

Hong Kong, Canton & Macao Steamboat Co. (HCMSC)



SHORT HISTORY

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Illustrations arranged by Stephen Kentwell 2019

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The Company

Because of the need for regular communications between the new British colony of Hong Kong and the Chinese port and commercial centre of Canton, the Pearl River Estuary was opened to steam shipping at a very early stage. First ship on the run was the screw steamer *Midas* (148/44), which arrived at Hong Kong in May 1845 and was placed in service four months later. In February 1846 she was joined by the wooden paddle steamer *Corsair* (186/27) under the agency of Jardine, Matheson & Co. In 1848 the Hong Kong & Canton Steam Packet Co. was formed in Hong Kong to run two steamers in a daily service, and in February 1849 P&O placed *Canton* (1406/48) on the river. The Steam Packet Company had only a brief existence, however, and P&O withdrew from this feeder service in 1859. By the mid-1860s the two main operators were the big China Coast hong of Russell & Co., who had opened a Hong Kong office in April 1858, and Augustine Heard & Co., who in November 1863 had put *Kinshan* (850/63) on the river. Competition between them was keen.

The Hong Kong, Canton & Macao Steamboat Co. (HCMSC) was incorporated on 20 October 1865 with a nominal capital of \$750,000. The leading promoter was Douglas Lapraik but the principals were clearly Augustine Heard & Co., who took up a controlling shareholding and were also appointed as general managers (at 5% of earnings). With the notable exception of Russell & Co., all other operators on the river were included among the shareholders. The first directors were Douglas Lapraik, J.B. Endicott and A.F. Heard (A. Heard & Co.), W. Neilson (Olyphant & Co.), R. Deacon (John Burd & Co.), P. Framjee (P. & A.C. Camajee & Co.), and the comprador Quok Acheong. Curiously, shareholders continued to run their own steamers in opposition to the new company, which began with three ships taken over from Heards, namely *Kinshan*, *White Cloud* (only just acquired from Russell & Co.), and *Fire Dart* (transferred from the Yangtse). This fleet enabled the company to provide a daily service (except Sunday) to Canton (*Kinshan*, *Fire Dart*), and daily sailings to and from Macao (*White Cloud*). At the end of the year *Fei Seen*, which had been running to Macao, was taken over from D. Ruttonjee & Co. (also a shareholder) and became a spare vessel.

At first HCMSC faced stiff competition from Russell & Co., who could match its service to both Canton and Macao and clearly aimed to drive the new company off the river. In mid-1866, however, a settlement was agreed upon as part of a wider carving up of spheres of monopoly on the China Coast and Yangtse River. Russells agreed to sell the *Kiukiang* and *Poyang* and withdraw from the Canton River in return for agreement from Heards and HCMSC not to run steamers on the Yangtse or between Shanghai and Ningpo for two years from June 1866. This became the basis for a long-term agreement of February 1867 whereby the parties pledged to respect these spheres for a further ten years and Edward Cunningham of Russell & Co. was appointed to the HCMSC board. The addition of the two steamers enabled HCMSC to cancel the order placed in America for a fourth ship and to sell the small *Fei Seen*. It also enabled a drastic rationalisation of capacity on the two lines. Whereas formerly both rivals had run two ships to Canton and one to Macao, now *Kinshan* and *Kiukiang* sufficed for the Canton line and *White Cloud* for Macao, so that *Fire Dart* could be employed in a new line between Canton and Macao (soon discontinued) and *Poyang* became the spare vessel. For the next few years the company was able to reap good profits from a virtually unchallenged monopoly, while mopping up the remaining marginal competition.

This comfortable state of affairs came to an abrupt end in 1875. Hearing that HCMSC were thinking of dropping Heards as general managers, John Swire placed *Ichang* (1049/73) on the River, hoping by this pressure either to gain the agency or to receive an offer for the ship, which had proven unsatisfactory for the Yangtse trade. Instead of the speedy resolution which Swire had anticipated, however, the consequence was protracted rate warfare. Swire came to believe that the intransigence of the Steamboat Company and the consequent ruinous stalemate was attributable to the role on the board of William Keswick, whom he saw as using HCMSC to bleed Swire's China Navigation Co. and weaken it in the struggle with Jardine, Matheson & Co. Not until October 1879 was a settlement finally achieved, dividing the trade five-eighths to HCMSC and three-eighths to CNC. This pool proved to be remarkably stable, lasting until the outbreak of the Second World War. No European firm again challenged this duopoly, although Chinese competition was irrepressible. No sooner was one firm bought out than another emerged. An absolute monopoly was tempting

but always elusive.

The higher earnings that flowed from the pool agreement enabled HCMSC to carry out a long overdue modernisation of the fleet. In 1872 the company had taken delivery of the magnificent Scottish-built iron screw steamer *Pow An*, whose 2,339 tons was greater than that of the three original ships combined. For ten years, however, she ran alongside much smaller wooden steamers, so that the service to Canton was decidedly unbalanced. Admittedly this situation was relieved by the pool, because the sailings on alternate days could be taken by CNC's *Ichang* and then, after about 1880, with the much larger *Hankow* (3073/74). In 1882 the 2,364-ton steel-hulled paddle steamer *Honam* was added to replace the old *Kinshan*.

In March 1887 the screw steamer *Fatshan* (owned jointly with CNC) was delivered by Ramage & Ferguson of Leith and commenced service on 1 July. Much more beamy (280' x 54') than the narrow-gutted paddler *Honam* (270.0' x 38') and with triple-expansion engines running on less than half the horsepower, she proved highly satisfactory in most respects and became the prototype for all main-line HCMSC vessels to follow – and all with similar 'shan' ('mountain') nomenclature.

Four years later the very similar *Heung Shan* followed from the same builders. The main improvement upon *Fatshan* was a 10% increase in horsepower for a trial speed of 15 knots. She was also ten feet longer. Remarkably, her dimensions of 290' x 54' would be copied through to the last two new steamers built for HCMSC in the mid-1920s. Unfortunately her completion was delayed by five months and then she was another three and a half months out of service in Hong Kong for repairs to leaky boilers. On her recommissioning, the old *Kiukiang* was laid up and a year or so later condemned. The last of the wooden steamers, *White Cloud*, was sold in August 1899 and replaced on the Canton-Macao line by the much smaller composite launch *Lung Shan*.

In the late-1890s the company extended its services to the West River, a tributary of the Pearl River with access to a rich agricultural district. When it became known that the district was likely to be opened up to foreign-flag shipping, the company dispatched Captain Clarke of *Heung Shan* on two reconnaissance missions. His two reports, dated August 1895 and February 1896, led the company to order from Hong Kong & Whampoa Dock two small composite screw steamers (described as 'launches') which, with the opening to foreign trade at the beginning of 1897 of the treaty ports of Wuchow, Samshui and Kongmoon, were able to provide a direct service from Hong Kong. Further development took place on a tripartite basis between HCMSC, CNC and Jardine, Matheson & Co. On joint account two twin-screw steamers (*Samshui* and *Wuchow*) with two lighters each and two stern-wheel paddle steamers were ordered from Hong Kong yards, the first pair for delivery in 1899 and the second pair in 1900. Commercial expectations, however, were confounded. Trade was not readily diverted from Canton to Hong Kong. After barely a year in service *Samshui* and *Wuchow* were sold along with the lighters, the Hong Kong line was abandoned, and the larger and more suitable sternwheelers were placed in service between Canton and Wuchow. Nevertheless, the companies were still confident of the long-term potential of the Hong Kong-West River trade. By 1903 it appeared that an increase in the number of ports able to be served by foreign-flag shipping

would put the company on a more equal footing with Chinese shipping. Accordingly, a new steamer (*Lin Tan*), of similar size to *Nanning* and *Sainam*, was ordered from the Hong Kong & Whampoa Dock and a steam lighter (*San Ui*) ordered from Britain for assembly in the Colony. Pending their delivery, the recently completed *Tak Hing* was purchased from Chinese owners to run with *Nanning* and *Sainam* between Canton and Wuchow. With the delivery of the two new vessels in 1904, direct sailings were resumed between Hong Kong and the West River. Once again, however, the results were disappointing. In 1906 the Hong Kong-Kongmoon service was suspended and *Tak Hing* sold, although *Lin Tan* and *San Ui* were kept in service from Hong Kong to Wuchow.

Meanwhile, changes were also being made to the Hong Kong-Canton service. In 1903 the company took delivery of its first large steamer since *Heung Shan* (1890). *Kinshan*, built at cost by Hong Kong & Whampoa Dock, whose board largely overlapped that of the Steamboat Company, was essentially a faster version of *Fatshan*, and from May 1903 enabled three sailings to be provided each day. Renewal for another ten years from the end of 1906 of the pool with CNC was accompanied by some further variation in the ownership and employment of tonnage. To make good the loss of *Hankow*, which in October 1906 had been gutted by fire with heavy loss of life, HCMSC sold out its share in *Fatshan*, in effect exchanging it with CNC for a three-eighths share in the old *Pow An*, which became a reserve vessel and cargo boat (until her loss in mid-1908). The latter's permanent place on the Canton line was taken by *Heung Shan*, while at the end of 1906 the two smaller steamers *Sui-An* and *Sui-Tai* were acquired from Hamburg America Line (who had run them on the Yangtse) jointly to maintain the Hong Kong-Macao service. Finally, the little *Lung Shan*, now far too small to maintain the company's position in the Canton-Macao trade, was replaced by *Hoi Sang*, recently built for Chinese owners. By 1910 the company thus maintained the following services:

1. Hong Kong/Canton: daily (exc. Sunday) ex Hong Kong 0800/arrive 1500, 2200/0600; ex Canton 0800/1500, 1715/2330 (*Kinshan, Heung Shan, Fatshan, Honam*)
2. Hong Kong/Macao: weekdays ex Hong Kong 0800 and 1400 (Sundays 0900 and 1300); ex Macao 0730 and 1400 (Sundays 0730 and 1700) (*Sui-An, Sui-Tai*)
3. Macao/Canton: Mon/Wed/Fri ex Macao 2100/0600; Tues/Thurs/Sat ex Canton 1700/0200 (*Hoi Sang*)
4. Canton/Wuchow: Mon/Wed/Fri ex Canton 0800; Mon/Wed/Fri ex Wuchow, at 0830 (*Nanning, Sainam*)
5. Hong Kong/Wuchow: (both ways) twice-weekly 40-hour trip (*Lin Tan, San Ui*)

This schedule, maintained until 1916/17, represented the peak of the company's services.



Hong Kong terminal between 1925 and 1933

(https://www.mardep.gov.hk/theme/port_hk/en/gallery.html#27).

Unlike most other China Coast firms, HCMSC did not prosper as a result of the boom in trade during the First World War. The Kowloon-Canton railway, opened in 1911, had drawn off some of the passenger trade. The River remained over-tonnaged and rates stayed low. In 1917 the company was forced to take some drastic measures. The West River trade, which continued to yield poor earnings, was finally abandoned in December with the sale of all four small steamers to a Chinese syndicate. On the main line the 1913-built *Taishan*, which for some reason had proven unsatisfactory, was laid up in October and replaced by the smaller *Sui-An*. This meant in turn suspension of the Canton-Macao line, on which *Sui-An* had replaced the wooden steamer *Hoi Sang* only a year before. In mid-1918 *Taishan* was sold. During 1918 the company enjoyed better earnings, but these were more than offset by higher costs, especially of coal. The situation was relieved in July 1919 when agreement was reached with the competing Chinese steamers and the railway to raise fares. In the second half of the year the company also experimented with the sub-contracting of Chinese passengers and cargo space to a Chinese syndicate, a system used by CNC on the Yangtse. This was successful in stabilizing earnings and at the beginning of 1920 the agreement was renewed.

In the early 1920s HCMSC enjoyed good earnings and was able to maintain a high dividend rate (including bonuses) of around 20 percent. Notwithstanding the disruption of the two months' long Seamen's Strike between January and March 1922 and the piracy in November of *Sui-An*, the company was sufficiently encouraged to order from Hong Kong & Whampoa Dock the 3,068-ton *Lung Shan*, by gross tonnage the largest steamer yet owned. Delivered in October 1923, she was to

have replaced the old paddle steamer *Honam*, notwithstanding that the latter was still good for 16 knots with her original engines and boilers. In the event the stranding of *Heung Shan* a few months later gave *Honam* a remission. The company then went to Taikoo Dockyard for a second new steamer, slightly larger in gross tonnage than *Lung Shan*. This second *Taishan* was delivered in December 1925, whereupon the old *Honam* was at last sold for breaking up.

Although during 1925 the company also called tenders for a new steamer for the Hong Kong-Macao run, such ideas had to be abandoned in the face of a virtual collapse of trade. The anti-British boycott which was launched by the Kuomintang government in Canton in June 1925 forced all services to be suspended. The Macao line resumed at the end of July with just one steamer and a full service was restored about a month later, but the Canton line continued to be disrupted. On 3 September *Honam* took the first Canton sailing since the boycott and in the following week CNC reintroduced *Fatshan* to permit daily sailings. No cargo could be carried either way, however, and the line was kept open more as a public service than in any hope of profit. There was no improvement in 1926, when the company made a loss of \$305,500 after depreciation, and losses continued to accrue in the first half of 1927. Despite better earnings in the second half-year, a dividend had again to be passed over.

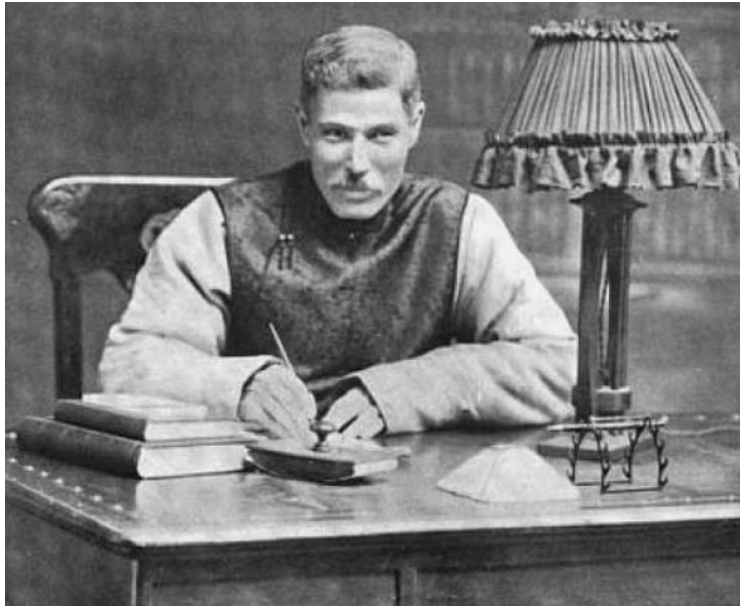
The greater stability after the late 1920s was a mixed blessing. Although the impediments to shipping on the River were now removed, so also was the insecurity which had for years crippled the railway, which now became a formidable competitor. Although the rail fare to Canton was slightly higher than by steamer, the journey could be made in only three and a half hours compared with at least six and a half by steamer, depending on the depth of the river and tides. Moreover, by rail the return journey could be made in one day, including four hours in Canton for business. Increasingly the river steamers came to depend upon revenues from the carriage of cargo, which formerly had been very much subsidiary to the passenger trade. HCMSC were more fortunate than Chinese competitors in that they had a good clientele in the carriage of first-class passengers (Europeans and wealthy Chinese), for whom early in 1933 fares were able to be increased from \$7 to \$8 (one way). For third-class passengers, however, competition intensified. Although early in 1933 the withdrawal from the Canton line of the long-standing Chinese rivals *Charles Hardouin* and *Paul Beau* had given HCMSC something of a breathing space, the introduction in 1934 of the new Chinese-owned motorship *Lee Hong* (1085/34) led to renewed rate warfare. Third-class fares were at first reduced by 40 per cent and by April 1935 had fallen as low as just 10 cents per trip. The railways lost much business and the steamers were again crowded, although not necessarily profitable. Although in 1933 CNC had built in Hong Kong a new *Fatshan* to replace her 47-year old namesake, quite the oldest ship in the joint fleet, HCMSC now began to reduce the size of its fleet. In 1936 both *Lung Shan* and *Sui-An* were sold for service on the Yangtse, and *Sui-Tai* followed in 1938.

A further blow was the outbreak of the Sino-Japanese War. On 5 September 1937 the Japanese declared a blockade of the China Coast and on the following day *Taishan* was turned back from Canton by Japanese destroyers. Although the company was able to avoid further such incidents by

virtue of the British flag and the protection of the Royal Navy, the Japanese invasion of South China brought about the closure of Canton to all shipping from 23 October 1938. In mid-January 1939 *Kinshan* was able to make a trial sailing, but it was April 1940 before the Japanese reopened the port. Initially HCMSC was allowed to provide only a weekly sailing. At the end of November *Fatshan* was permitted more regular sailings, but these were hedged about by restrictions. Even after the limit of one hundred passengers had been raised to three hundred, this was still only a small proportion of the ship's capacity of one thousand four hundred, and no cargo was able to be carried. Such a business was hardly profitable, despite the need for some communication. Unfortunately, the river steamers were too specialised for redeployment elsewhere, especially now that the Yangtse was also closed off.

The Japanese attack on Hong Kong in December 1941 was therefore little more than the coup-de-grace. *Taishan*, which had been requisitioned for use as a depot ship and boom defence vessel, was sunk by bomb fragments. *Kinshan* and the motor ferry *Chung Shan* (bought from Chinese owners as *Lee Hong* in July 1939) were both sunk to avoid capture: raised by the Japanese, they were later sunk again by Allied forces. Only CNC's *Fatshan*, which had been seized in Canton at the outbreak of the Pacific War, was still afloat at the Surrender.

After the War the directors came to the decision that it would be wiser to liquidate the company than to rebuild the fleet. The prospect of renewed cut-throat competition with the railways and Chinese-owned steamers, as well as continued political instability, suggested that rebuilding would merely throw good money after bad. The trade with Canton was now able to be handled quite adequately by CNC's *Fatshan* and *Wusueh* (3009/31), the latter displaced from the Yangtse by the termination of foreign-flag navigation. Liquidation nevertheless turned out to be protracted. The first requirement was to identify the shareholders, all the company's records having been lost during the War. In July 1947 advertisements were placed in the local press calling for shareholders to come forward, which by the end of 1948 had led to all but about 2,000 of the 80,000 shares being traced. The distribution of shares thereby revealed differed little from that at the end of 1941. The largest individual block of shares was owned by Sir Robert Ho Tung (21,440), with the next largest that of the Chairman Li Tse Fong (10,366). Few others owned more than two thousand shares, with most holdings being in the hundreds. What stands out is that, despite Jardines and the Hong Kong & Shanghai Bank having representation on the board, the company had long since passed out of European ownership and control - the Bank itself held only 1,500 shares and Jardines none at all.



Sir Robert Ho Tung (*Present Day Impressions*).



Sir Robert Ho Tung, by-lined in the British press as “the richest man in China”, in London in 1933 with one of his seven daughters (Internet).



Sir Robert Ho Tung on the way to collect his second knighthood in 1955 (Internet).

At an extraordinary general meeting on 30 May 1951 the company accepted the recommendation that it be voluntarily wound up, although implementation of this was delayed by the inability to settle claims on various Canton properties now under the control of the Communist regime. A meeting on 14 January 1958 approved the relinquishment of these claims. After deduction of costs, that left a sum of \$1.5 million for distribution, which worked out at a realisation of \$19 per share. The company was thereby formally dissolved, seven years short of what would have been its centenary.

Note on Sources

For the early history of steam navigation between Hong Kong and Canton and the formation of HCMSC I have drawn heavily on E.K. Haviland, 'Early Steam Navigation in China: Hong Kong and the Canton River', *American Neptune* (1962) and 'Early Steam Navigation in China: Hong Kong and the Canton River, 1858-1867', *American Neptune* (1974). S. Marriner & F. Hyde, *The Senior* (1967) refer to the competition between HCMSC and China Navigation in the latter half of the 1870s and the eventual pool arrangement. From 1886/87 to 1928 half-yearly company reports were obtained from the Jardine Matheson archive, at Cambridge University and from the *Hong Kong Weekly Press*. Details of schedules were obtained, by courtesy of Professor Haviland, from company handbooks for the years 1905, 1910 and 1914. Material on the 1930s was gleaned mainly from the *North China Herald*. The HCMSC file at the Hong Kong Registrar of Companies provided details on the company's liquidation, while the Hong Kong Shipping Register contained information on virtually all of its ships.
