

CHAPTER 24

INDUSTRIAL RECONSTRUCTION

FROM the outset of post-war planning, manufacturing industries were expected to carry the burden of preserving full employment. Munitions production had forced the pace of industrialisation; new industries had been established; the level of technological sophistication in the metals and engineering group had increased substantially. Much depended, therefore, on the ability of manufacturers to adapt to the altered structure of peacetime demand, and to withstand the resumption of competition from imports.

In view of the acknowledged importance of manufacturing, one might have expected the preparation of a comprehensive plan for the conversion of industries to peacetime. But no such plan was prepared, and the patchwork approach characteristic of reconstruction policy generally was also the approach to secondary industries policy.

Broadly the Government's policy was to preserve existing industries and to extend the range of manufacturing. This was to be achieved partly by defence of the tariff through external economic diplomacy and partly by the encouragement of new industries, notably the motor vehicle manufacturing industry. In addition some attempt was to be made to increase exports of manufactures; a few taxation and other concessions were to be offered to industrial firms to assist conversions; munitions factories and equipment were to be made available on generous terms. But in the main a rapid return to private enterprise was encouraged with minimum government intervention and assistance.

THE SECONDARY INDUSTRIES COMMISSION

The early attention given to industrial conversion to peacetime activity exposed a gap in the Government's administrative structure. Before the war no Commonwealth department had been allocated special responsibility for secondary industries, although several had had a finger in the pie. During the war the Departments of Munitions, Aircraft Production, and Supply and Shipping were responsible for defence production, War Organisation of Industry for civilian manufacturing; of these only Supply was expected to survive the early post-war period. The Department of Trade and Customs administered tariff policy but had little background in the broad policy of industrial development. For a country which had already achieved a high degree of industrialisation, lack of an appropriate administrative authority was a curious anomaly, and one which was only partly rectified by wartime experimentation.

The task of preparing policy was entrusted initially to the Tariff Board. During the war normal Tariff Board enquiries had been suspended, and the board appeared to be the logical starting point. Using National Security (Inquiries) Regulations, the Minister for Trade and Customs commissioned the board in May 1942 to investigate and report on "all aspects of

the general problem of the re-establishment of secondary industries", and specifically to advise on the technical problems of re-adapting plant, equipment, materials, and manpower; to report on the disposal of surplus equipment, on problems of re-establishment of former members of the forces in industrial occupations, on changes since 1939 in industrial concentration, and on the general system of tariff protection in Australia. The Minister accepted that all aspects of such a comprehensive reference could not be explored immediately because of wartime uncertainties. In effect the board was offered a long-term brief to advise on all aspects of secondary industry policy.

The invitation was declined by default. The board had neither the inclination nor expertise to venture into policy-making on a grand scale. Since its creation in 1921 it had been concerned almost exclusively with the examination of the level of protection required for particular firms and industries, and only on rare occasions had it taken time to stand back and view the edifice that it had helped to build. In any case as an advisory body without executive authority the Tariff Board was not the appropriate authority to originate high policy, although it could have played a positive part in indicating the available alternatives. In the event the board was content with a series of piecemeal investigations of those industries which might play a part in post-war industrial development. In all twenty-four reports were made under the 1942 reference on subjects ranging from the aircraft industry to knives and forks. Using traditional methods of comparing local costs and import prices, most of the reports were necessarily based on obsolete information, and were so vague as to be of little help in planning. At best the board made guesses about what was likely to happen after the war in a fairly narrow range of small industries.¹

In view of the Tariff Board's diffidence and the obvious need to fill the administrative gap, in October 1943 the Department of Post-War Reconstruction proposed the creation of a Secondary Industries Planning Commission with a comprehensive charter to prepare for industrial conversion and also to consider the implications of manufacturing development for "population and employment, living standards, increased productivity, defence considerations, decentralisation, and international relations" and to "recommend the extent and form of government control with particular reference to variation of wartime controls and . . . to advise on various forms of assistance to industry other than tariffs".² The Full Cabinet considered this to be far too wide a brief which would have involved encroaching on too many existing departments. In approving the appointment of a commission the Cabinet narrowed the focus to the immediate task ahead. The approved terms of reference were:

- (a) review and investigate the wartime developments of the Commonwealth, with particular regard to Government factories, particularly munitions establishments and annexes; and

¹ Reports were presented on aircraft manufacture, cutlery, boots and shoes, household crockery, paper and paperboard, electric motors, carpets, hacksaw blades, lawnmowers, tool files, typewriters, filament electric lamps, tiles, electric cable and wire, sewing threads, bicycles, plastics, and gloves.

² Full Cabinet Agendum 550, 19 Oct 1943.

- (b) recommend to the Government measures which should be taken to implement a policy of industrial development in the Commonwealth.³

As with the two other commissions, the Secondary Industries Commission was attached to Post-War Reconstruction and its status was advisory. But more than the others it was overlaid with an elaborate structure through which its advice was channelled and through which more important investigations were conducted.

To examine policy recommendations a Cabinet sub-committee on secondary industries was appointed.⁴ On questions affecting conversion before the end of the war, the commission was required to work through the Department of War Organisation of Industry (for new manufacturing permits) and the Capital Issues Advisory Committee (for permission to raise new funds). On the investigation side, the commission was required to work in collaboration with the Tariff Board and specialist Industry Advisory Panels.⁵ Such major subjects as shipbuilding and motor vehicles were taken out of its hands by the appointment of *ad hoc* inter-departmental committees. And then in January 1945 Post-War Reconstruction created a Secondary Industries Division in the department which became responsible for the executive, administrative and research work generated by the commission. Individually each of these arrangements had some merit, particularly the assistance of the Tariff Board and Industry Advisory Panels. Collectively the maze of checks and balances left the commission with little scope for initiative in its own right and it became yet another co-ordinating body.

Of the five original members of the commission, three were drawn from the Department of Munitions. The commission's chairman and dominant personality was J. K. Jensen, Secretary of Munitions. Other Munitions representatives were F. T. Merrett, Director, Small Craft Construction, and W. Scott,⁶ member of the New South Wales Board of Area Management. The remaining members were D. J. Nolan,⁷ chairman of Allied Supply Standing Committee, and S. F. Cochran,⁸ chairman of the State Electricity Commission of Queensland. This composition reinforced the impression that the Government's first priority was the conversion and disposal of munitions factories and annexes. Before considering

³ Full Cabinet meeting, 20 Oct 1943.

⁴ Ministerial membership: Post-War Reconstruction, Attorney-General, Supply and Shipping, War Organisation of Industry, and Munitions.

⁵ The Secondary Industries Commission appointed the following industry panels: Chemical Industry Panel, Electric Motor Industry Panel, Furniture Industry Panel, Leather Industry Panel, Mining Industry Panel, Optical Industry Panel, Plywood Industry Panel, Radio and Communications Industry Panel, Refrigerator Industry Panel, Stoves and Ovens Industry Panel, Textile Industry Advisory Panel.

⁶ Sir Walter Scott, CMG. Princ W. D. Scott & Co—retired as Gov Dir 1974. Dpty Chmn NS Bd Area Managt Dept Munitions; Mbr Secondary Ind Comm 1944-51; Aust Alum Prodn Comm 1944-52; Chmn C'wealth Decimal Currency Ctee 1959-60; Chmn Aust Decimal Currency Bd, B. Perth, 10 Nov 1903.

⁷ D. J. Nolan. Power Supt Elect Dept Syd 1929-34; Commerc Mgr 1935-37; Asst Gen Mgr Syd County Counc 1938-44, Gen Mgr 1944-46; Chmn Stdg Ctee Allied Supply Council; Mbr War Commitments Ctee; Mbr Second Ind Comm. B. Melbourne, 6 Dec 1898. Died 27 May 1946. Nolan resigned in Mar 1944 and was replaced by H. F. Morris, chairman of the Tariff Board, in Oct 1944. H. P. Breen, Director of the Secondary Industries Division, was added to the commission in Jun 1947.

⁸ S. F. Cochran, CBE. Chmn Qld Elect Comm and Commr for Elect Supply 1938-50; Sec Ind Comm 1944; Dep Dir Rationing Qld 1942-44; Chmn Joint Coal Bd NSW 1950-63. B. Glasgow, Scotland, 30 May 1898.

the disposal of factories, however, the broader and potentially more far-reaching of the commission's tasks—the formulation of policy for general industrial development—will be considered.

PRINCIPLES

Discussion of the principles used by the Secondary Industries Commission and its associates is handicapped by the absence of documentary evidence to indicate that there was any systematic examination of policy alternatives. Theoretically the war provided an unparalleled opportunity to influence the structure and location of industry, the composition of output, and methods of finance; and to reconsider the function of such policy instruments as the tariff, import licensing, company taxation, and export incentives. In the broadest possible terms, the way was opened for a discussion as to whether Australia should pursue a policy of industrial self-sufficiency as in the past, encouraging maximum import replacement; or whether she should concentrate available resources in a restricted range of relatively efficient industries with export prospects. While specific issues such as taxation policy, decentralisation, and industrial finance were discussed, the nearest to a general examination of policy issues was a debate between Post-War Reconstruction and the Division of Import Procurement on the need for import licensing to supplement tariff protection. The principles on which decisions were based can, however, be teased from the detailed industry studies that were made and from the nature of the commission's recommendations.

The principles that were applied were drawn from the tradition of extending the range of manufacturing production as far as possible, and from the contemporary policy goals of creating new employment opportunities and strengthening national defence. There were strong pressures from all corners of the Government to preserve war industries and to fill in gaps in the range of production. If reinforcement was required it was supplied by the dominance of Munitions representatives on the commission. But it would be misleading to suggest that the desire for manufacturing expansion was indiscriminate. The commission's assessment in 1944 was that if all wartime capacity could be adapted successfully for peacetime production, the domestic supply of manufactures was likely to run well ahead of demand. This assessment was not derived from detailed research, but was based on the instinctive pessimism generated by the Financial and Economic Committee which has been noted before. The conclusion was, therefore, that the axe would have to fall, albeit gently. In selecting those industries for pruning or abandonment, economic efficiency played some part. Officials in Post-War Reconstruction were conscious of the large number of high cost firms established during and immediately after the war of 1914-18, and were anxious to apply efficiency criteria more rigorously than in the past. Support for some wartime industries was withdrawn for this reason, notably for the optical equipment industry. But for those industries such as textiles, which offered prospects for employment-creation, efficiency was not a major consideration.

Most of the measures taken to promote expansion were of a discretionary character and designed to assist specific industries. Such measures included sponsorship by the Secondary Industries Commission of new manufacturing orders, and similar representations to Capital Issues; arrangement of the lease or purchase of munitions factories or of capital equipment on favourable terms; and the promotion of particular industries—notably manufacture of motor vehicles—through import and foreign exchange concessions, transport subsidies and, occasionally, direct financial assistance. In addition, a narrow range of instruments was used to encourage general expansion.

At the general level was, first, the decision to prolong the wartime system of import licensing. Licensing had not been used previously for protective purposes, and as applied to imports from Commonwealth countries was *ultra vires* the Ottawa Agreement of 1932. The Division of Import Procurement as the administering authority had assumed, therefore, that the system would be abandoned progressively and that the tariff would resume its traditional role. When the matter was under discussion in 1944, Import Procurement urged that some relaxation was justified immediately to ease the shortage of essential consumer goods, and to obtain capital equipment and raw materials needed for reconstruction. It complained about the administrative burden and argued that indefinite continuation of the rigorous wartime system might have a detrimental effect on the flow of Lend-Lease. Further, the United Kingdom might retaliate by restricting further the use of sterling balances. On the other hand, Post-War Reconstruction was fearful of the effect of a flood of imports from Europe and North America if the European war ended well before the defeat of Japan. Moreover, there was no means of knowing what effect the war had had on the protective incidence of the tariff. Clearly what was required was a detailed integration of import policy with the plans for manufacturing expansion, but the Secondary Industries Commission had still no clear idea of which sectors it should promote or where there existed scope for import replacement.

Full integration was never achieved, but during 1945 a compromise was worked out between the Department of Trade and Customs and the Department of Post-War Reconstruction. The Secondary Industries Commission supplied a list of those industries in which it was specially "interested", while Trade and Customs agreed that there should be no general relaxation of quota restrictions. As recounted earlier, quotas were eased from August 1944 onwards but primarily to augment supplies of plant, equipment and building materials from the sterling area. Stringent quota restrictions were retained against non-sterling imports and against most consumer goods customarily imported in large quantities from all currency areas. At the same time an inter-departmental committee was appointed to review continuously the operation of the system. Uncertainty about the balance of payments rather than the need for protection was the decisive factor. Nevertheless, continuation of quotas for a comprehensive range of imports did provide a powerful stimulus to post-war industrial

expansion.⁹ In the event this stimulus was far greater than anything the Secondary Industries Commission acting within its own sphere of responsibility was able to achieve.

The commission was indirectly involved in three other areas of activity intended to encourage general manufacturing development. These were special taxation concessions for industry, extension of existing facilities for specific and technical research, and the provision of finance for small manufacturing firms. The last mentioned has already been discussed in relation to the banking legislation of 1945.

On the advice of the commission, a special taxation committee was appointed in mid-1944 under the chairmanship of J. H. Scullin for the purpose of recommending changes in company taxation to assist the changeover to peacetime production. The special committee's recommendations were reflected in the *Income Tax Assessment Act (No. 2)* of 1944 which came into operation on 6th October. Deductions were allowed for the estimated cost of maintenance of buildings, plant, machinery, and other property where maintenance had been deferred because of the war. Deductions were also allowed for expenditure in effecting alterations to plant and machinery for war purposes, and in reconverting them later for civilian production. These deductions replaced the usual depreciation allowances. Under pressure from the Associated Chambers of Manufactures, further minor concessions were granted in April 1946. The most important were deductions for research expenditure. Payments made to research institutions and capital expenditure on both scientific research and on buildings for research purposes were made allowable deductions under certain conditions. As partial compensation for the high post-war cost of machinery and to help potential exporters of manufactures a special depreciation rate of twenty per cent was allowed on income-earning plant and machinery acquired within five years from 30th June 1945.¹

In addition to the taxation arrangements for research expenditure, the commission was itself involved in a small way in promoting research and improved efficiency. Technical assistance was supplied to Industry Advisory Panels, and the work of the Council for Scientific and Industrial Research and the Munitions Supply Laboratories was made available. Following a conference in 1945, a C.S.I.R. proposal to form a National Association of Testing Authorities² was accepted by the Government. Some store had been placed on a Tariff Board investigation of "Efficiency and Costs of Production in Australian Industries", but the report which was presented in May 1946 was of no assistance. The board had no

⁹ G. G. Moffatt, *Import Control and Industrialisation: A Study of the Australian Experience* (1970).

¹ The committee continued to operate after the war, and, as a result, concessions were granted covering the cost of overseas visiting consultants and technicians in 1946, and in 1947 allowances, which had previously only been available for gold-mining, were extended to the metal-liferous mining industry.

² The association was formed to co-ordinate the work of and to register the various testing authorities which were scattered throughout the Commonwealth. The Commonwealth and State government subsequently approved the association's constitution, and the first meeting of the Governing Council was held in Feb 1947.

suggestions of its own to make and merely collected a number of well known assertions about the reasons for relatively high costs in Australia.³ Of greater long-term significance were the research grants scheme and the decision to establish the Australian National University.

THE ROLE OF EXPORTS

Before considering the promotion of particular secondary industries, attention should be given to the effort that was made to extend the market for Australian manufactures. While secondary industries were expected to carry the burden of creating new employment opportunities in the private sector, the forecasts of 1944 were that existing industrial capacity would be more than adequate to meet domestic demand. Export promotion was one way of dealing with over-supply, and in partial consequence an inter-departmental Export Committee was established in May 1944. But formation of this committee was also linked with the attempt to reallocate manpower resources, screen reciprocal aid, and meet Australia's U.N.R.R.A. commitment in the Far East. A short digression is necessary, therefore, to sketch the background.

It will be recalled that in order to conserve manpower the War Cabinet in April 1942 had decided to discontinue munitions exports except for certain supplies required by Australian troops abroad. The decision was not followed strictly by the Department of Munitions, and the War Cabinet found it necessary to cancel new overseas contracts in April 1943 and impose rigid control of the assignment that was permitted. On this occasion the instructions were followed, but Munitions continued to resent the loss of entrepreneurial opportunity.

As soon as circumstances permitted, the case was reopened. The opportunity was provided by a visit, from December 1943 to February 1944, of representatives of the Eastern Group Supply Council who sought relaxation of export restrictions. The case submitted by Munitions and Supply in support of the E.G.S.C. view was based partly on the old argument that war production could be allowed to run on, without absorbing new manpower, and partly on the contention that supplies of cotton cloth and piece-goods obtained from India might be threatened unless there was a sympathetic response from Australia. Further, it was claimed that requests from the Netherlands East Indies as well as India for such items as blankets,⁴ railway equipment and transmitters offered good prospects for establishing Australian manufacturers in these markets ahead of other suppliers. The submission involved not only manpower considerations but also a basic principle of war policy—the supply priority of the South-West Pacific Area. The Ministers for Supply, Munitions and Aircraft Production concluded by questioning this principle:

. . . the time has arrived for a reorientation of our attitude towards meeting the war needs of other theatres of operations. The threat of invasion has passed and

³ *Parliamentary Paper*, No. 67 (Group A)—F.4627, 24 May 1946.

⁴ Production Executive had already decided to permit the export of 1,000,000 standard blankets to India on the grounds that stocks were adequate and productive capacity was available. Production Executive Decisions 390 and 410, 11 Nov and 6 Dec 1943.

we cannot afford to stand aloof. Officers of the Forces, Government officials and businessmen recently returned from India emphasise that our prestige both in official and business circles has been seriously impaired owing to the failure to meet our commitments. . . .⁵

There was a case for improving relations with the E.G.S.C. and for allowing limited exports of those goods which had been allowed to accumulate in stockpile. Essentially, however, this was a last-ditch stand against the cut-back in war production.

The Full Cabinet approved the appointment of an Export Committee⁶ but shied away from the much needed task of integrating the administration of export control. Thus, the committee was merely added to the existing structure with responsibility for non-military, non-food, non-South-West Pacific Area exports. Its main responsibility was to consider applications for supplies from the E.G.S.C., New Zealand and the Netherlands East Indies; and then in July 1944 the task of screening relief provided through U.N.R.R.A. was added.⁷ However, the Department of Commerce and Agriculture remained in control of food exports as did the Defence Committee of distinguishing between "assignable" and "non-assignable" munitions and of the level of permissible assignment. Reciprocal aid was of course excluded from these arrangements, and was subject only to capacity to supply and financial limitation by the Treasurer. Further, special arrangements had been made in September 1943 for the supply of civilian needs to the Pacific Islands.⁸ The chairmanship of the Export Committee was entrusted to the Minister for Trade and Customs whose department was not directly involved in the administration of war export control, but otherwise the usual device of an inter-departmental committee⁹ was chosen to reconcile the various interests involved. The division of responsibility could be justified by bureaucratic logic and the special knowledge of individual authorities, but as with the larger manpower question the decision-making structure was inadequate to allow rational reconciliation of competing claims. Indeed, the hydra-headed system of export control permitted disputes to flourish, particularly between the Defence and Export Committees as to the definition of "munitions" and authority over "assignable" items.

Proceedings of the Export Committee were in essence a repetition of those of the War Commitments Committee. The Manpower Directorate stressed continuously its fundamental point that exports represented a loss of manpower to the domestic economy, and was opposed to any significant liberalisation of control. War production departments for their part adopted their customary attitude: additional manpower was not involved

⁵ War Cabinet Agendum 77/1944.

⁶ Full Cabinet Agenda 633A and 656; War Cabinet Agendum 77/1944. All were considered by the Full Cabinet on 10 May.

⁷ Full Cabinet Agendum 695; meeting 14 Jul 1944.

⁸ In Sep 1943 the War Cabinet directed by Minute 3033 that the "essential needs of the Pacific Islands were to be fulfilled to the maximum extent possible, having due regard to Australia's own essential requirements". For this purpose a Pacific Supply Division was established within the Department of Supply and Shipping.

⁹ Membership was drawn from Treasury, Munitions, Manpower, War Organisation of Industry and Supply. Reconstruction and Commerce and Agriculture were co-opted, while departments interested in particular items attended.

in allowing existing production to continue, and for post-war full employment every effort should be made to establish overseas markets for manufactures. The difference was the chairmanship of Senator Keane. Far from providing the impartial arbitration as envisaged, the Minister for Trade and Customs, with the post-war ambitions of his own department in mind, brought to the decisions of the committee a distinct bias in favour of export expansion. Initial priority was given to mending fences with the E.G.S.C. With the lifting of the export prohibition against "non-assignable" munitions, the committee pushed hard for the completion of old orders and the clearances of surpluses held in Australia. But its efforts to take a global view of its export control authority were resisted. As far as "non-assignable" items were concerned, the Defence Committee reserved its right to retain authority over the assignment of munitions which were within the current consolidated programme and could not be spared from available stocks. In these circumstances the Export Committee made recommendations and acted as a channel for the transmission of orders; its executive authority was limited to those occasions when orders could be filled by drawing on excessive stocks or when the item required was outside the consolidated programme. In the case of commercial export orders which hitherto had fallen within the jurisdiction of Commerce and Agriculture, that department was persuaded to surrender its authority to the extent that orders in excess of £25,000 were to be submitted to the committee for approval.¹

Useful work was undertaken by the committee to facilitate the supply of items urgently needed by India, the Netherlands East Indies, and New Zealand. Among the first consignments approved were 2,800,000 blankets and "comparable quantities" of socks and singlets for India, 64,000 tons of cement for use by United States forces in India and China, and locomotive headlight bulbs for Indian railways.² Initially approvals were closely related to the availability of items from stock. Thus, an Indian request for a large quantity of bone or plastic buttons was modified to an approved order for 25,000 gross brass buttons. Consistently rejected were requests for building materials and most types of steel goods. However, a consignment of rubber (other than tyres and tubes) was sent to New Zealand despite the desperate local shortage. By August the committee was using more flexible principles. In addition to availability from stock, it had decided that, in general, approval would be given if the item could be produced in a munitions factory located in a country district where surplus manpower was available, if it could be supplied from "run of work" production without *additional* manpower, and if it could be made available with minor adjustment of production and manpower.³ These principles were developed specifically for the purpose of examining a shopping list with a budget of £30,000,000 for civilian relief and recon-

¹ Second Report by chairman of the Export Committee to War Cabinet, War Cabinet Agendum 415/1944, 23 Aug 1944.

² War Cabinet Agendum 365/1944.

³ War Cabinet Agendum 415/1944, 23 Aug.

struction in the Netherlands East Indies. While the circumstances of the Netherlands East Indies warranted sympathetic consideration, the principles reflected plainly the argument in favour of making use of available capacity so frequently employed by Munitions and Supply to resist compression. The War Cabinet reminded the committee of the priority of the South-West Pacific Area,⁴ and occasionally cancelled an order which had received the committee's approval.⁵ Even though Netherlands East Indies orders were slashed and stringent tests applied to orders for civilian goods, the tendency to approve consignments of military goods represented a small but distinct leakage from manpower reallocation intended for reconstruction.

The role of exports in reconstruction was the main subject of a War Cabinet submission by Senator Keane in August 1944. In support of a specific allocation for exports in the 1944-45 manpower budget, the Minister argued:

Australia's geographic situation is such that it is likely to be a focal point in war supply until the final cessation of hostilities against Japan. It is unlikely that other Empire and Allied countries will need to keep all their resources active for the purpose of continuing the Pacific War when the European War closes or diminishes. Surplus capacity in those countries arising from partial demobilisation of forces or industrial effort will be available for the improvement of civilian standards and for development of the export trade. If Australia makes no provision for exports now and progressively as the war develops in our favour, it is likely that we will commence the post-war period with the Netherlands East Indies and other prospective markets already well developed and supplied by our trade competitors.⁶

The argument was based on three assumptions: the expectation that the war in the Pacific would drag on well after the end of the war in Europe; the export of military equipment and relief supplies would incline importers of manufactures in Australia's favour in the post-war period; and the case for export expansion was sufficiently strong to warrant a high priority rating. As noted earlier, the Production Executive accepted that a case existed but accorded exports a low priority. The submission for an allocation of 14,500 men and 5,800 women was amended to read 8,100 men and 4,300 women in the original manpower budget of 1944-45. In the revised budget of February 1945, the allocation of men was reduced to 4,000. Most of the smaller allocation was in fact achieved because labour was simply retained in war production establishments. The allocations made possible a small contribution to relief and reconstruction in the Far East, especially in the Netherlands East Indies. Notable among the consignments at the end of 1944 and early in 1945 were large quantities of machine and hand tools, railway equipment, concentrates of zinc and lead, and clothing and woollen goods. But labour shortage reduced the export programme to an exercise in tokenism.

⁴ War Cabinet Minute 3732, 23 Aug 1944.

⁵ For example, 400 kerosene refrigerators for the Eastern Group Supply Council.

⁶ War Cabinet Agendum 415/1944, 23 Aug.

Leaving aside the manpower problem, reliance on the Export Committee remained a crucial weakness in the development of post-war export policy. Representing sectional interests as it did, the inter-departmental structure was inappropriate. For a systematic examination of those products which were likely to achieve export penetration after the war, an expert authority was required along the lines of the Tariff Board. In the event the Export Committee relied on the convenient but invalid assumption that wartime exports could lay the foundation for post-war trade. Officials in the Department of Post-War Reconstruction recognised this weakness, but the department was not a powerful voice on the committee. In any case research officers were sceptical of the success of any attempt to estimate comparative costs. The exercise would have been difficult, but there was sufficient evidence to indicate that steel and related industries were capable of export development.

During 1945 attempts were made on several occasions to create machinery suitable for the development of the export trade in manufactures. Establishment of an Australian Export Trading Corporation was proposed by the Secondary Industries Commission and endorsed enthusiastically by Dedman. Functions of the corporation were: to obtain orders from overseas, place orders with local manufacturers, assemble goods and equipment which could only be supplied on a sub-contracting basis, underwrite production in excess of overseas orders in hand, hold stocks against subsequent sale, undertake shipment and delivery of goods, guarantee payments of manufacturers, and undertake market research.⁷ As the scheme cut across existing bureaucratic interests it received stiff opposition, and was submitted to the death-watch of a Cabinet sub-committee. Coombs attempted to revive it in 1947 but without success.

In June 1945 the Minister for Trade and Customs broached the subject of the division between his own department (which was concerned with imports) and Commerce and Agriculture (normally responsible for exports). Senator Keane suggested a partial merger of the trade components of the two departments by reconstituting the Export Committee as a standing committee on trade policy, or by setting up a board of trade.⁸ This was much too close to a take-over of Commerce and Agriculture by Trade and Customs, and in self-defence the former department insisted that all that was necessary was a strengthening of the Trade Commissioner Service. This proved to be the line of least resistance: in October 1945 the Government announced the first of a series of trade commissioner appointments which ultimately improved the service, but the question of reorganising trade policy sections was deferred.

MOTOR VEHICLES

As with planning in other sectors, the manpower shortage seriously restricted preparations for industrial conversion. Rigid controls were maintained until May 1944 when the Full Cabinet permitted an element of

⁷ Full Cabinet Agendum 838, 24 May 1945.

⁸ Full Cabinet Agendum 869, 19 Jun 1945.

relaxation. In response to a request from General Motors-Holden's to be allowed to engage in active post-war planning (including production of a pilot model of a car), the Cabinet agreed that in special circumstances planning could proceed for the production of those goods "essential in the immediate post-war period". It instructed, however, that there was to be no general diversion of manufacturing capacity from the war economy, and that the Secondary Industries Commission and the New Manufactures Section of War Organisation of Industry were to determine jointly the industries or products which were to receive sponsorship.⁹ However, manpower remained the stumbling-block, and by the end of 1944 little tangible progress had been made. At the beginning of 1945 Post-War Reconstruction submitted a request for 8,000 men to be allocated to essential civilian manufacturing in the revised manpower budget of 1944-45, and another 9,000 for reconstruction planning. Actual allocations were 2,000 men each. Thus, before V-E Day the scale of re-equipment and rebuilding was of negligible proportions. The scale of physical preparation accelerated in the final months of the war, but the achievement still fell well short of the target.

Although the paper planning was not matched by an inflow of resources, a few of the projects undertaken by industry panels, *ad hoc* committees, and the Secondary Industries Commission itself were ultimately of considerable significance. Easily the most important was the agreement with General Motors-Holden's for the production of an Australian car. Indeed, the future of the motor vehicle industry was the dominant consideration of secondary industries policy from 1943 onwards. From the outset the objective was the production of a substantially all-Australian passenger vehicle and, hopefully, trucks and heavy equipment. An Australian motor vehicle industry was expected above all to offer substantial employment opportunities, but would also strengthen defence capacity, save foreign exchange, and make use of munitions buildings and equipment (and the engineering skills associated with them).

The story had begun in 1936 when the Lyons Government announced the imposition of restrictions on the import of motor vehicle chassis, and its intention to offer a bounty on the local production of motor engines. At the same time the Tariff Board was instructed to report on the best means of achieving domestic production of engines and chassis, for in the interwar period the industry consisted largely of body-building and assembly of the complete car from imports of chassis and engines. In 1938 the board advised against attempting to achieve complete local manufacture in one step and, although it believed that certain chassis parts could be produced without increasing the already high price of cars, it was unable to agree on an appropriate course of action. With war imminent the Government took the matter into its own hands. The *Motor Vehicle Engine Bounty Act* of 1939 provided for the payment of a bounty on engine units produced in Australia on condition that the units were manufactured by companies owned or controlled mainly by British sub-

⁹ Full Cabinet Agendum 660; decision 31 May 1944.

jects resident in Australia. Bounties were to be paid on a sliding scale up to a limit of 60,000 engines containing not less than ninety per cent of Australian materials. This was followed by the *Motor Vehicles Agreement Act* of 1940 which authorised an agreement between the Commonwealth and Australian Consolidated Industries Ltd for the production annually of 20,000 engines and chassis which would have had the effect of conferring on the company a monopoly for the time being. For an essential feature of the Act was that the Government undertook to safeguard the interests of Australian Consolidated Industries against foreign or foreign-controlled companies as well as conferring other benefits such as payment of the engine bounty, offering to purchase a "substantial proportion" of its own requirements from the company for a period of five years, and by maintaining strict import control of chassis and engines.

No formal agreement was in fact made with Australian Consolidated Industries because of the deterioration in the military situation in 1941, and no bounties were paid. But the two Acts remained in the statute book and with them the discrimination in favour of local manufacture. Thus, the first task for the foreign-controlled companies was to convince the Government that the Acts were not in the best interests of the industry as a whole. From the outset the pace was set by two companies: General Motors- Holden's (wholly owned by the General Motors Corporation of the United States except for a small issue of fixed-dividend preference shares held in Australia) and the Ford Motor Company of Australia (a subsidiary of the Ford Motor Company of Canada). Other companies who expressed some interest in Australian manufacture—Nuffield (Australia), Chrysler-Dodge Distributors, and Rootes Limited—played a negligible part in subsequent negotiations.

The events which led to acceptance by the Government of the General Motors- Holden's offer to build an Australian car represent one of the most extraordinary and intriguing episodes of the war period. Some aspects of the General Motors- Holden's decision stood the Labor Party's philosophy on its head. At the beginning of 1944 when post-war plans were taking shape, the Government was determined to go ahead with motor vehicle manufacture in order to create employment and avowed two cardinal principles: to avoid creation of a domestic manufacturing monopoly (whether Australian or overseas owned) and to secure substantial Australian equity in the concern if overseas participation was found necessary. By early 1945, when acceptance of the General Motors- Holden's offer was announced, these principles had been discarded in favour of one overriding concern—employment. While the formal record of the decision-making process is complete, uncertainty remains about a number of key steps. The following account traces the formal steps that were taken, and suggests a number of reasons for the unexpected result.

The stage was set by a special Tariff Board report of April 1943 which was intended to update the 1938 report. Board members disagreed as to whether local production should be undertaken in one step or step by step, and uncertainty was expressed about the capacity of the market to

support sufficiently large-scale production. But the board left no doubt that domestic manufacture of the complete unit could and should be undertaken. The main issue raised was the future of the *Motor Vehicles Agreement Act*. The board believed that Australian Consolidated Industries had the capacity to undertake motor vehicle manufacture but would be handicapped in a number of ways, mainly in not having ready access to technical data, plant and equipment. On the other hand, some of the necessary machine tools could be obtained for the first time from Australian sources. On balance, the tone of the report was against relying on Australian Consolidated Industries and the Government was urged to declare its policy as soon as possible.

No further formal action was taken until the second meeting of the Secondary Industries Commission on 2nd December 1943. With a minimum of exploration the commission reached the conclusion that the manufacture of a complete car could be undertaken in Australia and "in view of research facilities available overseas" the Government should not itself become involved in production. The unambiguous message was that overseas assistance should be sought. The Full Cabinet lost no time in authorising a technical investigation by the commission, and a legal examination by the Attorney-General of the implications of the *Motor Vehicles Agreement Act*.¹ In March the commission recommended abolition of the two Acts and the issue of an invitation to prospective manufacturers to submit preliminary plans for the local manufacture of car engines and chassis. Chifley supported the repeal of the Acts so as to assist the forthcoming "fourteen powers" referendum campaign and to avoid creation of a monopoly in the industry.² Cabinet deferred the question of repeal until the Attorney-General's legal report was in, and added:

With regard to the establishment of new industries generally, Cabinet approved of the principle that where Australian capital is available the investment of foreign capital should not be permitted. Where sufficient Australian capital is not available, control is not to be made too rigid with regard to foreign capital.³

While Chifley as Minister for Post-War Reconstruction was responsible for the submissions, the crucial influence of the chairman of the Secondary Industries Commission was unmistakable. Jensen had won Chifley's respect and confidence when the latter was Minister for Defence briefly in one of the Scullin Governments, and during the war confidence and respect were renewed. Jensen had made up his mind that Australia needed its own motor vehicle industry after the war and that General Motors-Holden's was the firm best qualified to undertake the project. He also believed, as did a number of others, that the General Motors Corporation would take a lot of convincing. Jensen therefore set himself two immediate tasks. The first was to give as much encouragement and help as possible to L. J. Hartnett, his associate in the Department of Munitions, who had been Managing Director of General Motors-Holden's since 1934. The second

¹ Full Cabinet Agendum 588, 14 Jan 1944; meeting 24 Jan.

² Full Cabinet Agendum 588A, 24 May 1944.

³ Full Cabinet meeting, 27 Mar 1944.

was to use his considerable experience and skill as a senior public servant, and his influence on Chifley, to prevent Cabinet from imposing conditions which he believed the General Motors Corporation would find unacceptable. Thus the reference in the March 1944 submission to the potential Australian Consolidated Industries *monopoly* was intended to evoke a standard Australian Labor Party reaction, but it ignored the established fact that only one manufacturer would be required for the foreseeable future. The softening of the line on foreign investment was also an important concession.

Jensen's next task was to fend off a move by the Minister for Trade and Customs to obtain Australian, indeed Government, control of the industry. Senator Keane proposed in May 1944 that because of the defence significance of motor vehicles the Commonwealth should exercise direct control through the formation of a company in which the Government would have a fifty-one per cent equity, and that a Cabinet sub-committee be formed to explore the matter further.⁴ Jensen objected to both the Commonwealth-controlled company and the sub-committee, but Keane secured his sub-committee.⁵ But when the sub-committee reported in September, the question of government participation was relegated to a last line of defence and there was no mention of restriction of foreign ownership or control. Instead, the sub-committee produced a package, which Cabinet endorsed,⁶ allowing prospective manufacturers to write their own terms with a minimum of restriction. The package comprised (i) a decision to repeal the two Acts which reserved manufacturing rights for Australian Consolidated Industries, (ii) an invitation to interested parties to submit proposals to the Government, (iii) an indication that the Government would, when considering proposals, give preference to a manufacturer who would use government factories for the manufacture of component parts, (iv) an offer by the Government to provide financial assistance by way of freight equalisation to encourage decentralisation. The final part was a statement that the Government would set up its own corporation to manufacture a complete car if it did not receive satisfactory proposals.⁷ Invitations to some eighty firms and individuals in the motor trade were despatched on 5th October.⁸

⁴ Twenty-five per cent of the remaining shares were to be offered to a United Kingdom manufacturer of chassis and twenty-four per cent to the public. Full Cabinet Agendum 588B, 9 May 1944.

⁵ Appointed on 28 Aug, and comprised Ministers for Trade and Customs, Munitions, War Organisation of Industry, and the Treasurer. Jensen, Merrett and Scott of the Secondary Industries Commission also attended meetings.

⁶ Full Cabinet meeting, 12 Sep 1944.

⁷ Full Cabinet Agendum 588C, 9 Sep 1944.

⁸ Sir Laurence Hartnett in *Big Wheels and Little Wheels* (1964) provides a misleading account in Ch. 23 of the circumstances which led to the decision to repeal the two Acts and the issue of the invitation. He records a conversation he had with Chifley as late as mid-Sep 1944 in which the Treasurer is portrayed as not knowing of the existence of the two Acts, or at least as having forgotten about them. Despite the mountain of paper work Chifley was confronted with daily, it is inconceivable that his memory was so short. Since the beginning of 1944 he had been responsible for, or involved in, three Cabinet submissions in which the future of the two Acts figured prominently, and a few weeks before the reported conversation with Hartnett he had been a member of the sub-committee which recommended the repeal of the Acts. Moreover, Hartnett's general claim that his conversation with Chifley was responsible for the intention to repeal the Acts is plainly mistaken.

The letter of invitation, cast as it was in such a general way, can only be explained in terms of uncertainty about the prospect of persuading a company to undertake complete manufacture. There is no record of the deliberations of the sub-committee, but it would appear that members were convinced that the imposition of conditions would appreciably reduce the chance of receiving a meaningful offer. While the degree of genuine uncertainty that existed should not be underestimated, there was a good deal of evidence available to indicate that at least Ford and General Motors-Holden's were anxious to initiate complete manufacture. Since the Tariff Board enquiry of the late 'thirties, the Ford Company had indicated consistently its willingness, under certain conditions, to upgrade its Australian operations. Similarly, General Motors-Holden's through Hartnett had indicated throughout 1944 the firm's ambition to manufacture an Australian car. Both firms strenuously opposed the *Motor Vehicles Agreement Act* which was *prima facie* evidence of their post-war intentions. Indeed, because of the Agreement Act General Motors-Holden's was prepared to offer up to forty per cent Australian equity in any post-war expansion.⁹ To be sure, the attitude of the Australian subsidiaries did not necessarily reflect views of the overseas parents. But it does not appear as though the Secondary Industries Commission provided the Cabinet sub-committee with a balanced assessment. By announcing its intention to repeal the two Acts before negotiations had commenced, and by making plain that minor conditions only would be imposed, the Government declared itself as a suppliant.

General Motors-Holden's submitted their proposal on 5th January 1945. The promptness with which the Government's invitation was accepted was, however, more apparent than real. As noted, Jensen had been encouraging Hartnett since the beginning of 1944 to prepare post-war plans for complete car manufacture. On 7th July Jensen wrote to Hartnett stressing the Government's determination to make the motor vehicle industry the corner-stone of post-war industrial expansion, and added:

As to how that can be accomplished, I turn first to you for an answer because it seems to me reasonable that your company, with its heavy investments in Australia, with full knowledge of the motor car trade and with its own technique, would wish to capitalise upon this desire and enter the field of motor car production. . . .

I am well aware that it would be asking too much for detailed plans . . . but frankly the Secondary Industries Commission would appreciate from you a positive statement as to whether or not your Company is interested in the manufacture of the complete motor car in Australia as an early post-war venture. . . . An answer to this problem will assuredly assist us in designing a post-war plan for the Commonwealth Government in terms of the Commission's charter.

There is no evidence of a similar letter to the Ford Motor Company or other potential manufacturers. Hartnett was not slow to take the point. By his own account he plunged into preparation of a case for submission to the General Motors Corporation. The case was presented in the United

⁹ P. L. Swan, "General Motors-Holden's and the Australian Automobile Industry in Economic Perspective", unpublished Ph.D. thesis (Monash University 1972), pp. 421, 429.

States on 20th September, a fortnight before the Government's formal invitation was issued.¹

The General Motors-Holden's proposal appeared reasonable in all respects and was closely attuned to the informal advice that had been given by the Secondary Industries Commission. The intention was, by about 1947, to produce 20,000 units a year of a medium sized and priced 18 h.p. sedan, and related utility vehicle, of specifically Australian design. The Australian-manufactured component was estimated to be ninety per cent by value (ninety-five per cent by weight). Metal fabrication would be concentrated at Woodville, South Australia, and the production of mechanical parts at Fishermen's Bend, Victoria, thus conforming tolerably to the Government's decentralisation policy. Total capital cost of the expansion was estimated at £2,500,000; apart from a reference to the use of retained profits, the method of finance was obscure. Undertakings sought by the company were fairly modest. The Government was asked to give an assurance that it would not engage in manufacture itself, and that the existing restrictive legislation would be repealed as had been promised.² The company asked that all manufacturing proposals be treated on the same basis, that it be given (i) notice of any tariff changes affecting motor vehicles, (ii) the offer of first refusal to purchase or lease government-owned plant and equipment currently used by General Motors-Holden's, (iii) the right to purchase on favourable terms other equipment to be sold by the Government, (iv) the authority to import, free of duty and sales tax, equipment unobtainable in Australia, (v) priority allocation of foreign exchange for necessary imports and for the overseas travel of engineering and other personnel, and (vi) assistance for freight equalisation. Finally, the company sought relief from undistributed profits tax on the grounds that portion of the expansion would be financed from undistributed profits.³

The Government's reaction was at best ill-considered. The normal procedure would have been to wait for other proposals (it was known that a submission by the Ford Motor Company was in the pipeline) and to consider all of them, or at least those of the major companies, simultaneously. This would have had the obvious advantage of enabling the Government to negotiate on such key issues as the range and suitability of units, the defence significance of plans, the scale and location of production, and foreign ownership and control. But no deadline had been set for the receipt of submissions, and Jensen apparently persuaded the Prime Minister that for the sake of post-war employment no time should be lost in accepting the General Motors-Holden's proposal. All the substantive points were accepted on 3rd February,⁴ less than a month after Hartnett's offer was received and before any other potential manufacturer's case had

¹ *Big Wheels and Little Wheels*, Ch. 24, esp. p. 185.

² Repealed by Act No. 1 of 1945.

³ L. J. Hartnett to chairman, Secondary Industries Commission, 5 Jan 1945.

⁴ Prime Minister to Hartnett, 3 Feb 1945. Only two of Hartnett's requests were not accepted: the advance warning of tariff changes affecting the motor vehicle industry, and the remission of undistributed profits tax. These were not regarded by General Motors-Holden's as crucial.

been heard. Moreover, the Government accepted a General Motors-Holden's stipulation that all firms submitting plans be treated on a uniform basis. This had the effect of tying all potential manufacturers to the General Motors-Holden's terms, or of requiring an extension to General Motors-Holden's of any additional concessions granted in any subsequent agreement. General Motors-Holden's had not only been allowed to deliver a pre-emptive strike at the post-war automobile market, but had succeeded in having its own terms accepted as Government policy.

While not part of the formal agreement, the Government also assisted General Motors-Holden's to finance the expansion. The General Motors Corporation refused to invest additional capital in its Australian subsidiary,⁵ but the Commonwealth Bank agreed to an overdraft limit of £1,500,000 to supplement the firm's accumulation of retained earnings. Subsequently the Bank of New South Wales and the Bank of Adelaide provided additional finance, each with an overdraft limit of £500,000.

On 29th March the Ford Motor Company of Australia submitted in considerable detail its proposal which asked for many more concessions than General Motors-Holden's but offered more in return. The Ford scheme appears to have taken the Secondary Industries Commission by surprise. The precipitate acceptance of the General Motors-Holden's offer was based in part on the supposition that the American-owned company was much the stronger of the two and that the Ford Company would not be able to match its competitor. A technical assessment in 1944 by the Secondary Industries Commission pointed out that the Ford Motor Company of Canada was heavily dependent on its Australian subsidiary for the efficient operation of its factory capacity, and that the establishment of complete manufacture in Australia would have serious repercussions in Canada. By contrast, General Motors-Holden's expansion would hardly be noticed in Detroit. The Ford proposal did reflect the difficulties that would be experienced in Canada, but it was clear that an effort had been made to comply with what the company believed were firm policy guidelines—Australian equity participation, and the development of manufacturing capacity of defence significance. An inter-departmental committee⁶ of enquiry was appointed without delay to examine the Ford Company's scheme, as well as the proposals subsequently submitted by Nuffield (Australia), Chrysler-Dodge Distributors, and Rootes Ltd. The General Motors-Holden's scheme was added to the agenda but, as agreement had already been reached on it, this was academic.

The Ford Motor Company envisaged a five-year development plan at the end of which 25,000 units would be produced annually substantially of Australian components. Total output was to comprise 20,000 cars and related utilities of 30 h.p. V-8 type, and 5,000 commercial trucks. Smaller cars and a range of trucks would continue to be imported to make up a

⁵ Hartnett, *Big Wheels and Little Wheels*, pp. 189-90.

⁶ Membership: W. Scott (chairman), F. T. Merrett (Secondary Industries Commission), H. P. Breen, B. W. Hartnell (Secondary Industries Division, Post-War Reconstruction), a Treasury official (P. W. Nette), a Customs official (L. Crawley), and a Taxation official (P. McGovern).

full range of vehicles. As the Ford locally-made car was to be much larger than the General Motors-Holden's vehicle, it did not comply as well with the Government's objective of reducing local selling prices and in other ways was not as well adapted to average Australian conditions. Further, the Ford Company proposed building up Australian content over a period of years as opposed to the General Motors-Holden's one-step plan. But the Ford intention to manufacture in Australia a medium-sized truck, the equipment for which could be adapted for production of army vehicles, had considerable attraction from the viewpoint of national defence. Moreover, Ford offered Australian equity participation of between forty and fifty per cent, partly in response to what the company believed to be a firm policy guideline and partly because Ford Australia and its Canadian parent were not in as strong a position financially as General Motors-Holden's or its parent.

Many of the concessions sought by Ford had already been offered to General Motors-Holden's and created no difficulties: the right to import capital equipment free of duty, priority in the allocation of foreign exchange, and a higher than normal rate of depreciation on plant and equipment. But others went much further. First and most contentious, Ford requested a capital gift from the Government of about £850,000 so as to limit its overall capitalisation to £7,200,000, the maximum judged by the company to offer a reasonable return on shareholders' funds. Second, the company sought a range of concessions intended to increase sales volume: an increase in the tariff on unassembled chassis, the continuation of import control of all chassis imports irrespective of country of origin, complete or partial exemption from sales tax on locally manufactured vehicles, and preferential treatment in the placing of orders for motor vehicles by government departments. Third, it sought exemption from Commonwealth price control (and similar controls) in connection with the company's activities.

The inter-departmental committee was impressed with many aspects of the proposal and embarked on a detailed examination. But its hands were tied from the outset by acceptance of the General Motors-Holden's offer and the equal treatment clause. To be sure, the Government would have found it very difficult to make a capital gift to a company over which it did not have ultimate control, while freedom from price control could not have been sanctioned. The committee was anxious to encourage the Ford Motor Company as far as possible because of the prospect of a locally-made truck, Australian equity participation, and as insurance against default by General Motors-Holden's. Alternative means of assistance could no doubt have been devised, but ultimately the scheme foundered on the prior commitment to General Motors-Holden's; extension to both companies (and possibly others) of the assistance sought by Ford was judged to be too expensive in view of the fact that the General Motors-Holden's scheme, on its own, involved no direct financial obligation. In November 1945 the company was advised that the Government was unable to agree

to most of the concessions that had been sought.⁷ At the same time the Prime Minister outlined what was described as a counter proposal which offered the company concessions along the lines of the General Motors-Holden's undertaking on condition that Ford initiate the manufacture of car, utility and truck chassis on the basis of a plan which would increase progressively the Australian content from 22½ per cent in the first year to 85 per cent at the end of five years. Involving as it did motor vehicle chassis only, the counter proposal was much less ambitious than Ford's original scheme but was judged to be within the company's financial capability without requiring extensive Government support. Discussions with the Ford Motor Company continued on the basis of the counter proposal, but it was 1948 before the company had recast its own plans sufficiently, and had overcome shortages of materials and equipment, to announce its firm intention of proceeding with a four-stage programme of lifting the Australian content of its vehicles.

The proposals submitted by Nuffield, Chrysler and Rootes were in general terms only and little serious consideration was given them by the inter-departmental committee. Nuffield envisaged the erection of plant for the assembly of parts imported from England and eventually the manufacture of chassis in Australia, but the timing of this development was left open. The Chrysler plan was similar in outline to the Ford scheme, and involved the assembly of 15,000 passenger vehicles in the Chrysler, Dodge, Plymouth and De Soto class (all about 30 h.p.), and 5,000 trucks, to be achieved over a three-year period. Some parts were to be manufactured locally but the programme for increasing Australian content was not specified. Chrysler had not worked out its plan in detail and was not able to give a clear undertaking. The most tentative plan of all was by Rootes which intended to concentrate on small and medium-sized cars, and assembly of trucks; but as intended maximum production was 5,000 small cars, 2,000 medium cars, and 2,000 trucks the scheme bore the stamp of economic inefficiency.

In the development of motor vehicle policy, the dominant consideration was the creation of employment opportunities in the engineering and metal trades after the war. These were branches of industry which had expanded rapidly during the war, and which threatened after the war one of the largest percentage contractions. The Secondary Industries Commission was convinced, fairly enough, that wartime experience in the production of heavy artillery, tanks, torpedoes, machine tools, aircraft and the like had demonstrated the country's technological capacity to embark on integrated motor vehicle manufacture. The commission was also convinced, again with reason, that the large overseas firms who had handled some of the largest and most difficult wartime contracts and who had ready access to the most advanced technology were in the strongest position to initiate the Government's plan. But the crucial decisions lacked professionalism, and the way they were made illustrated the danger of

⁷ Full Cabinet Agendum 588D; meeting 26 Oct 1945. Prime Minister to H. C. French, General Manager of the Ford Motor Co. of Australia, 28 Nov 1945.

relying so heavily on the advice of technical experts. The two vital steps were the issue of the invitation to manufacturers in very general terms, and acceptance of the General Motors-Holden's offer without a detailed investigation and without offering an opportunity to other firms to have their plans considered at the same time and on the same basis. The first was taken without reconciliation between the Labor Party's antipathy towards monopoly and the well-grounded economic judgment that for the foreseeable future the market was only large enough for one manufacturer to produce efficiently. The second surrendered the right to attempt to improve the General Motors-Holden's terms by negotiation on the basis of competing offers. There is no simple explanation of why such important decisions were taken without due process. As noted earlier, uncertainty about the intentions of the manufacturers, a desire to get on with the job, and the influence of Jensen on Chifley played their part. In a broader context, however, the key element was probably the narrow technical preoccupation of the Secondary Industries Commission derived from the Munitions background of most of its members. Relations between General Motors-Holden's and Munitions had been good, and it is clear that Jensen at least had made up his mind that on the basis of technical capacity General Motors-Holden's was the firm for the job.⁸ This judgment could not be disputed. All the evidence indicated that the company was in the best position to make a success of motor vehicle manufacture: it had the largest share of the market before the war, it was in the strongest financial position, it had the best access to advanced technical knowledge, and through L. J. Hartnett it had demonstrated an interest in and capacity for innovation towards the development of a passenger car suitable for local market conditions. But the wider policy implications were ignored as had been the pattern in the Department of Munitions. The choice of General Motors-Holden's to make the inside running was correct; the racing regulations were not.

SHIPBUILDING, TEXTILES AND OPTICAL INSTRUMENTS

No other manufacturing industry received the same attention as the motor vehicle industry, and the great majority made the transition from war to peace without direct government intervention. But important decisions were taken affecting the shipbuilding, textiles and optical instrument industries.

Consideration of the post-war future of the shipbuilding industry was determined almost entirely by defence considerations. The inter-departmental Committee on Post-War Shipping and Shipbuilding formed in January 1944 accepted from the outset the desirability of retaining a substantial proportion of wartime capacity irrespective of the cost disadvantage facing Australian yards. The evident desire was to avoid a repetition of the shipping crisis of 1942, and to secure a greater degree of

⁸ Relations with the Ford Motor Company were not so happy. Broadly, there had been difficulties between Munitions and Ford since the termination of the tank programme. Ford had been given a loan to help construct a tank annexe, and the dispute centred on repayment of the loan following cancellation of the programme.

self-sufficiency in the construction of ships for use in and around Australian waters. The committee also accepted the need for the retention of substantial capacity for repair work. Even the Department of Post-War Reconstruction, often an opponent of non-economic reasoning, accepted the defence argument without serious qualification.

Discussion quickly narrowed, therefore, to three matters: the volume of construction which would be consistent with minimum defence needs, the types of ships to be built, and the form of assistance to be given the industry. The initial proposal of the Australian Shipbuilding Board was ambitious: an expansion in the size of the Australian-registered merchant fleet over a ten-year period from a pre-war figure of about 450,000 deadweight tons to 750,000 deadweight tons. This indicated a rate of construction of 70,000 tons a year, about one-half for replacement and the building of training ships, and the remaining half for net expansion. The proposal was based on two assumptions: the post-war programme should include vessels in the large overseas class, and the growth of traffic would support expansion of the coastal fleet. These assumptions were found wanting by the inter-departmental committee. The indications were that after an initial period of shortage, overseas class vessels would be in heavy oversupply in the post-war period. Further, there appeared to be no need for expansion in the size of the coastal fleet. Thus, the committee settled on a programme which was based on the demand for replacement of existing coastal vessels. It recommended that the wartime rate of construction be reduced over a three-year period to a minimum of 32,000 tons annually (exclusive of naval construction), a figure which it expected would enable shipyards to continue to operate economically and would provide for the regular replacement of the fleet and also a reduction in the average age of ships. The committee did not rule out the possibility of some increase in the size of the fleet, but this was left for future consideration by the Department of Supply and Shipping when more evidence was available about the trend of coastal traffic after the war.

As replacement of the coastal fleet was to be reserved for Australian shipyards, the committee reached the conclusion that the payment of bounties to the extent of equalising overseas and local costs of construction was the appropriate method of assisting the industry. This method had the advantage of removing upward pressure on freight rates originating from higher Australian costs of construction.⁹ While the primary intention was to improve shipping standards along the coast, the committee's recommendation that no ship be licensed for the interstate trade after it reached twenty-five years of age was an additional element of protection for shipyards in so far as greater continuity of replacement orders was assured.¹

The committee's report was referred to a cabinet sub-committee,² but

⁹ In 1944 Australian construction costs were estimated at about £60 per ton compared with £30 to £40 per ton in the United Kingdom.

¹ Report of the Inter-Departmental Committee on Post-War Policy for Shipping and Shipbuilding, Oct 1944, War Cabinet Agendum 76/1945.

² War Cabinet Minute, 27 Feb 1945.

in the event few changes of substance were made. The Full Cabinet decided in August 1945 to maintain a merchant ship construction programme in peacetime of 32,000 gross tons annually for "defence purposes and, because of the widening Australian industrial structure, [the maintenance of] the level of employment and the continued utilisation of resources built up in wartime". Freight and charter rates for interstate traffic were to be controlled, and the purchase price of Australian-built ships subsidised (although no specific rate of subsidy was nominated at this stage). Registration of interstate ships was to be limited to those under twenty-five years of age, subject to the right of the Minister to approve exceptions. For the control of the peacetime programme, the Australian Shipbuilding Board was to be reconstituted by statute. In addition, the Cabinet authorised in principle a naval production programme as an "essential accompaniment to the planned merchant programme"; but a decision on the scale of naval construction was deferred pending consideration of the size of the Australian Military Forces in peacetime.³ These were long-range decisions which were intended to assure the industry that it would not be allowed to disintegrate as after the war of 1914-18. The industry's immediate post-war future was assured by completion of the wartime programme.

There were several pressing reasons for early consideration of the post-war future of the textiles industry. First, peacetime employment in the industry was notoriously unstable, and the resumption of import competition after the war could threaten a large number of jobs (particularly women's jobs). Second, Australia remained heavily dependent on imports of cotton yarn and piece-goods, and there was a case—at least on defence grounds—for a substantial lift in the proportion of the cotton-goods market supplied from local production. Third, wartime developments in the manufacture and use of artificial fibres revealed more clearly than before the threat to the future of the wool industry. Thus, there was a strong case for increased government support for research in wool technology. Fourth, domestic manufacture of synthetic fabric was a negligible proportion of total consumption, and a decision was required as to whether this branch of the industry was to be encouraged.

The original intention appears to have been to conduct a comprehensive examination of the requirements of the industry. A Textiles Advisory Panel was appointed in November 1943 (the first of the Secondary Industry Commission's Panels to be appointed) with a general brief to consider the needs of the woollen, cotton, knitting and synthetic branches of the industry, and to recommend as a matter of urgency the provision of research facilities including the establishment of a textiles college. A number of specific recommendations followed, and a few general papers were prepared by the Secondary Industries Commission. But the industry was not subjected to systematic examination, and the only general policy that emerged was that the industry should respond to the post-war situa-

³ Full Cabinet Agendum 900; meeting 28 Aug 1945.

tion in its own way without the prospect of additional tariff protection. The rationale appears to have been that the industry was already highly protected, and that on economic grounds and because of current trade negotiations an increase in the tariff was not justified; if employment difficulties arose these would be dealt with through the budget or the National Works Council. In short, the Government preferred to restrict its attention to a few matters of immediate concern.

The first such matter was the strengthening of training and research in textiles technology, with particular reference to the wool industry. Following a report by the Textiles Advisory Panel early in 1944, the Government accepted a recommendation to equip the Higher Textile Training College at Geelong, Victoria, with a "balanced plant", and to establish training schools for operatives in Sydney and Melbourne. On completion of the Reconstruction Training Scheme,⁴ buildings and plant were to be taken over by the respective State governments. A further report by the panel on wool research and promotion led to a comprehensive scheme for an increase in the allocation of funds for these purposes.⁵ In November 1944 the Government announced its proposal to increase the tax on wool from 6d. to 2s. per bale for research and promotion, and to match the amount so collected with a government payment into a Wool Research Trust Fund. Not less than one-half of the proceeds of the bale tax was to be paid into the trust fund by the Australian Wool Board so that research (mainly by the Council for Scientific and Industrial Research) would receive not less than three-quarters of total funding; the remainder would be available for promotion by the Wool Board. These changes were incorporated in the *Wool Use Promotion Act* of 1945 which in addition reconstituted the Australian Wool Board as a corporate body and established the Wool Consultative Council to advise the Government on all matters affecting the wool industry.

The second matter sprang from a proposal by Burlington Mills (Australia) Limited to develop rayon and nylon fabric manufacture using the munitions factory at Rutherford near Maitland, New South Wales. The proposal had a number of attractive features. No artificial fibre was spun in Australia, and local weaving represented a nominal three per cent of total consumption of 83,000,000 yards in 1939-40. There existed therefore considerable scope for import saving, although initial planned capacity was only for 3,000,000 yards. The company estimated that it would be able to produce at a price which would be more than competitive with imports without the imposition of a protective tariff. Existing customs duties were low and for revenue purposes only. Establishment at Rutherford would make use of a cartridge-filling factory no longer needed for war purposes, and would assist decentralisation and provide women with work in an area deficient in female employment opportunities. Initial capitalisation would be a modest £300,000, with one-half the equity available for Australian subscription and the remainder for Ameri-

⁴ Part of the general scheme described earlier, Ch. 23.

⁵ Full Cabinet Agendum 741; meeting 25 Sep 1944.

can interests. Finally, the promotion would secure access to American equipment and technical knowledge.

On the debit side, the Capital Issues Advisory Committee pointed out that the American interests would have effective control as their fifty per cent equity would be held in a block, and it appeared that a high price was to be paid for goodwill. The committee argued that the Government should press for no less than sixty per cent local equity, and should canvass Australian-owned companies for alternative proposals. Although not part of the committee's report, the point might have been made that the company's cost estimates had not been independently assessed and that there appeared to be good reason to suppose that once the project had been launched an approach to the Tariff Board would be made for protection on infant industry grounds.

These and other less important reservations were set aside by the Cabinet sub-committee on Secondary Industries, and the Full Cabinet gave the venture its unqualified blessing in May 1944.⁶ The agreement between the Government and the company specified that the project should commence by the end of 1944; the Rutherford factory was to be made available on lease for an initial period of five years with an option to the company to continue the lease for another five-year period or purchase at an agreed price. The dominant reasons for the swift acceptance of the Burlington Mills offer were (i) the prospect of providing about 6,500 women with employment in a country district, (ii) the opportunity for making use of a munitions factory which had become redundant, and (iii) the addition that would be made to the range of manufacturing industry. Concern about the ultimate economic efficiency of small-scale rayon weaving and about the appropriate percentage of Australian equity was, in the context of 1944, far less important.

The work of the Cabinet sub-committee on Secondary Industries and the Secondary Industries Commission touched on a wide range of other industries and sub-industries in piecemeal fashion. Frequently the decision was that no action was required, or that the Government should not or could not become involved. When Government assistance was thought to be necessary, this was normally restricted to the immediate problem of peacetime conversion; acceptance of a long-term commitment was rare.

Optical munitions was one of the first industries to be refused assistance. The development of optical instrument manufacture was one of the outstanding technical achievements of the war.⁷ With no previous manufacturing experience and with very little technical assistance from abroad, a high degree of self-sufficiency had been achieved by 1942-43 in the production of optical glass, lenses, prisms, searchlight mirrors and associated instrumentation. By the end of 1943 the primary military need for instruments had been met, and in December 1943 the Secondary Industries Commission appointed an Optical Industry Advisory Panel to explore

⁶ Full Cabinet Agendum 618A; meeting 10 May 1944.

⁷ Mellor, *The Role of Science and Industry*, Ch. 12.

post-war possibilities for the industry. The panel reported in April 1945 that the industry could not continue on the basis of defence orders, and that if a sufficient number of skilled operatives was to be retained the industry would have to develop commercial products. The panel believed that, while the commercial risk was high, the development of a number of commercial prototypes was justified. But the Secondary Industries Commission had made up its mind that an indigenous optical instrument industry would not be economic, and refused to sponsor a modest request for £2,500 for the development and testing of commercial prototypes. For the time being this put an end to the hopes of a commercial optical instrument industry. The Secondary Industries Commission might well have been correct in its economic judgment, but its refusal to support small-scale experimental work and to gather more evidence to test its judgment was more difficult to defend.

Some information was also collected on the problems facing manufacturers of electric motors, plywood, furniture, refrigerators, radio and signal equipment, and stoves and ovens. In each case the commission was unable or unwilling to offer assistance. The main problem facing manufacturers of plywood and furniture was shortage of labour and materials. A suggestion by the Plywood Advisory Panel in 1947 that the Government and private industry should jointly develop the Bulolo-Wau area of New Guinea for the production of plywood was rejected. A perennial problem facing the furniture industry—the manufacture of shoddy lines—was outside the commission's responsibility and was referred to the Standards Association of Australia. In the case of electric motors, refrigerators, radio and signal equipment, and stoves and ovens, the commission found that there were no serious conversion problems facing manufacturers.

In a number of other areas the commission played the role of passive midwife, rarely influencing the course of events. It gave its blessing to the conversion of synthetic ammonia plants at Albion and Ballarat, Victoria, Mulwala and Villawood, New South Wales, for the production of nitrogenous fertiliser. However, the initiative came from the Directorate of Explosives Supply in Munitions and Imperial Chemical Industries of Australia and New Zealand Ltd. Through the inter-departmental committee on motor vehicles, assistance was given to the proposal by International Harvester Co. Pty Ltd for an increase in the Australian content of its tractors. The commission played a part in sponsoring in 1944 the manufacture of bicycle fittings and spare parts by British Tube Mills (Australia) Pty Ltd, a proportion of the components to be made by the small arms factory at Lithgow. And it helped provide factory space for the development of newsprint manufacture in Tasmania. In short, the Government's involvement in the detailed problems of transition facing secondary industries was limited and highly selective.

DISPOSAL OF MUNITION FACTORIES

Public discussion in 1944 of the post-war future of government munitions factories divided along traditional political lines. A number

of Ministers made no secret of their ambition to retain control of all factories so as to extend the range of public enterprise. The Minister for Munitions appeared to be stating settled Government policy when he declared in February that:

If Commonwealth establishments are to be maintained in a state of efficiency and operated along economical and profitable lines, it is essential that the Government should be permitted to enter into industry on a strictly commercial basis in supplying civilian needs.⁸

The Prime Minister immediately supported Makin in a statement which changed the emphasis but not the substance:

. . . it appears to me that the vast capital investment the nation has made in the complete equipment of industries for war should not be sacrificed but should serve as the foundation on which any similar situations could be more completely dealt with.⁹

Business interests could not fail to read such statements as a prescription for socialism, and for the development of public manufacturing in direct competition with private industry.

However, no formal decision was taken. A Cabinet submission by the Department of Post-War Reconstruction had urged in November 1943 the retention of all government factories, their separation from departmental control and the Public Service Board, and the creation of a registered company wholly owned by the Commonwealth which would operate the factories on a commercial basis.¹ But there were legal doubts as to whether the Commonwealth had the constitutional authority to operate commercially in peacetime in this way, and the proposal was deferred pending the outcome of the "fourteen powers" referendum of August 1944 which included a power to enable the Commonwealth to make laws with respect to "the production and distribution of goods".

Before the referendum, however, a less doctrinaire approach had emerged under the influence of the Secondary Industries Commission. The commission had reached the conclusion that the Government would not need to retain all factories for defence purposes and argued that a proportion could be leased or sold to private industry without reduction of the country's future defence capability. It also accepted the general view that post-war manufacturing capacity would exceed demand for industrial goods, and counselled against heavy government involvement in non-defence manufacturing; these views were reinforced by the commission's own preference for private enterprise. As described earlier, the lease of the Rutherford factory in May was the first strand of the new approach. Basic principles were defined by the Prime Minister in a detailed public statement on 1st August 1944 which divided factories into three groups: (1) those suitable only for the production of munitions—to be retained by the Government for future defence needs; (2) those not producing munitions directly but representing the nucleus of general engineering

⁸ *Digest of Decisions and Announcements*, No. 74, p. 45.

⁹ *Digest of Decisions and Announcements*, No. 74, pp. 45-6.

¹ Full Cabinet Agendum 564.

plant on which wartime munitions production would depend—to be considered for retention by the Government; (3) those capable of being used for the production of civilian goods—to be either retained by the Government, leased or sold to private interests, or operated jointly by mixed public and private enterprise along the lines of Amalgamated Wireless (Australasia) Ltd depending on the merits of the particular case.² In short, policy would be kept flexible except for nucleus defence establishments classified Group One. Further, Curtin ruled out direct competition between public and private manufacturing. If the Government decided to enter commercial manufacturing, the intention would be to “round out the Australian industrial structure by filling in those gaps which are known to exist, and thereby making Australia more capable of meeting her requirements in manufactured goods”.

Coming as it did shortly before the referendum, the statement had an overt political purpose. But with the rejection of constitutional alteration the three-tier classification of factories remained the basis of policy. The Secondary Industries Commission was left free to advise on the future of those in the second and third groups; in the bulk of cases the commission's advice was accepted in favour of lease or sale to private enterprise. After the referendum the Cabinet appears to have lost interest in the possibility of the creation of a government manufacturing corporation, and there was little subsequent discussion of the retention of key engineering plant or joint public-private enterprise. The Department of Post-War Reconstruction reintroduced the question of separating Group One factories from departmental and Public Service Board control, but this foundered on legal problems and bureaucratic jealousy.³ In 1945 the emphasis shifted to the disposal of Groups Two and Three, non-metropolitan factories, in such a way as to encourage industrial decentralisation.

Indeed, policy moved decisively during 1945 in favour of the lease (or sale) of the bulk of factory space to private industry. The collapse of Germany encouraged belief in a new era of stable international relations, and the political mood was now against the preservation of a large munitions establishment under government control. This mood was reinforced by practical considerations. A large munitions industry would be expensive, and the huge stockpiles of standard items were expected to meet basic peacetime needs for many years. Further, the Secondary Industries Commission argued, plausibly, that war-created capacity would be utilised more efficiently and its military potential maintained if turned over to private industry; capacity for the creation of employment was also expected to be enhanced. Thus, when the Defence Committee as an interim arrangement recommended early in 1946 the retention of forty-five per cent of productive capacity, the Cabinet sub-committee on Secondary Industries decided instead to limit Group One classification to the bare minimum.⁴ The factories in the category were:

² *Digest of Decisions and Announcements*, No. 85, pp. 4-8.

³ Full Cabinet Agenda 564A, 564B and 564C; meetings 20 Mar, 20 Nov and 17 Dec 1945.

⁴ Cabinet sub-committee on Secondary Industries, Decision 40 of 20 Mar 1946 on Agendum 15/1946.

Ammunition:	Footscray, Victoria
Chemical warfare:	Maribyrnong, Victoria
Explosives and filling.	Maribyrnong, Victoria; Mulwala, New South Wales
Ordnance:	Maribyrnong, Bendigo, Echuca, Victoria
Small arms:	Lithgow, New South Wales

With the concentration of parent factories at Footscray, Maribyrnong and Lithgow, this was in substance a return to 1939. The sub-committee's only concession to the Defence Committee was the proposal to retain forty-five per cent of special purpose machinery and the same proportion of general purpose equipment unless the development of manufacturing industry was likely to be affected adversely. But in the absence of factory capacity to utilise the equipment, this concession was of minor defence significance even in the short-term.

The guiding principle in the disposal of factories was that the terms of the lease or sale should be sufficiently flexible to encourage industrial decentralisation. This meant simply that the Government was prepared to reduce the sale price or rental sufficiently to ensure continuity of industrial activity in country areas and in the less industrialised States; it was also willing to give some regional preference in the disposal of machine tools and other equipment. In Sydney, Melbourne and Adelaide, the standard terms of a lease were based on capitalisation of usable factory space at £1 per square foot, with rental determined by applying six per cent to the capital value estimated in this way. Outside these three cities terms varied appreciably, but the rental was normally three or four per cent with possibly some reduction in capitalisation. While the Government claimed this as a major step towards non-metropolitan industrial growth, the concessions were no more than acceptance of the lower level of demand for factory space outside the main cities. Even at the reduced rentals and in the context of a serious shortage of space, disposal of a number of factories was slow—particularly those in more remote areas such as Mudgee and Parkes, New South Wales, and in such localities as Derwent Park on the outskirts of Hobart, a long way from principal markets.

There was a sense of resignation in further efforts to promote decentralisation. It was generally accepted that a serious attack on the problem depended on detailed Commonwealth-State co-operation and the expenditure of large sums of money, but the Commonwealth was not prepared to make a large financial commitment and the States were more interested in competing between themselves for new industries. By the end of the war the Government had encouraged the States to profess an interest in decentralisation, and most had agreed to offer freight, water and power concessions. This exercise in tokenism was matched by the Commonwealth which established a Decentralisation Section within the Department of Post-War Reconstruction's Division of Industrial Development.⁵ At the Premiers' Conference in August 1945 the States resolved to encourage decentralisation to the full extent of their resources, while the Common-

⁵ Full Cabinet rejected in Jul 1945 a proposal to establish a fully-fledged Commonwealth authority to administer decentralisation policy, preferring a less conspicuous intrusion into the field of the States and one without definite financial obligation. Full Cabinet Agendum 892.

wealth undertook to collaborate with the States in all matters of industrial policy, investigate with the States the prospects for developing manufacturing industries in selected areas, and to consider the provision of financial assistance when a project was of national interest and beyond the resources of the State concerned.⁶ This left most of the initiative with the States. In the post-war scramble between the States for new industries, the insubstantial character of decentralisation policy was quickly exposed. To a limited extent the Commonwealth encouraged the competition between the more and the less industrialised States, for one of its important although unpublicised objectives was, for defence reasons, to reduce the industrial dominance of Sydney and Melbourne. A shift away from Sydney or Melbourne was discreetly encouraged, by for example negotiations between the Secondary Industries Commission and Philips Electrical Industries of Australia Pty Ltd for the lease of the Hendon ammunition factory which involved a move for the company from Sydney to Adelaide. In the same vein three factory complexes were sold to State governments so that the States involved could develop the capacity in their own way. The three were the Rocklea ammunition factory, Queensland, Welshpool ammunition factory, Western Australia, and the Derwent Park ammunition and explosives factory, Tasmania. In the case of the large group of factories at St Mary's, New South Wales, the Government decided to develop the industrial estate itself; a proportion of the 900 buildings was reserved for Commonwealth use but by 1949 the remainder was leased to eighty-five private firms. Broadly, however, the Government was not prepared to intervene decisively in the geographical distribution of industrial capacity between or within States.

The remaining disposal principles may be summarised briefly. Leasehold rather than outright sale was the preferred method of transfer of factories to private industry, with an option available to the lessor to purchase on the expiry of the lease. Leasehold enabled the Government to retain some control of the development of the factory site, including resumption in the event of another war. For practical reasons, however, machine tools and other equipment not required for government establishments or the Commonwealth Reconstruction Training Scheme were sold. So long as capacity was fully occupied and offered employment to former munitions workers, only mild influence was exercised over the nature of the firms accepted as tenants. In most cases the locality and former use of the factories dictated post-war utilisation. Thus, the small arms feeder factories in the central west of New South Wales were occupied predominantly by textile and clothing manufacturers; the explosives components of the factories at Villawood and St Mary's tended to be leased to chemical-based firms, while ordnance plant went to metals and automotive manufacturers, for example the lease of the Armoured Fighting Vehicles Directorate factory at Fishermen's Bend, Victoria, for the assembly of Hillman cars and trucks by Rootes Limited. Munitions annexes were usually sold to their wartime

⁶ *Proceedings of the Conference of Commonwealth and State Ministers*, Canberra, 20 to 23 Aug 1945, pp. 69-72.

operators. When the Secondary Industries Commission used its discretion, it was in the direction of encouraging an extension of the range of manufacturing activity, and it was especially anxious to induce overseas firms to commence operations in Australia. It merely echoed the tradition, therefore, of the country's industrial policy.

The peak of disposal activity was reached in 1946 and 1947, and by 1949—when the Secondary Industries Commission was wound up—the work had been completed. The total area of factory building space leased or sold was made up as follows:

Munitions factories	6,190,274	square feet
Munitions annexes	576,982	„ „
Aircraft production factories . .	381,719	„ „
Dehydration factories	179,216	„ „
Grain alcohol distilleries	240,183	„ „
Flax mills	60,774	„ „
Warehouses	570,700	„ „
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	8,199,848	„ „

The total area comprised 80 factories which were transferred to 293 separate firms. The most complex task undertaken by the commission was the development of the St Mary's explosives and ammunition factory as an industrial estate which involved the transfer of 1,000,000 square feet of space to 85 private firms and the planning of a new satellite town west of Sydney. In a commercial sense the commission completed its task quickly and efficiently: the rapid transfer of buildings and equipment, usually on attractive terms, provided a useful impetus to early post-war industrial expansion. In terms of its charter this was all the Secondary Industries Commission was required to do.