have responded in a deregulated fashion, the two CMEs have introduced detailed changes to their institutional foundations in shipping industry' industrial relations.

Accordingly, the CMEs, Germany and Denmark, have created "second registries" as new institutional foundations for industrial relations in international shipping while the LMEs, Australia and the United States, have deregulated or reduced direct and/or indirect state support and subsidies to vessel operators. However, initially Australia, as a country under a Labour government, tended towards a cooperative solution reflecting a CME approach much in the same way as Germany. Denmark also opted for somewhat stronger corporatist solutions to the challenge of globalisation as a classical institutional solution for industrial relations under CME conditions. While Denmark has had some success with their approach, Australia has abandoned its cooperative IR policy. This shift in policy occurred when a change of government brought a change in industrial relations supporting a deregulatory approach favouring highly deregulated industrial relations emblematic for a LME's approach to IR. Germany's regulatory approach

favoured a second register supported by a coalition composed of government and employers indicates a cooperative - not corporatist - CME solution, even though there was strong opposition from the trade unions. As an example of a LME's approach to industrial relations in the shipping industry that has had to respond to increasing global competition, is the USA, in which the key parties in its shipping industry – namely the government, employers and unions – have shown very little cooperation. Instead the state has deregulated the industry and decreased subsidies which in turn increased the hardship of employees in the shipping industry.

Conclusion

Neither the CME's nor the LME's approach to employment and industrial relations were able to stop the increased appearance of 'crews of convenience' under globalisation. However, the crucial difference between LMEs and CMEs lies in the different levels of protection for each of the different levels of employment. The introduction of 'second registers' by the CMEs has, to some extent, protected the core employment in off-shore shipping because masters, captains, and officers have received limited protection by being on such registers. While neither LMEs nor CMEs have been able to stop increased competition in ocean going shipping, LMEs have exposed their shipping industries to these forces without protection, while CMEs have sought to protect core sections of off-shore employment. The two CMEs achieved this by a coordinated approach to industrial relations policy in shipping. In sum, while all four countries were faced with the same competitive forces brought to them by globalisation in the world shipping industry, the two coordinated market economies maintained their competitiveness by developing innovative employment strategies that protected core employment while at the same time securing the continuation of their coordinated pattern of industrial relations.

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