

THE OCEANIC STEAM NAVIGATION COMPANY: ITS EARLY DEVELOPMENT IN A FEW FACTS & FIGURES

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The Oceanic Steam Navigation Company (White Star Line) started as a private limited company with equity capital of £400,000 divided into four hundred shares of £1,000 each. The shareholders included:

Name, Address and description of subscriber	Number of Shares
Thomas Henry Ismay of No. 10, Water Street, Liverpool, in the County of Lancaster, Shipowner	50
George Hamilton Fletcher, of No. 15, Albany, Liverpool, in the County of Lancaster, Shipowner	50
Gustav Christian Schwabe, of Broughton, West Derby, in the County of Lancaster, Gentleman	12
John Dugdale, Jun, of No. 26, Booth Street, Manchester, in the County of Lancaster, Merchant	12
James Dugdale, of Wroxall Abbey, in the County of Warwick, Gentleman	12
Joseph Hyde Sparks, of Clifton Hall, in the County of Cumberland, Gentleman	10
James Hainsworth, of No. 30, Moorgate Street, in the City of London, Merchant	10

*Dated the second day of September, One thousand eight hundred and
sixty-nine*

On 21 March 1872 the company passed a special resolution and its capital increased to £500,000 by the creation of one hundred new shares. Another special resolution followed on 5 December 1872, increasing its capital to £750,000 by the creation of another 250 shares.

According to a Summary of Capital and Shares dated 11 April 1875, 550 of the shares were fully paid up (that is, the shareholders had paid the full £1,000 for them) and 200 of the shares had been paid up to £500 each, raising £650,000 of equity capital. By 11 March 1880, all 750 shares had been fully paid up so that a total of £750,000 of equity capital had been raised.

What was the result of their investment? Their capital funded the creation and growth of an innovative and successful company.

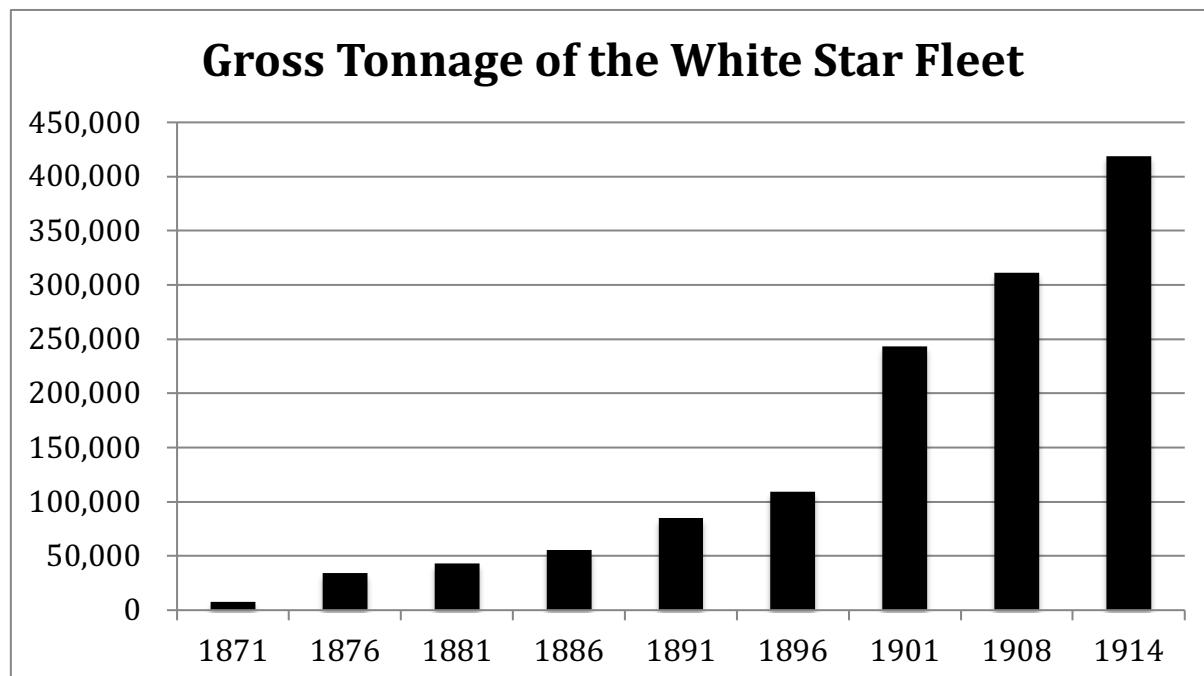
The company grew rapidly, developing a modern and profitable fleet. From a steam tonnage of 7,614 tons in 1871, ten years later it had reached 34,192 tons and did not stop there.

'We have out of our original capital built 64,000 tons of shipping, which have cost over two millions sterling; and we have now...in all 53,033 tons of shipping such as there is not to be found in any part of the world. With that position, we have great cause to congratulate ourselves and the managers. But how has this marked success been attained? First of all, I may fairly say, in the presence of Sir Edward Harland and his partners, that it is in a considerable degree attributable to the excellence of the build of our steamers. We all know what they are; how they were built regardless of cost, so that they are absolutely as perfect in strength and finish as the great talent of their builders could make them.'

Thomas H. Jackson, chair (in the absence of Gustav Schwabe),
Oceanic Steam Navigation Company: Presentation to the
Managers, 16 September 1885.

In June 1908, Cunard's fleet totalled 244,466 gross tons, whereas in September 1908 White Star's fleet totalled 311,403 gross tons. The younger, upstart company had outgrown its older competitor. (That year, White Star reported that eighty per cent of its fleet had been built since 1898.)

Even with the loss of *Titanic*, the fleet had grown to just under 420,000 tons in 1914: an enormous increase over more than four decades of development.



Thirty years after the company was founded, White Star reported a net annual profit of £444,590 and, in 1900, an exceptional year generated a net profit of £780,900. It was remarkable progress for the company over three decades.

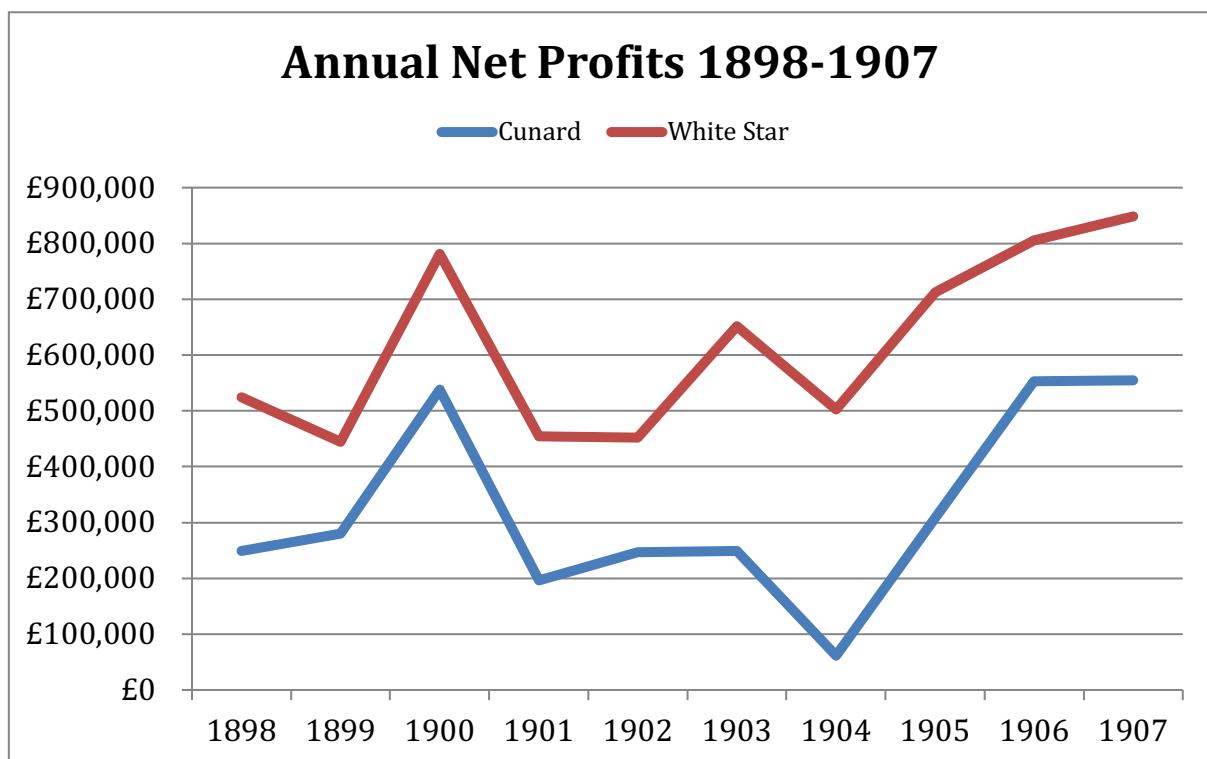
The company's shares were privately held, so there was not a public market to value them. However, when White Star was taken over by the International Mercantile Marine (IMM) in 1902, shareholders received a net £14,265 per £1,000 share, comprised of (rounded figures):

£4,143 in cash
 £6,713 in preference shares in IMM
 £3,356 in ordinary shares in IMM
 £52 deduction

The valuation represented 13.7 times the company's net earnings for 1900 and 23.6 times the company's net earnings for 1901, which proved to be excessive. However, even a substantially lower valuation would have represented the significant shareholder value White Star created during its early decades of existence.

Unfortunately, White Star's absorption into IMM in 1902 and then the Royal Mail Group in 1927 set the scene for what was, arguably, its second phase – that of gradual relative decline up until the merger of its North Atlantic assets with Cunard, which became effective in 1934. In the period leading up to *Titanic*'s conception, White Star was a much stronger company. In fact, Cunard would arguably have gone bankrupt were it not for the government support they received to build *Lusitania* and *Mauretania*.

In the ten years leading up to and including 1907, White Star made a cumulative net profit of £6,175,848 compared to Cunard's £3,236,259.



It is easy to lose sight of the company's early success and achievements, given our modern day knowledge of its subsequent decline.