

SECRET

Australia Station Intelligence Summary



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S E C R E T

S E C T I O N I.

R. A. N. AND OTHER COMMONWEALTH NAVIES.

(a) ROYAL AUSTRALIAN NAVY.

H. M. A. S. ANZAC.

Whilst attached to the Far East Fleet recently H. M. A. S. ANZAC had the unusual job of transporting His Highness The Regent of Pahang on a visit to the island of Pulau Tioman, some 40 miles off the East Coast of Malaya. The mountainous island forms part of the Pekan District of the State of Pahang.

During the journey the Regent witnessed practice 4.5 and Bofors firings and a torpedo firing.

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H. M. A. S. ARUNTA.

H. M. A. S. ARUNTA arrived at Norfolk Island in early June to take part in the Centenary Celebrations commemorating the landing of the Pitcairn Islanders in June 1856. The original landing ceremony was re-enacted in the presence of Their Excellencies, the Governor-General Field Marshal Sir William Slim and Lady Slim. A large number of the islanders were present dressed in period costume.

The ship stayed several days, the ship's company enjoying a dance and various sporting fixtures which had been arranged ashore. Approval was obtained for eight of the band, which had joined in Sydney for passage, to remain at Norfolk Island to assist with the remainder of the celebrations. They were eventually flown back to Australia in His Excellency's plane.

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S E C R E T

H.M.A.S. SWAN.

The recent Islands cruise undertaken by H.M.A.S. SWAN took her to Port Moresby, Milne Bay, Samarai, Kitava Island, ⁱⁿ the Trobriands and then to Madang.

At Madang various tours and sporting contests had been arranged. One party went by air to the Highlands centre of Goroka, where large coffee estates are being opened up. From Madang. SWAN sailed for Manus, where SWAN's 1st XI gained a narrow victory over TARANGAU.

Two days were then spent at Rabaul before departure for Vila in the New Hebrides, where SWAN arrived five days later for a two day visit which was taken up with sightseeing and sporting fixtures.

A call at Noumea unfortunately had to be cancelled owing to a 'polio' outbreak and SWAN continued to Suva. Fiji was in the throes of a celebration to welcome the First battalion of the Fijian Infantry Regiment just back from Malaya. The return trip to Sydney was made with a brief stop only at Lord Howe Island.

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Nautical Museum.

The Queensland Division of the Navy League has founded a Nautical Museum which it is intended should be established at the Kangaroo Point Naval Depot when the necessary repairs and improvements have been made to the rooms allocated for the use of the Sea Cadets. In the meantime items of historical value are being held in the basement of the Missions to Seamen Building in the city.

Several items of historical value have already been received and when they are installed and properly catalogued they will be of great interest and of educational value to the public and, in particular, to cadets of the Australian Sea Cadet Corps.

A unique item was recently received by the League from the Underwater Research Group of Queensland. It is a bottle of whisky recovered from the wreck, believed to be that of the barque "Scottish Prince" which foundered off Stradbroke Island near Southport in the early eighties.

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H.M.S. TELEMACHUS.

On 31st July H.M.S. TELEMACHUS arrived in Sydney after a two-month gravity survey of the Pacific during which New Zealand, Tongan and Fijian ports were visited.

Embarked in TELEMACHUS were representatives of the Lamont Geological Observatory of New York and of the Australian Bureau of Mineral Resources.

During the 7,200 mile cruise 160 underwater excursions were made in order that readings could be taken on specially installed equipment to measure the earth's gravitational variations.

Off Tonga the submarine recorded a depth of 5,675 fathoms in the Tonga-Kermadec Trench, this being the second deepest known reading on record. The other, off the Philippines was 5,900 fathoms.

While at Tonga, the submarine, which was the first to have visited the island, was opened for inspection, during which 160 police (the entire force) was on duty to control the crowds.

The Captain made an official call on Queen Salote and presented her with a model of TELEMACHUS.

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R.A.N. Participation in Sea Rescue.

On Thursday, 2nd August, the collier "BIRCHGROVE PARK", which was en route from Newcastle to Sydney, foundered with a crew of 16 on board, approximately 6 miles north of South Head.

KOOKABURRA, COOTAMUNDRA, WAGGA and THOROUGH assisted in the search for survivors, and an R.A.N. Dakota from R.A.N.A.S. Nowra, in conjunction with two R.A.A.F. Neptune bombers, assisted with aerial reconnaissance.

Four of the crew were rescued and 8 bodies recovered. THOROUGH and WAGGA each rescued a survivor.

The exploits of Lieutenant R. Percy R.A.N. and Petty Officer A. Baudet of H.M.A.S. WAGGA, both of whom dived overboard to rescue a seaman from the collier, received wide publicity in the press.

"BIRCHGROVE PARK" saw service with the R.A.N. during World War II as an H.M.A. Ship, having commissioned in 1941. She was built at Aberdeen in 1930 and was of 640 tons gross.

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M.W.L. 255.

In mid-July Lieutenant-Commander T.O'Byrne R.A.N.V.R., Staff Officer (Coastwatching) in command of M.W.L.255, departed Lombrum for Dyaul Island, north-western New Ireland. After servicing coastwatching equipment at Dyaul Island a course was set for Rabaul, where the week-end was spent checking equipment and meeting Coastwatchers from outstations. Course was then set for the Bainings, Tovanokus, Notre Mal and Pondo Plantations were visited and then south to Matanakunei Plantation in Open Bay; Lolabau Island Plantation was visited next, Lialla further south again and then Talasea on the Willaumez Peninsula.

The Talasea Club defeated the crew of the MWL at tennis on a very fine grass court that had been prepared. Nearby Coastwatching Stations at Garua and Walindi were serviced before departure for Bali Plantation on Unea Island in the Vitu Group. At Bali Plantation there are 76,000 palms and 80,000 cocoa trees under bearing. Further equipment was checked at Garove Island (also in the Vitu Group) and hospitality partaken before departure for Lombrum. The homeward trip was interrupted to inspect the Johan Albrecht Harbour which the armed cruiser EMDEN used as a hide out during the First World War. It was found to be a huge expanse of water 75 fathoms deep, 11 miles in circumference and surrounded by sheer mountainous ridges some 500 feet high.

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(b) ROYAL NEW ZEALAND NAVY.

Kermadec Islands.

Units of the R.N.Z.N. were used recently to transport three New Zealand botanists, who undertook a major botanical investigation, to and from the Kermadec Islands. One of the botanists was a skilled underwater diver. Rare and unusual algae gathered from the sea were among the large collection of specimens brought back.

The trip was successful and several new plants were discovered. The specimens of sea-weed brought back will be tested for agar, a valuable property used in medicines. However, heavy surf found in the Kermadecs may well make the gathering of sea-weed impracticable.

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H.M.N.Z.S. LACHLAN.

Whilst on passage from Suva to Apia in mid June H.M.N.Z.S. LACHLAN received a message which sent her at full

speed to the rescue of survivors from the M.V. "VASU" with eighteen persons aboard which had radioed advice that she was foundering in heavy seas 180 miles north of Tonga and some 400 miles from LACHLAN. Immediate assistance was required as the ship was being abandoned.

At midday on the following day a circling R.N.Z.A.F. Sunderland and smoke floats which had been dropped to guide the LACHLAN were sighted. An hour and a half later survivors of the "VASU" were taken from the lifeboat to safety aboard LACHLAN.

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S E C T I O N II.NAVAL AND OTHER ARMED FORCES INTELLIGENCE
INCLUDING TECHNICAL INTELLIGENCE.U.S.S.R.Soviet Naval Activity.

Late in July, the cruiser KIROV, which is believed to be used for cadet training, accompanied by two KOTLIN-Class destroyers left the Baltic and made a rendezvous with the cruiser SVERDLOV and two SKORY-Class destroyers which were returning from a visit to Rotterdam. The ships of the two groups then carried out exercises which lasted for several hours, before again splitting up for the return to the Baltic.

This is the first occasion on which surface units of the Soviet Navy have left the Baltic except when being transferred to another fleet area or visiting a foreign port.

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J A P A N.Service School and Training Centre.

Since taking possession of the former Naval Academy at Eta Jima earlier this year, the Defence Agency has started training 200 Officers 200 Officer Cadets and 753 men.

The School, which is under the command of Rear-Admiral K. Oguni, is used by all three Services, but it is known that the Maritime Self-Defence Force is anxious for it to revert to its former status as a Naval Academy.

Inspection of Nationalist Chinese Training Methods.

Seven officers of the Japanese Army, Navy and Air Force

have been in Formosa studying training methods of the Chinese Nationalist Forces. It is believed that these officers may visit other South-East-Asian countries later.

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COMMUNIST CHINA.

RIGA-Class Destroyer Escorts - Progress of Construction.

The RIGA-Class destroyer escort which was launched at Mollers Yard, Shanghai, late in April, was not observed at her fitting-out berth when the port was last visited. It is thought that the vessel may have started sea trials.

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NORTH VIETNAM.

Vietminh Navy.

The Vietminh Navy is now reported to consist of about 30 ML's and to have a personnel strength of 2,000 officers and ratings, some of whom are reported to have received French training in the past.

Its operational status is at present limited to river patrols in the Red River Delta area and down the coast to the 17th parallel.

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B U R M A.

The first of the five fast patrol boats that the Burmese Government has on order at Saunders Roe Ltd., arrived at Rangoon recently.

The negotiations with Saunders Roe for the supply of a further five fast patrol boats to be paid for with £S1½ million worth of rice, have now fallen through.

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U.S.A.

Ships in Reserve.

The U.S.N. intends to place one battleship (U.S.S. NEW JERSEY), one escort carrier (U.S.S. SIBONEY), and fifteen smaller ships in the Reserve Fleet. In addition they have asked permission to scrap 107 ships from the Reserve Fleet. ~~These include the battleships~~ U.S.S. CALIFORNIA and TENNESSEE, eight heavy cruisers, two light cruisers, nine escort carriers and two other carriers. It is claimed that these ships have reached such an age that their value in another war would be so small that it is not worth maintaining them.

Commissioning of U.S.S. CANBERRA.

U.S.S. CANBERRA has now been commissioned and is the twelfth guided-missile ship to join the Fleet. The remainder are :-

U.S.S. BOSTON (cruiser) and U.S.S. GYATT (destroyer) equipped with the surface-to-air missile "Terrier";

U.S.S. HANCOCK (aircraft carrier) U.S.S.'s LOS ANGELES, MACON and HELENA, (heavy cruisers) and the submarine TUNNY and BARBERO equipped with surface-to-surface missile "Regulus";

U.S.S. GALVESTON (light cruiser) equipped with surface-to-air missile "Talos";

U.S.S. MISSISSIPPI (battleship) and U.S.S. NORTON SOUND (seaplane tender) guided-missile test ships.

New Naval Aircraft.

XP6M-1 Martin Seamaster. The Navy's second XP6M-1 Martin Seamaster has begun its flight tests. The swept-wing minelaying and photo-reconnaissance aircraft, which has been painted with the new Navy grey and white colours, was airborne on its first flight for an hour and twenty-five minutes.

Production models of the Seamaster will carry a crew of four, including pilot, co-pilot, navigator-minelayer, radio and armament defence operator.

Flight tests of the present Seamaster were delayed in order to install test equipment of the type lost on board the first aircraft which crashed in the mouth of the Potomac River last December. Before the accident, the prototype had successfully completed seventy-nine flights and taxi test hours in the Chesapeake Bay area. The accident in which the first aircraft was lost has been attributed to a malfunction of the control system. Remedial steps have been taken on the second seaplane to cover all possible contributing factors to the mishap.

Funds for the procurement of additional Seamasters are included in the Navy's fiscal year 1957 budget. It is planned to introduce the Seamaster into the fleet during 1958.

F8U-1 Fighter - Crusader. The experimental prototype F8U-1 made its first flight during March and exceeded the speed of sound in level flight. The first F8U-1 production model flew in September last year. Expected to be the Navy's primary first-line fighter when it reaches the Fleet, the Crusader recently carried out qualification trials on the aircraft carrier U.S.S. FORRESTAL.

F5D Fighter - Skylancer. The first flight of the new Douglas F5D Skylancer, an all-weather supersonic carrier-based jet fighter which features thin bat-shaped wings and slender

fuselage, was made recently.

Designed for catapult take-off from carriers and rapid climb to high altitudes, the Skylancer exceeded the speed of sound on its maiden flight.

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Guided Missile Training Range.

The U.S. Navy is planning to use Hawaii sea areas as a major guided-missile training range. This will result in the establishment of a target-drone and guided-missile facility at Bonham Air Force Base, Barking Sands, Kauai, Hawaii.

Kauai is west and slightly north of the island of Oahu, where the Pearl Harbour Naval Base is situated. Barking Sand on the western edge of Kauai, is about 110 miles from Pearl Harbour.

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S E C T I O N III.EXTERNAL POLITICAL, POLITICO-MILITARY ANDECONOMIC INTELLIGENCE.SOUTH KOREA.Korea-Sydney Shipping Service.

The South-Korean President, Dr. Syngman Rhee, has approved a plan to open a regular freighter shipping service between Pusan and Sydney.

Two Government-owned freighters, "PUSAN" and "MASAN", each of 3,800 tons will be used on the run.

It is claimed that South Korea is prepared to import from Australia about 10 million dollars (£4,464,000) worth of goods each year, if Australia is prepared to take about 2 million dollars (£892,000) worth of Korea's marine and hand craft products.

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J A P A N.Peace Treaty Talks in Moscow.

In July talks were resumed in Moscow between the Japanese and Russian Foreign Ministers in their attempt to negotiate a Peace Treaty. The main stumbling block to a successful conclusion of the negotiations was the question of sovereignty over Islands to the north of Japan which Russia occupied under the Yalta Agreement.

Previous talks had broken down on this issue and were again deadlocked on this point when the talks were interrupted by the departure of both Foreign Ministers to attend the Suez Talks in London.

At this stage the Soviet had virtually issued an ultimatum to the Japanese to sign a Peace Treaty under their conditions within 24 hours, or break off the Talks.

Construction of Super Tankers.

The following are the details of the super tanker being built by National Bulk Carriers at Kure :-

Deep-Displacement Tonnage :	109,000 tons.
Deadweight Tonnage:	83,000 tons.
Light Displacement:	25,000 tons.
Length;	815 feet.
Beam:	125 feet.
Loaded Draught:	49 feet.

The National Bulk Carriers started the construction of super tankers in 1951 when it built a 38,000-ton dead-weight class tanker. It has so far built a total of 12 ships including 45,000 to 60,000-ton tankers.

With a three-year plan to begin in 1957, it contemplates constructing three 83,000-ton ships and two 94,000-ton vessels.

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COMMUNIST CHINA.

Sino-Japanese Trade Relations.

The Japanese Government recently decided to permit, in principle, the establishment of a Communist Chinese trade mission in Japan, and the accordance of quasi-diplomatic status to its members. This suggests some softening of the official Japanese attitude towards trade with China in expectation of the gradual removal of embargo restrictions.

Over the ten months ending 29th February, 1956,

Japan encountered an unfavourable trade balance of more than £14 million sterling - largely due to the Government's adherence to the embargo on strategic materials.

It is not thought that any large-scale revival of trade between the two countries is likely to result. With the rapid developments being undertaken by the Communist regime, China no longer has a large surplus of raw materials available for export, nor does she now provide a ready market for Japanese consumer goods. Japan, with her continued dependence on Western economic assistance, is likely to remain somewhat cautious regarding closer economic relations with Communist China.

Shipbuilding College opened at Shanghai.

Communist China's ^{first} shipbuilding college opened in Shanghai at the beginning of July. It has five departments specialising in construction, dynamics, electrical engineering, machine-building, economics, and organisation. This is an interesting development in view of the current reports of Naval construction in Communist China.

Major Water Conservancy Projects.

Communist China is carrying out, or planning, water conservancy schemes as extensive as any in the world.

The Yellow River scheme will take fifteen years in the first phase, and fifty years in its soil conservation and other ancillary projects. In the first phase, two major reservoirs are to be built: the lower dam will generate an annual output of four thousand six hundred billion kilowatt hours and create an artificial lake with an area of 2,350 square miles; the upper dam will be located above Lanchow and will be about 300 feet high.

The Yangtse Valley scheme is still only in the planning stage. A dam would be built about 170 miles above

Wuhan and the water impounded will irrigate two million acres and generate three million kilowatt hours per annum. A second dam would be located half way between Wuhan and Chungking. It will be over 500 feet high with the water level some 700 feet above sea level in the high water season. This will create an artificial lake 500 miles long. The dam will generate one hundred and fifty five thousand million kilowatt hours per annum.

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L A O S .

Agreement with the Pathet Lao.

As the result of the recent negotiations between the Royal Laotian Government and the Pathet Lao, the Pathet Lao has apparently scored a victory which will mean that the Royal Laotian Government will follow a neutral line in international affairs, similar to that adopted by India and Burma.

To achieve this objective the Pathet Lao has agreed conditionally to the integration of the two much disputed northern provinces of Sam Neua and Phong Saly under Royal Laotian Government control.

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I N D O N E S I A .

Indonesian Trade Agreement with U.S.S.R.

On 13th August, U.S.S.R. and Indonesia signed a trade agreement and a Soviet Trade Bureau will be set up in Djakarta with a branch in Sumatra.

Under the agreement the Soviet will sell Indonesia cars, tractors, road-making machinery, portable power plants, bicycles, steel and aluminium goods and machinery. In

return Indonesia will supply rubber, copra, sugar, coffee, tea and tobacco.

Delegates who signed the pact in Djakarta are also discussing Russian offers of technical aid and credits for buying capital equipment.

Indonesian Communist Party Tactics to Increase its Influence.

The Indonesian Communist Party (PKI) is increasing its efforts to gain influence in society.

Towards that end it is building up study groups in respectable social organisations, called Committees for Public Training (KPU). Members are to be drawn from a wide circle of people with progressive ideas, but control will remain, firmly but unobtrusively, in the hands of the Party cadres. In this way, under the cover of democratic institutions, the Communist Party is trying to worm its way to power.

The P.K.I. is also offering a monetary reward to party members for the subversion of Indonesian policemen.

The S.O.B.S.I., the Communist-controlled central organisation of the Federation of Indonesian Trade Unions, is endeavouring to canvass women, apparently successfully, because G.E.R.W.A.N.I. (Communist-led Women's Union) is reported to have 560,000 members - seven times its 1954 membership.

Repudiation of Debts to the Netherlands.

Indonesia has announced that she will no longer recognise any debts to the Netherlands Government. These are estimated as amounting to 4,081 million Dutch guilders (£\$450 million approx.).

However, of this amount 420 million guilders (£\$48 mill.) represent debts contracted by the former Netherlands East Indies Administration with 'third parties'. Indonesia will continue

to bear the responsibility for the repayment of these debts.

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S I N G A P O R E.

Resumption of Constitutional Talks.

It appears that Lim Yew Hock, Chief Minister of Singapore, is now prepared to wait until April next year for the resumption of talks on a new Constitution.

Lim probably had informal talks with Mr. Lennox-Boyd, (Colonial Secretary), while he was in London in July attending a Conference at Oxford in his capacity as Minister for Labour.

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P A K I S T A N.

United States Aid.

The Pakistan Government and the United States Embassy, Karachi, confirm that contracts have been allotted to U.S. firms as part of the United States Military Assistance Programme. The contract value is understood to be 30 million dollars and will involve :-

- (a) Improvements to three air bases - Karachi, Peshawar, Chaklala or Risalpur.
- (b) Construction of an ammunition depot somewhere in Pakistan.
- (c) Construction of a large naval dry dock at Karachi (the largest individual project).

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C E Y L O N.Communist Infiltration into the Buddhist Priests' Association.

The Ekath Bhikkhu Peramuna, an organisation of Buddhist Priests, to which about 12,000 of the 14-18,000 members of the Buddhist hierarchy belong, are said to be penetrated up to twenty-five per cent by Communists.

Communist infiltration is causing concern to the more conservative elements in the Association, and a struggle is likely to take place between the two wings.

The E.P.B. were active campaigners for the Bandaranaike Government in the recent elections.

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S E C T I O N IV.AUSTRALIA STATION INTELLIGENCE.APPOINTMENT OF HARBOURMASTER, BOTANY BAY.

The first full-time Harbourmaster has been appointed at Botany Bay by the Maritime Services Board of New South Wales.

A pilot service was instituted at Botany Bay last December to handle the steadily increasing oil tanker traffic.

During June, tankers discharged nearly 240,000 tons of bulk oil at Botany Bay, and more than 82,000 tons of oil was exported from the port.

It is expected that 180 oil vessels will use the port each year.

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PORT FACILITIES - MELBOURNE.

S.S. "RIVER HUNTER" discharged the first commercial cargo at the new Appleton Dock in August. She carried 8,000 tons of Callide **coal**.

The Dock will ultimately provide 18 berths. Of the first five berths being completed two will be allocated for the mechanised discharge of coal and three for handling general cargo.

Coal Berth B. is the first to come into service. It has four $7\frac{1}{2}$ -ton cranes for discharging coal.

The general cargo berths are each 630 feet in length with concrete wharf aprons 70-feet wide. The transit sheds which are still in course of erection will be 150 feet

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wide with two doors 20 feet high and 20 feet wide.

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WHALING INDUSTRY.

Western Australian whaling interests are vitally interested in a request by Norway to the International Whaling Commission for an open season on humpback whales in the Antarctic. Last season 1,429 humpbacks were taken, of which number 674 came from what is known as Area 4, South of W.A. This area supplies the majority of whales taken by the W.A. Stations and any depletion of stocks would seriously affect them. The allotted quota of the W.A. stations was reduced by 200 whales for the 1955 season. The Commonwealth Director of Fisheries (Mr. F.F. Anderson), who is the Australian delegate to the International Whaling Commission, will strongly oppose any extension of the humpback take in the Antarctic.

Progress reports of both W.A. Stations for the current season are :-

- (i) Cheyne Beach Whaling Co. Has already taken more than half of its' quota of 120 and should have a good season.
- (ii) Nor West Whaling Co. Has experienced some teething troubles in its first season at Babbage Island but no major disruptions to production have occurred. Over 200 whales have now been taken and some shipments made of meal and dried whale solubles.

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B.H.P. ROLLING MILL - KWINANA, W.A.

The second stage of B.H.P.'s construction programme came into operation on 16th July, when the steel rolling mill began work at the Kwinana site. The mill is equipped with seven

roll stands which, when in full operation, should handle up to 15 tons of billets per hour. Up to 150 sizes of merchant stock bar will be produced.

The main building of the mill is of steel and measures 560 feet by 100 feet, with a height of 125 feet. A 150-foot cooling bed projects from one end. A ten-ton travelling crane is mounted 90 feet above the production bed. Furnace fuel for the mill is pumped direct from the adjacent B.P. refinery into ready use tankage. The B.H.P. jetty is now functioning.

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FREMANTLE HARBOUR - BUNKERING FACILITIES.

Commercial bunkering facilities are now available at all berths of Victoria Quay and North Wharf, Fremantle Harbour, for the supply of furnace fuel oil, marine diesel, and distillate.

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NEW B.H.P. RESEARCH CENTRE.

Broken Hill Pty. Co. Ltd. has completed the building of a modern research centre near Newcastle. Specialised equipment is now being installed in the building.

Known as the B.H.P. Industrial Research Organisation, the centre constitutes an important addition to Australia's industrial research facilities. It has been developed to further intensify fundamental research into the many aspects of steel industry operations.

A large staff of research scientists and technologists has been recruited both from overseas and within Australia, and has already started some of the major research programmes planned.

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DECLINE IN EXPORTS OF N.S.W. COAL.

Interstate coal exports from New South Wales have dropped by nearly 500,000 tons a year, according to figures released recently by the Joint Coal Board.

The figures show that exports of N.S.W. coal to Victoria and South Australia in the first six months of this year dropped to 890,000 tons. The exports for the corresponding period in 1955 were 1,136,000 tons.

New South Wales coal production in the six months to 30th June was 6,725,000 tons, compared with 6,897,000 tons for the first half of 1955.

Coal exports to Korea, Japan, Hong Kong, and New Zealand for the first half of the year were 51,500 tons, compared with 26,000 tons for the corresponding period in 1955.

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NORTHERN TERRITORY.Rice Project.

The rice project is still causing wide interest and a great deal of speculation as to whether it is a practical commercial enterprise; but the important rice experts from U.S.A. and other countries still have faith that the Northern Territory rice bowl will become one of the largest in the world. Such statements are causing more and more business men to visit Darwin to obtain further information with a view to financially supporting the scheme.

Oil 'Strike'.

Mr. W. Petrick, a boring contractor, accidentally made a 'gas strike' on Ammaroo Station on 3rd July when boring an artesian well. The N.T. Mines Director, Mr. C.F. Adams, believes even at this early stage of investigation, that as

the strike was so shallow (170 ft.) it will attract large petroleum concerns to commence experimental drills which would cost only a fraction of the drills in W.A. at 15,000 feet.

Several applications for mining permits have already been received by the Mines Department, Darwin, and at least one large syndicate has been formed by South Australian businessmen.

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DUTCH NEW GUINEA.

1957 Budget.

The 1957 budget of Netherlands New Guinea, which was recently presented to Parliament, shows an expenditure of £14,000,000 against a revenue of £7,000,000. Costs of the Armed Forces in Netherlands, New Guinea are not included in this budget.

An explanatory note says, inter alia, that during 1955 a considerable improvement has been shown in the fight against malaria and framboesia and that the autochthonous population gradually started to realise the benefits of good hygienic conditions. The help of the World Health Organisation and the UNICEF (United Nations International Childrens Emergency Fund) is favourably mentioned in this connection.

Koembe Rice Project.

The first rice crop of the Koembe Project has been successfully harvested in Netherlands New Guinea.

The Koembe Project, which aims at large scale mechanical cultivation of rice in an area near Merauke in Netherlands New Guinea, commenced in 1953 when an area of 200 acres, part of a test polder* of 1,000 acres, was prepared for mechanical rice growing.

Although the quality of the soil was poor and phosphate

fertilizer was necessary and protection was needed against insects, kangaroos and other marsupial animals, a successful crop was cultivated.

It is planned gradually to extend the project to cover an area of approximately 30,000 acres in combination with a cattle raising industry, aiming to provide enough rice and meat for the local consumption in Netherlands New Guinea.

(* Polder in the Netherlands - land below the level of the sea or river which, originally a swamp or lake, has been drained and brought under cultivation).

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PORTUGUEST TIMOR.

Dutch Shipping Services.

The Dutch K.P.M. Shipping Line have cancelled two of their services to Dili. The services affected are the monthly schedule from Sourabaya and the monthly service from Macassar. This now leaves one K.P.M. service only, the monthly service Singapore - Dili direct en route for West New Guinea ports.

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SHIPPING INFORMATION.

Launching of M.V. "CARNATIC".

The first of the seven cargo vessels in the present Shaw Savill Line building programme has been launched at the Birkenhead yard of her builders, Cammel, Laird & Company Ltd.

Named "CARNATIC", this twin-screw motor vessel is of about 11,200-tons gross and her general design and machinery

is similar to the "CEDRIC" class of refrigerated motor vessels already in the Australian and New Zealand service of the Shaw Savill Line.

She will have a service speed of 17 knots and in her six cargo holds she will have capacities of nearly 400,000 cubic feet for refrigerated and chilled cargo and nearly 250,000 cubic feet for general cargo.

The "CARNATIC" should make her maiden voyage from the United Kingdom towards the end of 1956.

New Cargo Ship for Australian Steamships Ltd.

The diesel-engined cargo vessel "CENTURY", being built on account of Australian Steamships Ltd., has been launched at Aberdeen, Scotland. Having a gross tonnage of 4,280, the new vessel has a length of 335 feet, breadth of 50 feet and depth of 26 feet. The propelling machinery, which is fitted aft, consists of an Ailsa-Doxford opposed-piston reversible diesel engine.

Sale of British Ships to Far East Interests.

The vessels "SWANBROOK", "SWANHILL", and "SWANSTREAM", at present under charter on the Australian iron-ore service, have been sold to John Manners & Co. Ltd., of Hong Kong. The "SWANBROOK" is to be renamed "SYDNEY BREEZE" and the "SWANHILL", "LONDON BREEZE".

New Vessel for Colonial Sugar Refining Co. Ltd.

The Colonial Sugar Refining Co. Ltd., has ordered a 6,600-ton deadweight motor vessel from the Burntisland Shipbuilding Group.

The vessel is intended for the carriage of sugar in bulk, molasses and general cargo between Fijian and Australian sugar

producing areas and the Company's processing factories. Sugar will be carried in holds of hopper type, while wing tanks and a large forward deep tank will be steam heated for the carriage of molasses. The vessel is designed for a speed of $12\frac{1}{2}$ knots.

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S E C T I O N V.S P E C I A L A R T I C L E S.

(The Director of Naval Intelligence is not necessarily in agreement with the views expressed in Section V of A.S.I.S.).

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THE SUEZ CANAL CRISIS.

The action of the Egyptian Government in expropriating the assets of the Suez Canal Company, thus repudiating the terms of the Concession on which the Company has been operating and which was not due to expire until 1968, affects the rights and interests of many nations, including Australia and New Zealand.

Egypt's action was precipitated by the withdrawal of offers by the U.S.A. and Britain to assist in financing the construction of the Aswan High Dam.

On 26th July, the Cairo office of the Suez Canal Company was sealed and Egyptian officials took control of all installations in the Canal Zone. Canal employees were ordered not to leave their posts on pain of imprisonment and loss of pensions and compensation rights. President Nasser announced that the nationalisation decree provided for :-

1. Compensation to be paid to all shareholders at Paris stock market rates obtaining on 25th July.
2. The Canal to be controlled by an independent authority attached to the Ministry of Commerce but outside Government rules and systems and having a juristic personality and its own budget.
3. All rights of the Company to be vested in the

Egyptian Government and all assets both in Egypt and overseas to be frozen, breaches to be punished by heavy fines and imprisonment.

A conference of 22 nations, comprising countries vitally interested in the use of the canal, was called by the Western Powers and a majority agreed on the principle that the Canal should be placed under international control. The Australian Prime Minister is leader of a delegation appointed by the Conference to discuss proposals with President Nasser.

The Suez Canal Company.

The Compagnie Universelle du Canal Maritime de Suez owed its existence to the Act of Concession granted by the Egyptian Viceroy, Mohammed Said, to the French engineer and promoter, Ferdinand de Lesseps, in 1854, and again in 1856, and ratified by the Sultan of Turkey in 1866.

The British Government held 44 per cent of the total stock of the Company administering the Canal, and was the largest single shareholder. The remaining 56 per cent was held by various French and international private interests. Through the control of voting rights the Canal remained under French management.

By a new agreement between Egypt and the Suez Canal Company, made on 7th March 1949, Egypt's representation on the Board was increased and the Egyptian Government was to receive seven per cent of the gross profits of the company, or a minimum of £350,000 sterling annually. The original agreement on the distribution of net profits allocated 15 per cent to the Egyptian Government.

The Concession was valid until 1968 when ownership of the Canal was to have passed to the Egyptian Government.

The Suez Canal Convention.

International rights in the Canal are spelt out in the

Suez Canal Convention which was signed in 1888 between Britain, Germany, Austria-Hungary, Spain, France, Italy, the Netherlands, Russia and Turkey. Article 1 provides that the Canal "shall always be free and open, in time of war as in time of peace, to every vessel of commerce or of war, without distinction of flag", and a firm obligation is placed on the Egyptian Government by Article IX to "take the necessary measures for ensuring the execution of" the Convention. Egypt is also bound to uphold the "free and open" passage of the Canal, presumably forever, by Article XIV which stipulates that "the engagements resulting from the present Treaty shall not be limited by the duration of the Acts of Concession of the Suez Canal Company".

The Canal Itself.

The Suez Canal was built in 1869. Its total length is 101 miles, its minimum depth about 40 feet, its width varies from 186 feet to 232 feet, widening still further to 340 feet on curves. The average time of transit is eleven hours. As compared with a journey around the Cape of Good Hope (the only feasible alternative sea route) it saves 4,000 miles on a voyage from Europe to India.

Traffic Through the Canal.

In 1955, 14,666 ships of 115,756,000 net tons passed through the Canal. Of these more than 53 per cent were tankers. The heaviest user was Britain with 4,358 ships - 30 per cent of all ships and almost 39 per cent of the net tonnage. The United States with Liberia and Panama, whose ships can be presumed to be partly United States-controlled, accounted for 2,380 ships - approximately 16 per cent of the total number of vessels and approximately 22 per cent of the tonnage. In all, ships of 48 nations used the Canal in 1955.

In the first 6 months of 1956, the Canal averaged 46

vessels a day. This figure is believed to approximate the present capacity of the Canal, although a peak volume of 71 ships has been handled on a crash basis for 1 day.

In recent years, the amount of oil moving through the Canal has been increasing at a rate of approximately 10 per cent a year, whereas dry cargo has been increasing at approximately 3 per cent a year.

Effect on Australian Trade with Europe.

Some idea of the effect on the Australian trade with Europe should the Canal be denied to our shipping can be obtained from the following figures.

Taking a ship with an average speed of 10 knots, the following table shows the extra time on passage between Australian ports and Plymouth :-

Fremantle via The Cape	...	5 days.
Melbourne via The Cape	...	4 days.
Melbourne via Panama	...	7 days.
Sydney via The Cape	...	4 days.
Sydney via Panama	...	4 days.
Adelaide via The Cape	...	5 days.

If a 10,000-ton ship costs £1,000 a day to run, the average increase will be £4,500 a voyage, but against this must be offset a saving of some £2,500 in canal dues leaving a net increase of say £2,000. If this increase was spread over the cargo of 12,000 tons the freight would increase by $\frac{3}{4}$ d. a ton.

This however, is an over-simplification of a complicated problem for freight charges also take into account turn round times, the world market, and many other factors.

Initially, however, it has been noted that while ⁱⁿthe

first six months of 1956 only six merchant ships sailed from Australia for Western Europe via the Cape already in the first three weeks in August sixteen ships have used this route.

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THE RED HOT DANGER OF THE COLD WAR.

"When you say competitive co-existence, do you mean you will accept the existence of our system in the world?" one high British leader asked Khrushchev during the recent London visit.

"Not at all" answered Khrushchev, "We believe in our system - we believe it is superior to yours and that it will eventually triumph over yours, and we mean to do everything we can to expand peacefully in competition with you."

The Expansion Today.

Russia is providing £48 million worth of steel plant in India and supplying one million tons of steel in the next three years. In addition, Russian experts have surveyed likely oil bearing regions and are sending two oil drilling rigs, to be erected free. Indians will be given full technical training for six months in the working of these plants. By the end of this year there will be five hundred Russian experts on Indian soil.

For one hundred years the Indian railway system has used British built locomotives and waggons, but India now says that British goods cost too much and delivery dates are uncertain. Czechoslovakia has subsequently received an order for fifty locomotives and two thousand waggons.

Burma has been searching desperately for markets for her rice surplus on which her economy largely depends. Now she has agreements under which Russia will annually take four hundred thousand tons, China two hundred and ten thousand tons,

Hungary a hundred and fifty thousand tons and Yugoslavia fifty thousand tons - altogether nearly half of Burma's surplus, and this is being carried away in Soviet bloc ships in return for capital goods such as material to construct a proposed railway, Russian and Czechoslovakian motor cars, factory equipment, etc.

Although Indonesia's position is somewhat different since her exports already find a ready market in the United States, the Russians are far from neglecting this "uncommitted country". There are forty Russians in the Embassy at Djakarta, "and you needn't think they sleep all the time" - as one West-German trade attache said recently.

A Russian trade delegation arrived in Djakarta during August, and the Indonesian Government has accepted in principle a Soviet offer of aid in the form of credits and technical assistance.

With such glowing examples of the advantages to be gained from neutralism, it is hardly surprising that such countries as Thailand and Pakistan should be sorely tempted.

Viewed in the harsh light of statistics, however, the interesting fact remains that all the above Russian activity is only a "drop in the bucket" when compared with, for example, Britain's own commercial dealings with India. In 1955-56 Britain exported £133 million worth to India compared with Russia's £5 million, and out of the £110 million foreign investment in India in 1950-55, Britain's share was more than £105 million.

Thus, the astonishing and startling realisation emerges that Russia is achieving a significant influence in these countries with remarkably little, and has virtually only just started. Here lies the challenge for the future.

Although the Soviet bloc trade with the outside world increased by thirty-five per cent last year, this is seen more as a shadow of things to come than as hurtful current competit-

ion. A top British Labour leader has declared that within twenty years the Russian economy could equal America's, and nobody has seen fit to deny this statement.

The great advantage which the Russians have in the new contest with the West, is that they are able to turn their entire economic machinery in any direction they wish, since it is state controlled. This is something against which neither Britain nor America can compete. Virtually, world prices, the normal commercial thermometer, have no meaning to the Soviet economic machine, particularly when forced labour and an ordered population are taken into account.

The Soviet export offers are often part of a bilateral agreement which promises the under-developed country an apparently guaranteed market for its exports of primary products - exports which may suddenly be unsaleable or very much less valuable in world markets. In return, the Soviet offers cheap package-deals for factories, railways, or steel mills, to be paid for on credit at rates of interest as good or better than, those obtainable elsewhere.

With no spare reserves and little enough new investment capital even for the Commonwealth, there seems little prospect of any conscious or organised British response to the Soviet drive.

The United States policy is in a state of transition, and their whole attitude to aid is being debated afresh. The answer will not be known until after the November Presidential election.

It would be wrong to say that there is alarm in the United States or any feeling that the West cannot survive the new competition. It is a new problem, and, although there is as yet no move to co-operate with the Russians in Trade or Aid, it is felt that the continually expanding markets of the world can absorb this new development - by wild, cut throat and chaotic competition, even the Soviet bloc could be gravely injured.

Good Advice.

An interesting comment comes from Dr. Schacht, Hitler's ex-financial "wizard" who foresees fierce Anglo-United States and Soviet competition for export markets, and strongly advises booming West Germany to use her rapidly mounting reserves without delay for investment in subsidising enterprises in overseas market.

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CHRISTMAS ISLAND (PACIFIC OCEAN).

The little-known Christmas Island in the Pacific Ocean has been brought into prominence by a United Kingdom announcement of her intention to explode her first H-bomb there during 1957.

Christmas Island, in the Line Atolls, is midway between Samoa and Hawaii and is said to be the largest coral island in the world. Two hundred and fifty square miles in area, it has a shallow lagoon 100 sq. miles in extent. There are areas of coconut palms but most of the island is barren white sand of coral detritus with some sandhills 40 feet high.

The island was discovered by Captain Cook in 1777 and was claimed under the U.S. Phosphate Act but later worked by a British firm. In 1872 the island was formally annexed by the U.S.S. NARRAGANSETT and again annexed by Britain in 1888. In 1913 the island was bought cheaply by Father Rougier who set up a little kingdom with Tahitian labour. New Zealand officials surveyed the again deserted island in 1937 and planned two aerodromes, one in the north called Croydon serving the settlement of London, and "Le Bourget" in the south serving the settlement of Paris.

War in the Pacific brought American Forces who built an air base on the deserted Croydon site, landing in 1942 and departing in 1948 leaving good airstrips and some 80 buildings.

The island is now the property of the High Commission of the Western Pacific and, attached to the colony of the Gilbert Islands, is administered by an officer at Fanning and a white manager at London who farms the island as a copra plantation with the help of about 90 Gilbertese (or such was the case in 1948). The island is still claimed by a nephew of Father Rougier and who was last heard of languishing in a Papeete gaol.

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SECRET

Transit List

This document is to be treated as "SECRET." It is to be passed by hand from Officer to Officer and finally returned to the Commanding Officer.

Name of Officer to be passed to	Initials of Officer read by, and date passed on