

British state aid and the Rise of Cunard Line on the North Atlantic: 1838-1858

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Introduction

The British merchant marine and shipbuilding industry was not so strong even in the early nineteenth century, in comparison to its supremacy later on, though the transport and communication with the oversea territories always remained a critical issue for the British government. In this paper, I will discuss how the British policies toward Canada and the USA promoted the rise of Cunard Line: the most important British liner shipping on the North Atlantic from the late 1830s.¹

The direct mail service between Halifax and the UK

The Post Office, under the supervision of the Treasury, had managed British overseas mail service since the act of 1815. Due to the unsatisfactory financial record, at that time the British government favoured privatisation of the mail

¹ Before the Constitution Act of 1867, Canada was called “British North America”. In this paper, I use ‘Canada’, instead of the historical term.

service.² A committee of Parliament in 1836 concluded that the mail packets managed by the Post Office should be replaced by contracts with private ships. In addition, the Admiralty would take over the remaining operation because the Government thought this service could serve military purposes as well.³ The Admiralty took over the packet service on 16 January 1837 and Sir William Edward Parry was appointed as the Comptroller of Steam Machinery and Packet Service on 19 April 1837, though his knowledge of steam was quite limited.⁴ He held the opinion that the British shipping could achieve an advantage on the ocean and the British government could assist by offering mail contracts. In 1837, this policy was implemented. The Admiralty asked for the first tender for the Liverpool – Dublin service.⁵

² Ann Parry, *Parry of the Arctic*, London, 1963, p.191 & p.193.

³ Letter from the Treasury to the Post Office, 10 January 1860, in the Archives of the Royal Mail (thereafter POST) 51/92.

⁴ Kay Grant, *Samuel Cunard*, London, 1967, p.88 and A. G. E. Jones, 'Rear Admiral Sir William Edward Parry' in *Musk-Ox* no.21 (1978) p.8. For a description on Parry's activities in this position, see Parry, *Parry of the Arctic*, pp.189-196.

⁵ Actually, the first packet section that the Admiralty took over was Falmouth in 1823, see Jean Farrugia and Tony Gammons, *Carrying the British Mail*, London, 1980. The first contract was in 1837 see Philip Bagwell, 'The Post Office Steam Packets 1821-1836 and the Development of Shipping on the Irish Sea' in *Maritime History* 1:1 (1971) pp.20-1.

Up to 1830s, in addition to the Royal Navy, the British still relied on captains and crews, irregularly, to carry mail across north Atlantic. On the both sides, the British merchants in Canada and the United Kingdom wished to gain an efficient way. In 1837, some politicians in Nova Scotia had contacted the British government, via the Colonial Office, to argue the importance and advantages of steam communication between Halifax and the UK.⁶ Later, Joseph Howe, William Crane and Thomas Chandler Haliburton arrived in England to promote their proposal.⁷ It might be suggested that the British government was also anxious to establish a direct steam service to Canada as the communication with the UK was at that time mainly through New York. The uneasy Anglo-American relationship made the British government keen to obtain a communication line outside the USA.⁸ It was probably this potential conflict between Britain and the USA that encouraged the British

⁶ J. C. Arnell, *Steam and the North Atlantic Mails*, Toronto, 1986, pp.46-8. See also J. C. Arnell, *Atlantic Mails*, Ottawa, 1980, pp.1-92 for postal communications from the early eighteenth century to 1839.

⁷ F. Lawrence Babcock, *Spanning the Atlantic*, London, 1931, p.34 & Frank Staff, *The Transatlantic Mail*, London, 1956, p.69.

⁸ Robert Greenhalgh Albion, *Square-Riggers on Schedule*, Princeton, 1938, p.260.

government to strengthen British shipping on the North Atlantic.⁹ Moreover, the Canadian rebellion of 1837 was still a fresh memory and it was thought it might be quite necessary to secure the transport of troops there.¹⁰ The introduction of steamship provided an opportunity to upgrade the transatlantic transport and the Liverpool-Dublin service proved successful. As a new expensive technology at that time, steamship liner service required huge investments and few shipowners could make it.

In September 1838, the British government decided to establish a direct mail service to Halifax and therefore the Treasury, responsible for the expenditures, informed the Admiralty that this service should be arranged by mail contract after an open competition.¹¹ On 7 November 1838, the Admiralty advertised in *The Times* to invite tenders to carry mail from Britain to Halifax and New York. There were two tenders received: the Great Western Steamship Co. on 13 December 1838, which asked for 45,000 Pounds annually for carrying mail from Bristol to Halifax. Two days later, the St. George Steam Packet Co.

⁹ For a brief account on the crisis, see Kenneth Bourne, *Britain and the Balance of Power in North America 1815-1908*, London, 1967, pp.79-83.

¹⁰ Arnell, *Steam and the North Atlantic Mails*, p.49.

¹¹ Arnell, *Steam and the North Atlantic Mails*, p.49.

sent their tender, which asked for 45,000 Pounds annually to carry mail from Halifax to Cork in Ireland, where they used a feeder service to Liverpool.¹² Otherwise, the St. George Steam Packet Co. asked for 65,000 Pounds to extend the mail carrying to New York. The Great Western Steamship Co. would not go to New York and the St. George Steam Packet Co. would terminate in Ireland. Perhaps this was the reason why the Admiralty was unsatisfied with both.

Samuel Cunard's trials

In February 1839 Samuel Cunard, a successful Canadian businessman in Nova Scotia, went to England.¹³ He had already come up with similar ideas a

¹² Geoffrey Body, *British Paddle Steamers*, Newton Abbot, 1971, pp.65-6. Hyde claimed Samuel Cunard received one copy of this tender in November 1838 in Nova Scotia. See Francis E. Hyde, *Cunard and the North Atlantic, 1840-1973*, London, 1975, p.5. It is amazing if it is true because he denied this in 1846. The source that Hyde used was probably Samuel Cunard's evidence in 1853, which was slightly different from what he had said in 1846. See the note below.

¹³ In 1846, Samuel Cunard told the Select Committee on Halifax and Boston Mails that he had not known about the advertisement of the tender until he arrived in England on

few years before about carrying the British mail to North America. Actually Cunard vessels had sailed to Boston under a mail contract between Halifax and Boston since 1827.¹⁴ At first, Cunard met Joseph Howe and other fellow countrymen, who had previously discussed the service with the Great Western Steamship Co., and all the people from Nova Scotia decided to work together.¹⁵ Samuel Cunard began to attend the parties in London's high society, seeking out more opportunities to present his plan.¹⁶ He persuaded Parry, his old friend, to accept his proposal, even though it was different from the Admiralty's initial plan.¹⁷ Cunard also met Charles Wood, an influential

February 1839. See his evidence Q158-9 & Q235-8. See "The Select Committee on Halifax and Boston Mails", in *British Parliamentary Papers*, 1846 (563) (hereafter *BPP*, 1846(563)).

¹⁴ J. C. Arnell *The Bermuda packet mails and the Halifax-Bermuda mail service 1806 to 1886*, Beckenham, 1989, p. ix.; Babcock, *Spanning the Atlantic*, p.33 & Hyde, *Cunard and the North Atlantic*, p.2. Hyde suggested that Samuel Cunard had got the contract of 1839 because of his excellent previous performance.

¹⁵ James A. Roy, *Joseph Howe*, Toronto, 1935, p.65 & Staff, *The Transatlantic Mail*, p.70.

¹⁶ Babcock, *Spanning the Atlantic*, pp.37-8 & Hyde, *Cunard and the North Atlantic*, pp.5-8..

¹⁷ Parry had known Cunard well during the 1810s when Parry was appointed in Nova Scotia. See Grant, *Samuel Cunard*, pp.93-4.

politician at that time, to persuade him by warning that American shipping would become stronger and threaten the British merchant shipping.¹⁸ Cunard asked for 85,000 Pounds for carrying mail to New York or 60,000 Pounds for carrying mail to Boston. In March, the Admiralty revised their plan, which required a larger boat between Liverpool and Halifax and a feeder service between Halifax and Boston for carrying American mail.¹⁹ Later, Henry Goulburn MP told Cunard that the Treasury could not subsidise by more than 60,000 Pounds a year at that moment. Though he had no suitable vessels, Cunard got the contract by private negotiation, on 4 May 1839, to use three boats for carrying mail from Liverpool to Halifax and Boston under the subsidies of 55,000 Pounds.²⁰ After securing the contract, Cunard went to

¹⁸ Before entering shipping business, Cunard had controlled the coal supply in Nova Scotia. See John Bassett, *Samuel Cunard*, Don Mills, Ontario, 1976, pp.37-8. See also Grant, *Samuel Cunard*, p.104 & Hyde, *Cunard and the North Atlantic*, p.3.

¹⁹ Letter from Samuel Cunard to Charles Wood, 11 February 1839, in the British National Archives Adm 1/4497 and Arnell, *Steam and the North Atlantic Mails*, p.51.

²⁰ *BPP*, 1846 (563). Samuel Cunard's evidence, Q198, 222, 249. The various select Parliament Committees were interested in the first Cunard Contract. Later, the Canning Committee specially inquired into this as well. Samuel Cunard had written to Viscount Canning, on 11 March 1853, to explain this matter. The letter on the first contract of 1839 has been reprinted in Staff, *The Transatlantic Mail*, pp.140-2.

Glasgow to meet Robert Napier, an important shipbuilder. Then Samuel Cunard met George Burns and Charles McIver, two excellent shipowners active in the shipping business between Liverpool and Glasgow, through an introduction from Napier. Cunard, Burns and McIver became partners in business.²¹ Most subscribers of shares of the new company were from Glasgow.²² The new company chose Liverpool as their home port because it was closer to Glasgow than Bristol, Falmouth, Plymouth or Southampton, which were the four other ports that the Admiralty had chosen. Meanwhile, the railway connection between London and Liverpool had just been completed in 1838, which made the transport from the South of England faster.²³

²¹ Grant, *Samuel Cunard*, pp.93-9. Samuel Cunard failed to raise capital in Halifax and Boston, where the merchants were quite conservative. Even George Burns had refused this business from Parry before he met Cunard.

²² Michael Moss, 'The interest of the shipowner and shipbuilder must clash?' in Leo M. Akveld, Frits R. Loomeijer & Morten Hahn-Pedersen (eds.) *Financing the Maritime Sector*, Esbjerg, Fiskeri-og Sofratsmuseets, 2002, p.153.

²³ Grant, *Samuel Cunard*, p.99. In 1838, after this railway was completed, the British Post Office also began to send mail to Ireland from Liverpool. See H. A. Gilligan, *A History of the Port of Dublin*, Dublin, 1988, p.121.

Initially, Samuel Cunard planned to make Halifax the terminal and to use a feeder service to Boston. However, the business community in Boston convinced Cunard to change his mind.²⁴ Some authors claimed that in the early days Cunard Line was unwilling to sail to New York owing to strong rivals there, including *The Great Western*.²⁵ Two months later, Cunard Line and the Admiralty agreed to revise the contract to use four boats and the Admiralty would pay 60,000 Pounds every year. Soon Napier found the original boat was too small to meet the Admiralty's demands and the Admiralty revised the contract again on 19 July 1840 for the next seven years. Samuel Cunard could also use bigger boats for Boston, where the merchants were not satisfied with the initial plan of a feeder service.²⁶ Meanwhile, the Treasury authorised the postage of mail carried by Cunard to be 1s. per half-ounce to Halifax and 1s. 2d. per half-ounce if sent anywhere other than Halifax.²⁷ This policy obviously discouraged the sending of mail to Canada via the USA. In addition, Cunard Line could carry more mail than the other shipping companies, especially the American companies, owing to its cheaper rates.

²⁴ Grant, *Samuel Cunard*, p.99 & pp.104-5.

²⁵ Babcock, *Spanning the Atlantic*, pp.42-3.

²⁶ Babcock, *Spanning the Atlantic*, pp.48-9.

²⁷ Staff, *The Transatlantic Mail*, p.77.

Parry agreed to a reduction of the sailings in winter owing to the bad weather.²⁸ The contract was revised again on 28 August 1841 and Cunard Line received 80,000 Pounds annually for five boats. It is worth noting, as a Post Office Secretary admitted later, that the subsidies to Cunard Line, so far, were not only for mail carrying but also for shipbuilding as well.²⁹ The contemporary British government also admitted that the mail contract to North America was not only in consideration of postal revenues. The subsidies that Samuel Cunard had received much exceeded the cost of the mail carrying.³⁰

Halifax was the nearest port in North America to the UK. However, in relation to carrying mail further westward, Halifax had much greater disadvantages than New York. Navigation on the St. Lawrence River was expensive and dangerous in winter.³¹ In 1841, by private negotiation, Cunard contracted with

²⁸ To reduce costs, the ship that Napier designed was small and Parry was not satisfied. See Grant, *Samuel Grant*, pp.95-6.

²⁹ Evelyn Murray, *The Post Office*, London, 1927, pp.57-8.

³⁰ The announcement in Parliament of Thomas Spring Rice, who was the Chancellor of the Exchequer in 1839. See Howard Robinson, *The British Post Office*, Princeton, 1948, p.187.

³¹ William Smith, *The History of the Post Office in British North America*, Cambridge, 1920, p.221.

the British Post Office to carry mail from Halifax to Quebec via Pictou on the St. Lawrence River at an annual subsidy of 1,550 pounds. Later in the same year, the provincial post office remained unsatisfied with this new service. In their opinion, the old coach service was good enough and cheaper. Despite the request from the British Post Office, the provincial post office in Canada refused to pay half of the subsidies. Therefore, Cunard Line reduced the service from three sailings on the St. Lawrence River every week to two sailings every month.³² Owing to the business slump and rivalry with the Great Western Steamship Co., the Admiralty agreed to increase the subsidies to 90,000 every year from October 1843.³³

Objections, Parliamentary inquiries and new contracts

³² Grant, *Samuel Grant*, p.118.

³³ The British National Archives Adm 12 /411:21; the authorisation of the Treasury, 25 October 1843. *BPP*, 1846(563) Samuel Cunard's evidence, Q171. Frank Staff claimed that Samuel Cunard and William L. Maberly, the Secretary of British Post Office, persuaded the Postmaster General that it would be advantageous if the mail for Upper and Lower Canada could be sent via Boston. Samuel Cunard claimed this was an expensive service and obtained more subsidies. See Staff, *The Transatlantic Mail*, p.76.

In 1844, the railway from Albany to Buffalo was complete. The commercial function of Halifax declined. In the same year, the American Congress passed the Anglo-American Postal Convention to authorise the transit of European goods to Canada, which landed at Boston duty-free. The British could send the mail to Canada via the USA without examination or delay. It has pointed out that Samuel Cunard was helpful in promoting this postal convention.³⁴

This development also promoted the Anglo-American transport business, which Cunard Line could benefit. The decline of Halifax and the rise of railway service to Canada via the USA led Cunard Line to abandon the mail service to Quebec on the St. Lawrence River in April 1845; therefore, the subsidies were reduced to 85,000 Pounds from then on. Without open competition, Cunard signed a new 12-year contract in July 1846 and began to carry mail to New York. The annual subsidies were 145,000 Pounds, of which 85,000 Pounds were for the service to Boston via Halifax and the other 60,000 Pounds were for the direct service to New York.³⁵

Since 1839, the Great Western Steamship Co. had found difficulty competing

³⁴ Warren Tute, *Atlantic Conquest*, Boston, 1962, p.46 & Grant, *Samuel Cunard*, pp.125-6.

³⁵ Up to 1846, the copies of various tenders, contracts and relevant extracts of correspondence with Cunard Line can be found in the appendix of the *BPP*, 1846 (563).

with Cunard Line because the latter received subsidies. In 1842, they had written to Robert Peel to complain about this unfair treatment.³⁶ In 1846, the Great Western Steamship Co. strongly objected to the new contract and stated they thought it was an unfair decision as it was decided by private negotiation.³⁷ Some Birmingham merchants also argued that they would benefit if the mail service departed from Bristol, where the Great Western Steamship Co. was based.³⁸

The British Parliament decided to open an inquiry about this mail contract. In the minutes of evidence, the representative of the Great Western Steamship Co. argued that the Admiralty paid Cunard Line for their new shipbuilding. Moreover, he argued that the Admiralty initially asked for the service to New York via Halifax. The Great Western Steamship Co. had operated the direct service to New York at that time and was unwilling to call at Halifax because

³⁶ John R. Stevens, "An examination of the factors which link Bristol dock policy with the development of the tramp shipping of the Port 1840-1890", unpublished M.A. thesis, University of Bristol, 1940.

³⁷ Milner Gibson MP's question in the Commons, 15 June 1846, in *Hansard* LXXXVII, pp.481-2.

³⁸ Appendix no.11, *BPP*, 1846 (563).

it would take a longer time to arrive at New York, which might cause them to lose business. Meanwhile, due to the preference the British government had given to Canada by sending mail to Halifax, the Great Western Steamship Co. had concluded that the British were unwilling to carry mail to the USA. However, in the event the contract that the Admiralty had accepted was for the mail service to Boston, even if not New York.³⁹ But the Great Western Steamship Co. failed to persuade the Select Committee, which recommended that Cunard Line was the best option for carrying mail to North America.

The contract of 1846 demanded weekly sailing in summer and fortnightly sailing in winter to North America. As already stated, under this contract, Cunard Line began to carry mail to New York directly, though the mail service to Boston via Halifax was maintained. Actually, the main terminal of Cunard Line was New York from then on.⁴⁰ In 1849, the completion of the canal system made the water transport between New York and Quebec less costly and more convenient.⁴¹ Meanwhile, the completion of the railway

³⁹ *BPP*, 1846 (563). Captain C. Claxton's evidence, Q133-6 & Q138.

⁴⁰ Body, *British Paddle Steamers*, p.68 & T. W. E. Roche, *Samuel Cunard and the North Atlantic*, London, 1971, p.16.

⁴¹ Smith, *The History of the Post Office in British North America*, p.285.

between Montreal and Portland in Maine, encouraged the trade between the USA and Canada.⁴²

In 1853, the Admiralty contract was revised and Cunard Line operated weekly sailings all year for which it received annual subsidies of 173,000 Pounds. This decision was made according to the recommendation of the Committee on Postal Contract (the Canning Committee). However, the British Post Office strongly objected to this decision as the negotiations were held in private.⁴³ The postage from the UK to Canada, carried by Cunard Line, was reduced again in 1854: 6d. per letter via Halifax and 8d. for each letter via the USA. The British Post Office still tried to stop the mail to Canada being sent via the USA, though many sources pointed out that the American route had been advantageous. Also, the postage to the USA still remained 1s.; a high

⁴² James C. Bonar, "CPR Co. and its contributions towards the early development and to the continued progress of Canada", vol. II (1950), p.32. (manuscripts deposited in the Senate House Library in London).

⁴³ Letter to the Treasury, 14 November 1857, enclosed in 'The Postal Communication with North America' in *British Parliamentary Papers*, HC1859 Session I (230) XVII. (thereafter *BPP*, 1859 (230)).

amount.⁴⁴ At the same time, the Canadian Post Office began to subsidise the Allan Line, a Canadian shipping company, for the mail service. The British Post Office imposed a discriminative policy by regarding the steamers of the Canadian shipping companies as if they were American vessels, even though they were controlled by the British or Canadians and sailed under the British flag.⁴⁵ Therefore, the mail carried by the Allan Line to Canada would pay 1s. in comparison to the 6d. paid for carriage by Cunard Line. This protectionist policy obviously advantaged Cunard Line.

National interests and the “threats”

As well as the UK, after June 1847, the American government subsidised a particular national flag carrier to carry mail across Atlantic to Britain and Europe, for national security concerns and reducing the financial losses to other countries. However, the shipping company - the Collins Line - continued in loss. In August 1857, the American Congress decided to terminate the subsidies to the USA-owned Collins Line six months later. It

⁴⁴ Staff, *The Transatlantic Mail*, p.95.

⁴⁵ Smith, *The History of the Post Office in British North America*, p.287.

was suspected that Samuel Cunard received this information and had wondered whether the British government would follow this revision of policy by the USA.⁴⁶ With the support of the Admiralty, Samuel Cunard urged the British Post Office to renew the contract.⁴⁷ In 1857, despite the secret agreement of fixed rates and pooling with the Collins Line, Cunard Line had warned that the Collins Line, under the official subsidies of the American Government, was a threat to British merchant marine.⁴⁸ Cunard Line asked for the renewal of their contract. In November, the British Post Office advised the Treasury, following the recommendation of the Canning Committee in 1853, that the mail contract should be decided by public competition. Meanwhile, the Post Office preferred a short-term contract. The Post Office thought the rapid technological improvements in shipbuilding

⁴⁶ In the Select Committee on Packet and Telegraph Contract of 1860 (thereafter the Committee of 1860), the members pressed Samuel Cunard to answer whether he had known the Collins Line would soon cease when he applied to renew the contract in 1858 and Samuel Cunard denied that he had.

⁴⁷ The letter from Cunard Line to the General Post Office, 19 October 1857 and the letter from the Admiralty to the Treasury 26 October 1857, in “Correspondence relating to the conveyance of mail (North America)” *BPP*, 1859(230).

⁴⁸ Hyde, *Cunard and the North Atlantic*, pp.39-45. Hyde claimed that Cunard Line benefited from this agreement with the Collins Line.

might provide the Post Office with more options for vessels to carry mail.⁴⁹

But a month later, the Admiralty pressed the Treasury to authorise the subsidies for 'the national interest'.⁵⁰

The Treasury thought it was too early and refused this application on 2 March 1858. Cunard Line asked the Admiralty for help on 20 March 1858 and applied again two days later. There is evidence to reveal that the Admiralty pressed the Treasury to accept this application. In June, Cunard Line renewed the contract for the next ten years to 1868.⁵¹ This was a generous contract because Cunard Line did not need to pay any penalty if they delayed in sending the British mail to North America. Later soon, the Collins Line was

⁴⁹ Letter to the Treasury, 14 November 1857, enclosed in the *BPP*, 1859(230).

⁵⁰ The letter from the Admiralty to the Treasury, 21 December 1857, in the *BPP*, 1859(230).

⁵¹ See the Treasury minutes, 2 March 1858 and the letter from Cunard Line to the Admiralty 20 March 1858. The Admiralty pressed the Treasury again in the letter dated 29 March 1858. The Treasury minutes, 20 May 1858, revealed the authorisation was due to the recommendation of the Admiralty. All the above is enclosed in the *BPP*, 1859(230). See also the Committee of 1860, G. A. Hamilton's evidence Q1269 & 1282. Letter, dated 21 October 1858, from G. A. Hamilton of the Treasury to J. O. Lever of the Galway Line, in *The Times*, 23 October 1858.

unable to maintain business without subsidies and ceased its operation in February 1858. Cunard Line had become the most eminent shipping company on the North Atlantic during the mid-nineteenth century.

Conclusion

To conclude, it is doubtful that the British maritime ascendancy on the North Atlantic from the mid-nineteenth century onwards could have been established as smoothly without official support. Before the use of the telegraph, regular and efficient sailings that carried mail was the most effective method encouraging the circulation of information and this benefited business. On the North Atlantic, the British merchants were anxious to secure a better mail service for their business. In addition to the national security concerns, the British government also wished to promote the larger circulation of mail between Canada and the UK, to bring both of them closer together.⁵²

Therefore, the political effort supported the attempt to introduce a direct mail service to Canada and the Admiralty was very influential in relation to the

⁵² Robert M. Pike, "National interest and imperial yearnings: empire communications and Canada's role in establishing the Imperial Penny Post", *Journal of Imperial and Commonwealth History* 26:1 (January 1998)

subsidies to Cunard Line, so that these served as a kind of protectionism, including shipbuilding as well as shipping business. Meanwhile, personal networks determined Cunard Line to secure the subsidies, being favoured at the expense of the Great Western Steamship Co., which much exceeded the cost of the mail carrying. The mail contracts helped Samuel Cunard secure the net revenues despite the freight market fluctuations. The rent-seeking behaviour could be observed with the rise of Cunard Line: Samuel Cunard could misuse the subsidies, which his company privileged access for the Atlantic route, to cover his loss somewhere in whole business. Political interference declined when Anglo-American relations improved from the 1840s. In addition, the inland transport improvements in North America increased the advantages of the USA route. Therefore, Cunard Line abandoned some parts of its contracts for business reason, as part of its strategic adjustment. The British government fed a baby shipping company, by the private negotiations. But a growing private monopoly followed and the British government found difficulty to manage.