THE COMMONWEALTH STORIES VOLUME 1

THE STORY OF THE
COMMONWEALTH OIL REFINERIES
AND THE SEARCH FOR OIL

THE STORY OF
THE COMMONWEALTH RAILWAYS
AND THE NOTE ISSUE

THE STORY OF THE
COMMONWEALTH WOOLLEN MILLS

by

D. J. AMOS

THE COMMONWEALTH STORIES
VOLUME 1

ABOUT THE AUTHOR

Very little is known about the author of the 'Commonwealth Stories' series of books except what can be gleaned from an undated copy of a transcript of evidence Mr Amos gave to 'The Dean Case'. From the transcript it is probable that it was written in 1944.

Mr Amos was born in the late 19th century and served as a front-line soldier in the Boer War and the First World War, but was rejected when he volunteered for the Second World War on account of his age.

He held F.A.I.S. qualifications in accountancy. During the 1920's he studied the subject of money at the Adelaide University. He initially becoming a supporter of Socialism, but later realised the great wisdom in the writings of C. H. Douglas and became a strong advocate of Social Credit. In addition to the five books here republished as 'The Commonwealth Stories - Volumes 1 and 2', he wrote 'The Story of the Commonwealth Bank' which is published separately and several papers on banking and money.

In 1941 Mr Amos published Australia's Balance Sheet, National Credit Account and Revenue Account to illustrate the correct way in which Australia's financial affairs should be managed. In 1950 he produced an updated set of figures showing how a National Credit Account and Balance Sheet should be used. These were distributed widely and their accuracy has never been disproved.

Mr Amos died in a motor vehicle accident. Thanks go to Mr D. M. Beavan of Enfield, South Australia for this brief outline of Mr Amos's contribution to the better understanding of money and of Social Credit.

THE STORY OF THE COMMONWEALTH OIL REFINERIES AND THE SEARCH FOR OIL

(This book was first published in 1935)

BEFORE THE OIL AGREEMENT ACT

Although Australia contains some of the largest deposits of kerosene shale in the world, and companies have from time to time been formed to extract oil from them, they have never been able to compete with the well oil of the great foreign companies. To quote from the report of the Interstate Commission on Shale Oil (17-6-15): 'The difficulties which a local industry has to face are exceptional; its competition with the products of natural oil wells must always be conducted under very unequal conditions.

"The manufacturing cost of crude oil from shale is four pence per gallon; the cost of crude natural well oil would be less than one quarter pence per gallon".

It is therefore not surprising to learn that, in 1916, 'The trade in kerosene and petroleum spirits for the Commonwealth is in very few hands. The Vacuum Oil Co and Texas Oil Co control between them 88% of the sales of kerosene; The Vacuum Oil Co and the British Imperial Oil Co control, between them, 95% of the sales of petroleum.' Altogether, they controlled 98% of the oil trade of Australia, with the result that, between 1912 and 1917, the turnover of the Vacuum Oil Co rose from, in round figures, £2,000,000 to £4,000,000, its profits rose from £300,000 to £488,000 per annum, while its capital was increased from £800,000 to £1,600,000. The price of kerosene rose from 6/11 to 14/6 per case and the price of benzine from 13/4 to 23/8 per case. In 1919 (after the war was over) the price was 16/- per case for kerosene and 26/- per case for benzine.

There were no duties on oil during this period, and the increase in the capital of the company shows that its profits did not go in freights. Said the Interstate Commission, in its Report of Groceries (1918): 'The company had stated that it ran a great many risks, especially with regard to the heavy freights which it was from time to time compelled to pay. In the opinion of the Committee, the company not only passed every risk on to the consumer, but was able, during 1915 and 1916, on a capital and reserves averaging £1,500,000, to make a net profit of £981,000.' In 1917 the accrued profits and reserves of the company amounted to £1,270,588. (Hansard, Vol. 89, p. 12,263-4)

The war record of the British Imperial Oil Co (now the Shell Company) is equally awful. Although the Price-fixing Commission fixed the selling price of petrol high enough to allow this company to rapidly increase its profits and pay very large dividends, it kept applying for higher prices (which it got more than once), and it avoided paying income tax by the methods it adopted in determining the cost price of its goods. Judge Rollin, in 1919, in dealing with a fresh application for an increase in selling prices, said that "the suspicion of the Crown as to the credibility of the witnesses for the company appeared to him to be fairly justified", and in 1921 it was stated in Parliament that the company had, by various methods, been able to avoid the payment of £3,000,000 in income tax. The law had therefore been amended in order to give the Commissioner of Taxation power to require this company to pay income tax on an amount which would fairly represent its Australian profits; but when this was done the company fought the Government from court to court, and even attempted to upset the validity of the whole of the Taxation Acts in order to try and avoid paying its fair share of taxation. ('Argus' 29-10-1926, p. 11; Hansard, Vol. 97 p. 11,937 & 12,108)

In order to escape the exactions of these oil companies, Australia started to search for well oil, and before the passing of the Oil Agreement Act in 1920, much exploratory work had been carried out, and many bores put down, by both the Government and private enterprise. A bore was unsuccessfully sunk in the Coorong of South Australia in May, 1912, and Mr W. Burgess, having made a camp fire while rabbit trapping on Kangaroo Island, found his fire still burning long after the wood had been reduced to ashes. Enquiry into the cause of the phenomenon revealed deposits of elastic bitumen extending for three miles along Murray's Lagoon. These deposits had been known to old-time whalers, who used to visit our southern shores before the foundation of South Australia as a Province. They called it 'dammar', and used to caulk their boats and floor their huts with it. Mr J. Trewartha, mineral surveyor, of South Australia, had reported in 1850 that it did not appear waterworn, and he judged it native to the place. ('Advertiser', 17-9-12, p. 14)

Something like a mild rush now occurred. A large area was pegged out, but nothing came of it, as the Government Geologist reported that the bitumen was cast up by the sea, and that he did not think the necessary geological conditions for oil wells existed on Kangaroo Island. Two years later the South Australian Oil Wells Co., holding 170,000 acres of possible oil lands, let a boring contract to an American syndicate, who landed a drilling rig and commenced operations. By 30th April, 1917 they reached a depth of 4,504 feet at Robe, when, not having found oil, they ceased drilling. At Tantanoola they had the same bad luck; but another company, in the Mount Gambier district, found slight traces of oil at 1,100 feet.

At Roma, in Queensland, the No 2 Bore, put down by the Queensland Government for the Roma Town Council in order to obtain artesian water, struck a fair supply at about 1,000 feet. The bore was deepened in the hope of adding to this supply, with the result that, at 3,683 feet, a flow of gas was struck amounting to 70,000 cubic feet per 24 hours. As the last 1,000 feet of the bore had been lined with a casing of a smaller diameter than the upper portion, the flow of gas was kept from contact with the water by leading it to the surface in the smaller casing, and allowing the water to ascend round it in the larger one. Further boring was discontinued, and the gas was allowed to waste for four years, when it was decided to light the town with it.

The reticulation of Roma having been completed, the mains were connected with the bore in the beginning of June, 1906, but the flow of gas suddenly stopped, owing to some obstruction getting into the smaller casing. In 1909 an attempt was made, under Mr Hamley, a Government engineer, to clear out the bore and recover the flow of gas, but obstructions in the shape of pieces of iron dropped down the bore, 'either through malice or negligence', were continually encountered, and after repeated efforts to clear the bore, the attempt was finally abandoned. (Q.G.M. Journals, 14-1-1905 and 14-10-1911)

In 1905 the Roma Mineral Oil Co was formed, and obtained a Government grant of £2,500, to be refunded if oil was discovered. On 27-10-1908, at a depth of 3,702 feet, they struck a tremendous burst of gas, which rushed from the bore at a pressure of from 200 to 300 pounds per square inch, with a roar audible over a mile away. The gas caught fire and burned with a clear flame 60 feet in height, consuming millions of cubic feet of gas and utterly destroying the company's plant. The fire lasted for five weeks and attracted crowds of onlookers from all over the country. No one could approach nearer than 80 feet to the blaze without a protective shield; but finally a huge extinguisher, lined with asbestos, was built, and by means of a derrick and cable, dropped over the fire, which put it out.

On 27th January, 1909, owing to the caving in of the bore, the flow of gas suddenly stopped, and boring was resumed; but 'certain influences' seemed to be at work, and after three drills had been 'lost' down the shaft the company's funds became exhausted and the bore (known as No. 3) was abandoned at a depth of 3,713 feet. (Hansard, Vol. 92, pp. 1961 & 2123; Q.G.M. Journals)

The Queensland Government now took a hand in the game. They imported a drilling plant and drillers from the United States, and on 29th January, 1916, started a new bore (No. 4), near that put down by the Roma Mineral Oil Co.. When the bore had nearly touched 'gas point' at 3,705 feet (about June 1919), the usual 'accident' occurred, the drill and two feet of the stem being 'lost' down the shaft, completely blocking the bore. The Queensland Government became suspicious. Said the Minister for Mines (Mr A. L. Jones): "It is remarkable that all these accidents happened at the one time and the one depth. On three occasions bores have been sunk. Always when the bore was down between 3,700 to 3,710 feet the 'something' happened. It does seem more than a coincidence". So an Australian driller, Mr Arthur Moore, who had had previous experience with the Inter-Colonial Boring Co. Ltd., was placed in charge of operations at Roma. In attempting to clear out the bore he struck a burst of gas which drove the dropped tools 450 feet up the shaft, where they became jambed in a solid mass. While trying to bore round this obstruction a very heavy oil, like black vaseline, was encountered at 2,815 feet, and this was followed by such a heavy flow of artesian water that further search for oil was abandoned. The bore, after being offered to the Roma Town Council in January, 1923, was sold to the Railways Department for £600. It had cost £36,000. (Q.G.M. Journals)

In Papua, G. A. Thomas discovered a gas spring at Opa in August, 1911, and afterwards similar springs in other localities. He reported his find to the local and Commonwealth authorities, and early the next year seepages of oil were discovered on the Vailala River, about 180 miles west of Port Moresby. A company, called the British New Guinea Development Co., was formed, and engaged a driller named F. C. Grebin, who arrived from America with a small hand boring plant in 1912. But the second Fisher Administration, who were in power at the time, decided to develop the field as a national undertaking, and took over his services and plant from the company. The Commonwealth also engaged the services of Mr C. H. Lock, a driller who had had experience in Russia, Persia, Peru and Sumatra. ('Argus', 9-9-12, p. 13) He pronounced the samples submitted to him as excellent and, with a plant manufactured for him in Melbourne, started for Papua on 17th December, 1912. Grebin and Lock, with the assistance of a third driller named Cypher, put down five bores, meeting with small quantities of oil, and such great bursts of gas that Grebin judged it advisable to suspend work on one of the bores until a reservoir could be constructed to hold the oil when it spouted. ('Argus', 22-5-13, p.15)

On 24th June, 1913, however, the Cook 'Fusion' Government came into office, and if there was one thing more than another that this administration hated, it was national undertakings. They had, of course, no objection to the development of oil fields in Australia, but they wanted the work done by private firms, in which they could hold shares, and the best excuse for the Government abandoning such a promising undertaking would be the plea that they had acted on expert advice from abroad. Dr Arthur Wade, a geologist who had prepared the syllabus for a four year course of training for oil prospectors and engineers at the Royal College of Science, London, and who had been associated with the Anglo-Persian Oil Co. in exploratory and prospecting work in the East (Hansard, Vol. 92 p. 2164), had been recommended to them by the British Government, so they engaged his services to report upon the Papuan oil fields.

The charge has been levelled against Dr Wade that 'he drew one salary from the Commonwealth to find oil, and another from an oil company not to find it'. (Hansard, Vol. 92, p. 2260) This charge must be dismissed as unproven, the only facts that can be ascertained with regard to Dr Wade's activities being (1) that he had previously been associated with the Anglo-Persian Oil Co.; (2) that he was invariably non-committal with regard to well oil (which might compete with that of the Anglo-Persian Oil Co.), and enthusiastic with regard to shale oil (which could not compete with it); (3) that every accident that could possibly happen to his drills in Papua duly occurred; (4) that after five year's experience of him, Hughes stated in the House that he did not know of any really reliable oil experts. (Hansard, Vol. 92, p. 1943) Dr Wade was a distinguished geologist; but as Senator Senior drily reminded the House, "it was a leading geologist who once said that there was not enough silver in Broken Hill to make a silver spoon". On 15th October, 1913, Dr Wade arrived in Australia and his report on petroleum in Papua was received by the Government in August of the next year. He admitted that oil was flowing from the ground in seepages in several places, and he formulated a development policy for the Government to carry out; but he stressed the fact that no evidence existed that the oil was present in payable quantities, that expenses would necessarily be great, and that the development of the fields by the Commonwealth Government would certainly be slow, for financial reasons, while the admission of private enterprise would mean rapid development in several areas at once.

This report, of course, was just what the Cook Administration wanted. It was about to say that the Government was not prepared to gamble with the people's money, but would throw the field open to private enterprise, when, in September, 1914, the third Fisher Administration, which believed in national undertakings, was returned to power, and, as Grebin left the service of the Commonwealth in the following month, Dr Wade was appointed director of the oil fields in Papua. He went there; and from May, 1915, to March, 1920, was personally in charge of the operations, except when he was engaged in reporting upon possible ol fields in Australia. He re-drilled No. 5 bore and put down four others. He never got below 1,800 feet, although much greater depths have been reached on the mainland. He broke his casings; he lost his drills down the shaft; he quarrelled with his drillers (one of them told him to do his drilling himself, as he, the driller, preferred to work under men who knew something about drilling - Hansard, Vol. 87, p. 8837-8); and when he imported expensive machinery from abroad, indispensable portions of it were found to be missing. Mr Lett, one of the original discoverers of oil in Papua, gives us an unfriendly glimpse of him toiling in the primeval jungle. "He is working upon a theory of his own, which has never been adopted or tested in any other part of the world. He has confined his boring operations to a small patch of 400 acres, although the indications of oil are spread over many square miles. In every bore he has found some difficulties, but nothing would persuade him to extend his experiments over a wider area". ('Argus', 12-2-19, p. 5) Dr Wade tapped a lot of gas and also obtained 2,000 gallons of excellent oil during his stay in Papua, but the operations there were costly, and by May, 1920 the Commonwealth had expended £96,000 upon the field.

In 1914 there had taken place a reconstruction of the Anglo-Persian Oil Co., with the British Government holding a majority of the shares, but having only two representatives on a board of sixteen directors. It was imperative for Great Britain to have a supply of oil for her army and navy during the war, and by this means she got it - at a price which was rigidly kept secret 'in the interests of the nation'. ('Argus', 29-6-14, p.6) This great company had kept its eye upon what was going on both in Papua and in Australia, and their representatives proposed to the Hughes Administration to enter into agreements with the Commonwealth both for proving the oil fields in Papua and for refining oil in Australia. The Papuan agreement was to be to the effect that the British Government and the Commonwealth Government should each contribute £50,000 and the Anglo-Persian Oil Co. should supply experts, explore, bore, install storage tanks and pipe lines, and assume full control and direction of all operations.

The company was to supply the Governments with periodical reports, and any oil found was to belong to the Governments. Hughes at first rejected this agreement as being contrary to Government policy (Parliamentary Papers, 1926, Vol. IV, p. 81), but in January 1919, he signed it, and it was ratified by Parliament in July of that year. By means of it the Anglo-Persian Oil Co. was enabled to make an oil survey of Papua at the expense of the two Governments. It might tell them all it discovered there, and on the other hand, it might not. The company's representatives arrived in March, 1920, and took over operations. Dr Wade returned to England - still drawing a retaining fee from the Commonwealth - and his assistant, Mr Langsford (M.Sc., M.M.E., of Melbourne), was appointed Australian representative on the oil fields of Papua, but with no authority over the staff or work. (Public Accounts, Part I, 21-8-25) Let us leave him there for the present, with the hope that he will keep his eyes open.

THE OIL AGREEMENT ACT

The proposed agreement for refining oil in Australia was discussed in Cabinet by the Hughes Administration, and it was arranged that Hughes should consult with the Anglo-Persian Oil Company's directors during his visit to London. Following this consultation, the company sent an accredited representative to Australia to submit a definite proposal to the Government, and on 28th April, 1920, Hughes applied for leave to bring in a Bill for the Oil Agreement Act of that year, which provided, inter alia:

1. - That the Commonwealth should subscribe for and be allotted 250,001 shares, and the Anglo-Persian Oil Co. should subscribe and be allotted 249,999 shares, of £1 each, in order to form a refinery company with a capital of £500,000, to be incorporated and registered in the State of Victoria. (These provisions gave the Commonwealth the majority of shares in the Refinery Company.)

2. - That on any increase of capital, the Commonwealth should be entitled to subscribe so much capital and be allotted so many shares that at all times the Commonwealth should hold a majority of

shares in the Refinery Company. (The capital was increased to £750,000 in 1924, and to £850,000 in 1926, by the issue of new shares, of which the Commonwealth took one half and the Anglo-Persian Oil Company the other half).

3. – That the Commonwealth should have three directors, and the Anglo-Persian Oil Company four directors, upon the board of management of the refinery company, and that the technical and commercial management should be left entirely in the hands of the Refinery Company. (These provisions made the Commonwealth merely a sleeping partner in the firm.)

4. – That the Refinery Company should not enter into, or be in any way concerned in, or a party to, or act in concert with, any commercial trust or combine, but should always be and remain an independent British business. (This is the great saving clause of the agreement as far as the Commonwealth is concerned. Breaches of these provisions may be difficult to prove, but should not be impossible, provided that the right sort of men are placed upon the directorate.)

5. – That the Commonwealth should supply 200,000 tons per annum of indigenous oil – that is, crude mineral oil obtained within the Commonwealth, or within its territories or mandates – as it became available, but until it became so, the Anglo-Persian Oil Co. should supply oil up to, but not exceeding, this amount, *duty free.* (This was a most valuable concession to the Anglo-Persian Oil Company; but if the Commonwealth ever discovered well oil in payable quantities within its own territories, the company would, of course, lose it.)

6. – That the price payable by the Refinery Company to the Commonwealth for indigenous oil, and to the Anglo-Persian Oil Company for crude mineral oil, should be fixed from time to time by agreement between the Commonwealth and the Anglo-Persian Oil Company, and be based upon the contents of the oil. (This dreadful clause practically made the Anglo-Persian Oil Company the judge as to what price should be paid for any oil found within the Commonwealth, its territories, or mandates. The Commonwealth would be at a grave disadvantage in any dispute with the Anglo-Persian Oil Company as to prices based upon the contents of the oil.)

7. – That the price paid to the Anglo-Persian Oil Company for crude mineral oil should not exceed the price f.o.b. paid by the British Government to the company for crude mineral oil. Prices, once fixed, to continue at fixed rates for two years. (The Refinery Company has always steadily refused to state what it paid for its crude oil, and its

director (Mr Greenway), representing the Anglo-Persian Oil Company, when questioned as to this clause before the Joint Committee of Public Accounts, 1924, said that he did not know what it meant, as, to the best of his knowledge, the British Government was not buying any crude oil from the Anglo-Persian Oil Company. ('Argus', 2-11-1924, p.17)

8. - That the Anglo-Persian Oil Company should charge freights at current rates on all oil supplied by it, but that the Commonwealth should have the option to make freight arrangements at lower rates if it could. (The Refinery Company has consistently declined to disclose what it is paying in freights. There are no current rates to Australia from the Anglo-Persian Oil Company's ports; the company has its own fleet of tankers, and makes its own freights. In pre-war times [pre WW-I] freight to the United Kingdom from Persian ports was 36/- per ton; in 1920 it was 308/- per ton. (Hansard, Vol. 92, p. 1937))

9. - That the Refinery Company's selling prices for its oils should be fair and reasonable, and, as long as the Commonwealth considered them so, the Commonwealth should protect the Refinery Company from dumping and unfair competition by importers of refined or crude oil from other countries. (This, of course, was the granting of a monopoly to the Refinery Company, but for reasons stated later on, the monopoly could not be established.)

10. - That the Anglo-Persian Oil Company should be marketing agent for the Refinery Company for sales outside the Commonwealth, at a 10% commission on gross sales. (Therefore, if oil was discovered in lands within the jurisdiction of the Commonwealth, it could only reach foreign markets through the Anglo-Persian Oil Company's hands, and as it thought fit.)

11. - That the Commonwealth should have the option of buying out the Anglo-Persian Oil Company at the expiration of fifteen years from the completion of the first refinery, on giving two year's previous notice. One valuer was to be appointed by each party, and in the case of disagreement, they could appoint an umpire, to be approved by both parties, whose decision should be final. (The Agreement expires in 1939, and the Commonwealth's notice to terminate it would have to be given by March, 1937. One wonders, in that case, what will happen if there is a dispute, and the umpire is not approved by both parties, for by the terms of the Agreement such a deadlock is carefully excluded from disputes which may be settled in the Arbitration Court.)

In presenting this Bill, Hughes stated: "I am responsible for its present form, and, as Attorney-General, I declare that it amply safeguards the interests of the Commonwealth." His conscience - or some other sense - seems to have worried him considerably, however, for in the debate which followed he continually lost his temper. It was pointed out that, even at current prices, the annual cost to Australia would be:

200,000 tons of crude oil at 6d per gallon	£1,200,000
Freight on 200,000 tone at £15 per ton	3,000,000
Total	£4,200,000

During the fifteen years of the Agreement this would amount to no less than £63,000,000; and that while the Anglo-Persian Oil Company stood to make one large profit on the sale of the crude oil, another large profit on the freight, and a third profit on the sale of the refined oil. The last, which would probably be the smallest one, was the only one in which the Commonwealth would share. It was also pointed out that the Anglo-Persian Oil Company was now in charge of the search for oil in Papua, and that this agreement would subject them to a heavy financial loss if they found it! "If we go into this agreement", said Mr Tudor, "Australia will regret it once, and that will be always. The Commonwealth will not have the opportunity of electing the majority of the directors, and the majority of the directors will fix the policy of the company. They can do what they like regarding two things - the cost of the crude oil, which they can fix themselves, and the freight to bring it to Australia. It is far more important that the Government should secure for Australian users of petrol a reasonable price than that it should participate, as a shareholder, in excessive profits made at the expense of the Australian public. When once the agreement is ratified there will be no escape from it for 15 years." (Hansard, Vol, 92, p. 1936)

"The more one examines this schedule", said Senator Grant, "the more one becomes suspicious of its contents. It may be said that the agreement is calculated to break up the Standard Oil Trust and the Shell Company as far as their activities in Australia go. I fear that it will prove that we are only creating another monopoly, and that, so far as providing cheap oil is concerned, we shall be entirely deceived." (Hansard, Vol. 92, p. 2292)

The claim that the agreement would deliver Australia from the clutches of Standard Oil and other oil trusts was indeed the engine used to lever the Bill through the House. It was pushed through in indecent haste, and became law on 29th May, 1920.

AFTER THE OIL AGREEMENT ACT

The initial step of buying a site for the Commonwealth Oil Refineries Ltd., was not undertaken until late in 1921, when an area of 400 acres adjoining the Melbourne-Geelong railway line at Laverton was bought. Kororoit Creek ran through this block, providing water storage facilities, and the tankers conveying the oil from Persia could berth at a wharf in the Yarra, near Newport. This wharf, and a transit site of five and a half acres, were also obtained by the C.O.R.. A 10,000 gallon tank was built in the transit block, from whence an 8-inch pipe conveyed the oil to the refinery. A railway siding there was connected to the State railway system, and steps were taken to provide fuel oil depots in Melbourne, Sydney and Brisbane, but 'for economical reasons', Western Australia has never been included in the scope of operations of the C.O.R.. The first cargo of crude oil did not arrive until the beginning of March, 1924, but by August of that year the C.O.R. began to put its refined oil upon the market, the price for motor spirit and kerosene being 'the same as that of other companies'. (Hansard, Vol. 107, p. 1436)

This was not at all what the Commonwealth had expected of a refinery established with the express purpose of combating oil trusts, so in November of 1924 it empowered the Joint Committee of Public Accounts to report upon the oil position. The Committee - after it had received a good slap in the face from Mr Greenway, an Anglo-Persian director of the C.O.R., who said: "I do not think that Australia can expect to be supplied with motor spirit at less than world prices. You will understand that this is a commercial, not a benevolent, concern." ('Argus', 27-11-24, p. 17) - turned to its own directors on the board. These were Sir Robert Gibson (of the Commonwealth Bank), Sir Robert Garran (of the Attorney-General's Department) and Norman Lockyer, Esq. (retired Civil Servant), and the Commonwealth was to learn just how much their services were worth.

Sir Robert Gibson admitted ('Argus', 28-11-24, p. 6) that "he did not know who fixed the prices, nor why the price of petrol in Great Britain should be 1/5 per gallon, while in Australia it was 2/3." (What an admirable director!) But in the Committee's report it stated: " The Committee was informed that it would not be in the interests of the company to disclose the prices they paid for crude oil and freights. The Commonwealth directors receive the prices quoted by the Anglo-Persian Oil Company, and after comparing them with prices from elsewhere, make their recommendation to the Government, which either confirms or rejects the offers of the Anglo-Persian Oil Co." One wonders how often they rejected them, because so safe did the Anglo-Persian Oil Company feel with the Bruce-Page Administration in power, with Sir Robert Gibson as Chairman of Directors, and with the other obliging brace of Commonwealth directors upon the board of C.O.R., that they never troubled to keep up their own full complement of four directors, and, "in case of differences of opinion among the executives, an extraordinary general meeting, as provided in the articles of association of the company, could be called, at which the will of the Commonwealth would prevail". During Sir Robert Gibson's chairmanship Australia waited in vain for the extraordinary general meeting to be held.

The contention that the C.O.R. has reduced the price of oil in Australia, though it is sometimes made, cannot be sustained. In every instance the drop will be found to have been caused by trade wars between the various oil trusts, or by the tremendous increase in the production of crude oil, due to the opening up of new fields. On the other hand, the C.O.R. has not taken the initiative in pushing up prices that were already scandalously high, but has been whipped into doing so by the big oil companies, which, owing to their understandings and agreements with the Anglo-Persian Oil Company, the C.O.R. has never been allowed to fight. It has hardly increased its refining operations since 1925, although the quantity of motor spirit supplied by it has risen from 1,841,998 to 12,384,250 gallons. It has become a large importer of oil that has been refined at very low cost in Persia, and which it mixes with the oil which it refines here.

Most of the oil supplied by it is second-grade oil used by commercial vehicles, and retailed at a penny per gallon cheaper than that of other companies. "We adopted the price of other companies for first-grade oil", said the manager of the C.O.R., "because it suited us, and we were not selling much of it". When the chairman of the Royal Commission on the price of petrol (1934) asked the representative of the C.O.R. how he could deny collusion between them and the other oil companies, seeing that they had increased prices simultaneously, he replied that "probably the C.O.R. had been advised of the impending rise". How he reconciled this 'probability' with the clause in the Oil Agreement Act which forbids the C.O.R. to 'act in concert with any commercial trust or combine' he did not state, perhaps because no such reconciliation is possible. ('Argus', 30-5-34, p. 8; 31-5-34, p. 10; 1-6-34, p. 11; 2-6-34, p.17; 21-6-34, p. 10) As to the profits made by the C.O.R., it has declared two dividends, amounting in all to £296,251, one half of which has gone to the Commonwealth Government, and the other half to the Anglo-Persian Oil Company. The remainder of its profits, amounting at the end of 1933 to £212,055, it transferred to its 'reserves'. (Jobson's Investment Digest, 1934)

Let us now return to Papua and New Guinea, where the experts of the Anglo-Persian Oil Company were to search for oil on behalf of the Commonwealth, with the knowledge that if they found it they would inflict a loss upon their company to the extent of some £63,000,000. As previously mentioned, they took charge in March, 1920, and having removed all the equipment from the Vailala River, where Wade had obtained his 2,000 gallons of oil, they commenced putting down bores at Popo, near the New Guinea border, in the intervals of making a thorough geological survey of the country. At the end of 1921 the British Government politely informed Hughes that it had other uses for its money than to waste it on such a farce, and withdrew from the agreement. The Commonwealth bought out its interests in any oil found, but, naturally enough, no oil was ever discovered, though several bores were sunk.

The Commonwealth's representative on the field (Mr Langsford) got on so well with the representatives of the Anglo-Persian Oil Company that the company appointed him their manager in the island, "his duties to the Commonwealth only taking up a couple of days a month" (rather a light view of his duties, perhaps), so that he occupied a dual and somewhat remarkable position. ('Argus', 19-11-24, p. 19) It is hardly surprising, therefore, that a writer in the daily press could state: "One need not go to Papua to be told that the Anglo-Persian Oil Company's mission is to prevent the discovery of oil which might jeopardise its Australian market. 'The company does not want to find oil', says rumour. 'They found it in Upoia, and immediately abandoned the field in favour of Popo, where no oil has been found'". ('Argus', 13-6-25, p.10) To complete their geological surveys, the company borrowed the Australian Air Force, and the 'search' continued, with a couple of intervals, until the middle of 1929, when the 'depression' put an end to it. Up to 30th June, 1929, it had cost the Commonwealth £543,000.

Upon the continent better results were obtained. In the beginning of 1922 a very light oil began to seep into a local well at Beaudesert, in Queensland. The Government geologists reported that it was extremely like 'Light of the Age' kerosene, which was much used in the district, and they considered that oil had at some time or other been lost down the bore. The Australian Oil Corporation, however, secured the oil rights over a large area in the district, and started drilling. They struck gas and some oil at 228 feet, but ceased work as the geologists did not consider the indications favoured the finding of oil in commercial quantities.

The No. 1 bore at Longreach had been put down to supply the town with water as far back as 1897. Ever since its completion a highly inflamable gas, mostly composed of petrolene, had been escaping from the bore, and as the water obtained from it was inadequate to the needs of the community, on 26th May, 1924, the Intercolonial Boring Company sunk No. 2 Bore to increase the supply. On 21-1-25 this bore, at a depth of 3,243 feet, began to throw up, in addition to gas, a heavy petroleum (which quickly cooled to wax) at a rate of half a gallon per hour. Forty or fifty gallons were brought up by the pumps, and sufficient flowed away with the water to be visible along the bore drain for two miles. The indications, however, were not followed up at the time, as Longreach decided that actual water was of more importance to it than problematical oil; but in the latter portion of 1928 the Longreach Oil Wells Ltd. started to put down a bore, and by 1-7-29 they were down 1,700 feet, meeting with quantities of wax. They encountered very heavy oil, both at 2,490 and 3,200 feet. Owing to the high temperature encountered, ice had to be lowered to the bottom of the bore, which began to throw up about three gallons of oil per day; but on November 12th, 1930, the company's activities were brought to an end by the breaking of their crank shaft.

On 15th December, 1923, the Lander Oil Company, which had acquired the oil rights over certain properties at Oralla, near Roma, began to drill No. 1 Bore. There was an official opening of the well, and the Minister for Mines asserted that this time there were going to be no 'accidents'. They appointed, as field manager, a Mr R. E. Allen, who was recommended to them by a Los Angeles Oil Company as a geologist and petroleum engineer who had had considerable experience in America. They struck both oil and gas at 2,200 feet in October of the next year, 545 feet higher than expected, and – the drill stem at once got jambed in the bore, and special machinery had to be sent for from America in order to recover it. While they were waiting for this machinery the company started to drill No. 2 Bore, and by May, 1925, they reached a depth of 2,840 feet, when a fresh 'accident' took place. On the advice of the manager, drilling ceased, and they commenced to remove the obstruction from No. 1 Bore with the salvage tools which had now arrived from America. The obstruction was removed by 15th September, 1925, but the directors of the company had become suspicious of their manager, and Allen found himself watched at every turn by his two drillers. To get rid of them temporarily, he sent himself a telegram, to which he signed the names of two directors of the company, stating that the drillers were only engaged on probation, and subject to dismissal if he considered their work unsatisfactory. The drillers left the field, and Allen at once proceeded to blow up the drill with gelignite, so that it became jambed in the casing. The directors now called Allen from the field, and in his absence, seized his papers, files and records and took evidence from the workmen. They found that "R. E. Allen, the late manager, attempted in the most gross, deliberate and malicious way to ruin the company financially -

"1. - By deliberate, reckless and useless expenditure carried on systematically and so timed as to leave the company without funds to salvage and test the No. 1 Bore. When further funds were forthcoming -

"2. - By so 'junking' (jambing) the No. 1 Bore as to prevent a test at the time when this money was practically exhausted.

"3. - By giving false reports to the Board as to the progress and position of the work on the field, by suppressing from the Board important information concerning the happenings on the field, and

"4. - By sending geological information concerning the company's property and prospects to Mr Gester, of the Standard Oil Company of America."

The company had been paying this beauty £2,000 a year and expenses. He broke down when confronted with the evidence, signed a confession, and was allowed to return and ornament his native country. The reason given for the company's leniency adds a touch of romance to the story. "Mrs Allen, a charming young woman, whom everybody in the district respected, was about to become a mother, and the company decided that if her husband was criminally prosecuted, the effect upon her health and that of her unborn child might be serious." (Hansard, Vol. 113, p. 2058-83) The Commonwealth Government now offered to find £6,000 to help the Lander Oil Company to sink another bore. No. 3 Bore was commenced in May, 1926, and by October the drill had reached 2,657 feet, meeting fair showings of gas and oil on the way down. At 2,661 feet, however, it ran into a formation of which the Government Geologist (Mr L. C. Ball) did not approve, and, upon his recommendation, work ceased. Said Mr Jones (Minister for Mines): "Of five deep oil bores put down in the Roma-Oralla district, only one had voluntarily been abandoned as a dry well. The others had had to be abandoned because of obstructions."

In November, 1926, the 'Roma Oil Belt', an area of 3,000 square miles, was thrown open to private enterprise, 'both home and foreign', and the Lander Oil Company decided to take up a site one mile north west of Roma. The funds of the company being exhausted, a new company, The Roma Oil Corporation Ltd., was formed, with a capital of £50,000, which took over the machinery and plant of the old company, and removed to Hospital Hill, Roma. The site was chosen for it by the Government Geologist, this being a condition of its drawing a £1 for £1 subsidy from the Commonwealth Government. Work on the new bore (generally called R.O.C. 1) started on 9th February, 1927, and on 7th September next they struck gas, which rapidly increased in quantity until a flow of 20,000,000 cubic feet per day was escaping through the various pipes provided for it. Some of these pipes became ignited and burned day and night with a flame 20 feet high, visible for miles around the well, the jets being allowed to burn to relieve the pressure of the gas within the bore. From other discharge pipes came at frequent intervals a flow of light, pure white oil, very similar to that found in certain deep wells in Canada. Between September and December the well was subjected to 47 tests; 1,250 gallons of oil were recovered, and the inhabitants of Roma began to run their motor cars with it, the R.O.C.'s prices being much less than those charged for imported petrol. ('Argus', 9-9-29, p. 4)

An analysis of the gas given off showed that it contained an average of 3 pints of petrol per 1,000 cubic feet, together with about .04% of helium - which was a paying petrol proposition, although the helium was not present in commercial quantities. On 19th October, 1928, a gas absorption pump was fitted to the bore, and after a run of 90 minutes, 190 gallons of gasoline with a rich petroleum content was obtained. However, what it was specially desired to find was the normal crude brown oil, and in an endeavour to obtain it and avoid gas, the Roma Oil Corporation commenced (28-3-1928) to put down another bore (R.O.C. 2), about a quarter of a mile west of R.O.C. 1. At 4,005 feet, after sealing off several good gas fields, they found that they had struck an even greater flow of gas than in the first bore, and that it was just as rich in petrol. So they stopped drilling and returned to R.O.C. 1 which had gradually silted at the bottom causing the gas flow to cease. They cleaned out the bore and brought the gas back, but found that the character of the oil had changed from pure light white kerosene to a heavier brown oil. Joyfully they shut off the gas and continued to drill.

The cores came up saturated with oil, but at about 4,000 feet they met another furious flow of petroliferous gas. In December, 1929, they started to put down yet another bore (R.O.C. 3), and in May, 1930, at a depth of about 3,700 feet, they found the drill in a very hard formation, giving off 78,000 cubic feet of gas per day. They exploded gelignite down the bore 'to increase the flow', and after the second shot, which had at first increased to 160,000 cubic feet per day, fell to zero, the shot having sealed the bore.

At Blythdale, where, in April, 1929, indications of ordinary crude oil had been discovered in Stewart's Mooga Bore, the Australian Roma Oil Companies started to bore far and wide within a radius of 70 miles. They apparently had every reason to fear suspicious 'accidents', for one of them surrounded its bore at Blythdale with barbed wire entanglements and armed guards, who watched day and night. ('Argus', 12-10-29, p. 16) Early in March, 1930, they struck a burst of gas at 2,500 feet, which became ignited, and burned fiercely for some time. This was followed by a flow of very salty water, mixed with gas and dark crude oil; but the water gradually quelled the flow of oil. ('Argus', 10-3-30, p. 17) In company with the Australian Oil Industries Ltd., they put down another bore, which, at about 4,000 feet, passed through 18 feet of oil sands, and sufficient crude oil was obtained 'to definitely prove the existence of thick oil sands saturated with free oil and petroliferous gas". (Dr Jenson, Q.G.M.J. 15-10-30) Meanwhile, Roma Blocks Well No. 16 had passed through oil sands 8 to 10 feet thick, at a depth of 3,430 feet, which yielded 237 gallons in about a week. ('Argus', 3-11-30, p. 15)

Altogether there were obtained from oil wells in Queensland 30,000 gallons of light oils, several hundred gallons of crude oil and a few score gallons of oil wax. (Q.G.M.J. 15-8-32)

Detailed records of the search for oil in Victoria and Western Australia are not available to the general public, so we have to rely on newspaper reports, which are good, but need checking. On 6th August, 1924, Messrs G. W. and L. W. Sherrifs struck small quantities of oil at Lake Bunga, near Lakes Entrance, in Gippsland, at a depth of 1,076 feet. But the Government Geologist (Mr Baragwanath) reported adversely on the find, and stated that, although the oil might be there, no foldings in the geological strata existed where the oil could accumulate. ('Argus', 22-8-24 & 13-3-35) No further action was taken for over two years, but on 7th September, 1927, samples from a bore put down by the Lakes Entrance Development Company were found to contain oil, and by February of the next year a couple of quarts of heavy crude oil had been obtained. Four more bores were put down by the company, and small quantities of crude oil and gas were struck before the bores reached granite at 1,385 feet. The South Australian Oil Wells put down two bores in 1929, and when No. 2 had reached 1,203 feet, oil began slowly flowing into the bore. By the beginning of May, 1930, there were 260 feet of oil in the well, and it was coming in at the rate of six barrels a day (10 barrels of oil per day make a well a payable proposition). An analysis of the oil showed it to consist of 70% heavy burning oil and 30% moisture, bitumen and other matter. On 'cracking' the heavy oil it yielded 70% petrol, 15% kerosene, and 15% heavy oils and other constituents. On 6th June, 1930, the company decided that the bore hardly gave payable quantities, and determined to seal it and put down other wells. Their No. 4 Bore yielded 200 gallons per day through the pumps, and on 4th April, 1931, they reported that since the sinking of their first bore they had obtained 9,000 gallons of crude oil.

The Mid-West Oil Company, while sinking a bore on the same field, struck a burst of gas giving off 100,000 cubic feet a day, and burning with a clear flame 30 feet high from the pipe. On 19th August, 1931, the Public Words Department reported that 1,000 gallons of oil per day were being pumped from the various bores at Lakes Entrance, and issued an appeal for further funds to carry on with the search. ('Argus', 19-8-31, p. 11) "During the years 1931-32", said the Minister for Mines (Mr Jones), "no less than 50,000 gallons of crude oil has been obtained from this field." ('Argus', 4-10-32, p. 8) In the Glenelg River district a bore put down by the South Australian Oil Wells in 1926 encountered 'residual non-flowing oil'.

In Western Australia, traces of oil having been discovered in the Kimberley district in 1921, the Oakes-Durack Company sunk a bore in the Ord River basin to a depth of 1,196 feet, but found no oil. In 1928, however, the Freney-Kimberley Company, sinking a bore at Mount Wynne, struck oil sands at 2,117 feet, but artesian water rushing into the bore formed a head over them equivalent to 800 pounds per square inch and prevented any flow of oil. Work was temporarily abandoned, as the Government insisted that the bore be filled with clay to keep the water from the oil sands until the company possessed the necessary equipment to deal with the situation. ('Argus', 1-11-28, p. 4) Dr Wade having reported in favour of a well being sunk in the Poole Range, the company resumed operations there in April, 1929. By August, 1930, they had struck heavy gas with traces of oil at 3,138 feet, but the usual 'accident' occurred, and the boring tools were lost down the bore beyond hope of recovery. (Report, Dept. of Mines, 1930)

A word must be said as to the help afforded the oil searchers by Government geological experts. The breasts of these gentlemen glowed with contempt for the 'blind stabber' – that is, the small oil driller working independently of the big companies with their geological staffs. This contempt was scarcely justified, for as Mr Bell, the secretary of the Victorian Oil Producers, pointed out ('Argus', 7–5–31), "blind stabbing had *found* nearly every important field in the United States, although, once found, a field is best *developed* by scientific methods". It certainly found all the promising fields in Australia; but the geological experts did everything in their power to discourage it, and were consistently demanding that money should be spent on geological surveys, both on land and from the air, and on all manner of preliminary work, until one wonders whether they desired to find oil or well-paid geological jobs! (Joint Committee Public Accounts, 1925, p. 16–17) Unfortunately, they had their way. The blind stabber, who at least had to accept both risk and responsibility, instead of being helped in Australia, was practically hustled off the fields, and the irresponsible geologist became an autocrat rather than an adviser.

Bores were only put down on areas and in localities approved by him, no company could obtain a subsidy unless he reported favourably upon its prospects, and an ever-increasing proportion of that subsidy was diverted from boring to geological survey work. Some of the geologists were really practical men who were of great help in the search, but others were not, and "the dud scientist, with his inert pessimism," was the subject of bitter comment by the Queensland Minister for Mines. Dr Wade we have already met. His successor (Professor Woolnough) had to be sent to America at his country's expense, to learn the business on which he was supposed to be an expert. W. C. Mendenhall (U. S. Director of Geological Survey) referred to him diplomatically as "a widely read and scholarly geologist" ('Argus', 11–9–31, p. 7), and on his return to Australia he gave his country the following helpful advice: "What Australia needs to find oil," he said, "is (1) the best possible preliminary research, (2) monumental patience, (3) unlimited finance." It was no doubt a very valuable contribution to the search for oil, but a few score 'blind stabbers' scattered over the country would probably have been more effective.

But now Australia, having sown the wind in 1924, when she handed over the Commonwealth Bank and the control of the national currency into the hands of private bankers, was reaping the whirlwind. In the midst of the plenty she was producing, and upon the verge of tapping her natural supplies of oil, she was 'arrested for debt' by financial institutions who had lent her own currency to her, and charged her interest for the use of it. Money was made scarce, though nothing else was so. The economic life blood of the community was checked in its circulation, and industry after industry staggered and collapsed, until one third of the entire people were living upon charity. The Victorian oil companies appealed to their shareholders and to the Government for money ('Argus', 19-8-31, p. 11), so did the Queensland oil companies ('Argus', 6-3-30, p. 4); but nothing was forthcoming. The search for oil petered out (with many other things) in the great cornering of currency which we politely term 'the depression'. When it pleases our financial masters to lift that depression it will most certainly be found that they own our oil fields, as well as any other property of ours that is worth having.

Here ends the story of the Commonwealth Oil Refineries, and it gives rise to the following reflections –

1. – That the Oil Agreement was an act of folly on the part of Australia, which has cost her dearly in the past, and will cost her dearly in the future, if notice of intention to terminate the Agreement in 1939 is not served upon the Anglo-Persian Oil Company before March 1937.

2. – That the importation of oil experts from abroad (who are all hand in glove with the big oil companies which sell oil to Australia), in order to find oil wells for us, is an act of even greater folly. Australia should at once set her geologists and 'blind stabbers' at work to develop the oil fields which she now knows exist in her territories. She should also set her chemists to the task of producing motor spirit from shale and other substances, and she should subject the antecedents and qualifications of both geologists and chemists to severe scrutiny before appointing them.

3. – That for Australia to allow herself to be hampered in this work for lack of money – when she can create sufficient debt-and-interest-free currency for her needs through the Commonwealth Bank, and guard against inflation by the adoption of the Just Price Formula of Major Douglas – is the sort of folly that leaves one without words to describe it.

AUTHORITIES

The Shale Oil Bounties Acts, 1910-1926

The Oil Agreement Acts, 1920-1926

Parliamentary Debates, Questions and Answers re Oil, 1910-1932

Parliamentary Papers: Report of Interstate Commission on Shale Oil, 1915 Report of Interstate Commission on Groceries, 1918 Reports of Joint Committee of Public Accounts, 1918, 1924-5-6

Queensland Government Mining Journals, 1910-1932

Reports of W.A. Department of Mines, 1928-1930

Dr Wade's Reports: Papua, 1914 Kimberley District, W.A., and Northern Territory, 1924 New South Wales and Queensland, 1925 Western Victoria, South Australia and Western Australia, 1925

Professor Woolnough's Report on Oil in America and Australia, 1931

Reports of Anglo-Persian Oil Company's Work in Papua and New Guinea, 1920-29

Jobson's Investment Digest, 1934

Australian Mining and Engineering Review, 5th September, 1910

'Argus' Newspaper, 1910-1934

* * * * * * * * * * * * *

THE STORY OF THE COMMONWEALTH RAILWAY AND THE NOTE ISSUE

HIGH FINANCE

To understand why the Commonwealth Government decided to take over the Note Issue, we must go back to the years 1878-79, when the people in the eastern States, having practically worked out their alluvial gold diggings, had settled down to farming and pastoral pursuits in the country, and to industry and trade in the vicinity of the capital cities.

The result of this was that property of all kinds, and especially real estate, began to rise steadily in value, and the private banks were getting such high rates of interest upon their loans that they were able to pay 6 per cent upon their fixed deposits.

This fact, together with Government borrowings abroad, brought money pouring into the coffers of the private banks, not only from Australian depositors, but also from English investors, until, although business was booming, the banks were at their wits' end to know what to do with their accumulated funds. Confronted with abundance, their one idea, like their descendants of today, was to get back to scarcity conditions. In 1878 the abundance was in money; in 1928 it was in goods; and in each case the financial system failed to cope with it.

In 1880 the private banks dropped the rate of interest they were paying upon their fixed deposits from 6 per cent to 3 per cent, and the flow of money from English depositors stopped. But Australian depositors withdrew their fixed deposits from the private banks as they fell due, and put them into large land, building and mortgage societies, which gave them 5 per cent for their money and began to make advances upon real estate on a very large scale, quite independently of the banking system.

Altogether, £25,000,000 of deposits were gradually withdrawn from the private banks and invested in these societies, and this unforeseen action of the Australian depositor reduced the deposits of the private banks with a vengeance. This was a serious blow to them, for although loans created deposits then, as now, there was at that date no Commonwealth Bank, with its power to turn the national credit into money, to stand behind the private banking system in case of need; therefore every individual private bank had to possess a good solid wad of genuine deposits to meet any unforeseen emergency.

In order to win back these deposits, the private banks in 1882 again raised their interest rate to 6 percent, and entered into fierce competition with the societies.

The great boom in real estate began, but the private banks, assisted by one of the worst droughts in the history of Australia, and by falling prices abroad, gradually got the upper hand, and by 1887 most of the societies stood indebted to them for very considerable sums.

In 1888 the private banks started to call in their overdrafts, and prepared for the slaughter; but the societies had discovered that they could get plenty of money from English depositors, as, owing to debt conversions by the British Government, the interest paid on consols was very low.

The private banks therefore, had to postpone their benevolent intentions. They established agencies throughout the length and breadth of the United Kingdom, and commenced to bid against the societies for this money. Finally, they got the upper hand in England also; but the struggle was very keen. During this struggle the value of real estate in Australia was pushed to purely speculative heights, and the position of institutions with much money invested in it became very insecure, and likely to be overturned in the first financial storm that might arise. It was not a storm that arose, but a veritable hurricane.

At the end of 1889 the Premier Permanent Building Society of Australia failed, and in 1890 there took place a complete financial collapse, in the Argentine, leading, later in the year, to the great Baring crisis in England. The societies could obtain no more money, either in Australia or from England, and the private banks again began to call in their overdrafts.

The years 1891 and 1892 saw the end of the great land, building and mortgage societies which had fought the private banks. Never was there such a killing!

One after the other, no less than 40 of these institutions went down, and the Australian public lost the £25,000,000 of deposits they had entrusted to them. But the failure of so many big financial firms in such a short space of time had an effect which the private banks had either overlooked or under-estimated.

Australian and English depositors alike went half crazy with fear and suspicion, and in 1893 there was a panic-stricken rush upon the private banks themselves. Before the year was out, 15 of the 26 private banks operating in Australia had to close their doors, and more of them would have certainly failed if the various Governments had not come to their assistance, and either guaranteed their note issues or substituted their own notes for the discredited paper currency of the banks.

The reconstruction of some of the banks that failed was a sufficiently scandalous business. In exchange for the deposits which they had appropriated, they gave the depositors either shares in the bank or 'deposit receipts', redeemable in the future; but as the unfortunate depositors needed money at once to enable them to meet their current obligations, they were forced to sell these shares and 'deposit receipts' upon the Stock Exchange, where the private banks bought them back for a few shillings or a few pence in the pound.

The final result of the reconstructions was that, at the cost of widespread ruin and distress to their depositors, the private banks, the trusted custodians of other people's money, emerged from the struggle more wealthy than ever.

It was owing to this smash, and the consequent distrust of private banking which it engendered, that the second Fisher Administration, when it came into power in 1910, brought with it a mandate from the people to reform the Australian banking system.

This reformation was carried out in two steps. The first step consisted in removing the Note Issue from the hands of the private banks, and placing it, as well as the coining of the metallic money, in those of the Government of the country.

This power - that of converting the National Credit of Australia into money in the form of bank notes - remained in the hands of the Government from 1910 to 1920, when William Morris Hughes, the then Prime Minister of Australia, transferred it, for political reasons, into the hand of the Commonwealth Bank.

The second step consisted in the formation, in 1912, of the Commonwealth Bank, the only true national bank in the world as it was originally constituted, whose story has been fully narrated by the author elsewhere. ('Story of the Commonwealth Bank')

Between the years 1914 and 1920 the Government increased the Note Issue by, in round figures, £50 millions, and these notes were put into circulation in the following ways:

(a) Some were given to the banks in exchange for gold;

(b) Some were lent at interest to State Governments;

(c) Some were placed on fixed deposit with various banks at different rates of interest;

(d) More than half of the notes were invested in interest-bearing securities.

The last two items (c) and (d), formed 'The Australian Notes Account', the nation's own property, which amounted in 1920 to £37,808,770, and returned an annual income to the Government of a little more than £1,500,000 known as 'profits' on the Australian Notes Account. (Commonwealth Year Book No. 14, p.691).

We are now in a position to understand where the money came from to pay for the Commonwealth Railway. It was paid for in the following manner:

(1) From revenue (taxation)	£1,205,651
(2) From 'profits' on the Australian Notes Account	£3,428,519
(3) From the sale of some of the securities held by the Australian Notes Account	£2,335,372
	£6,969,542

(Hansard, Vol. 129, p.1930)

For bookkeeping purposes, (2) and (3) were treated as loans from the Australian Notes Account to the Transcontinental Railway. They appear as loans in the Commonwealth Year Books, but they were really transfers of money from one Government department to the other, and there would have been no money to transfer without the increase in the Note Issue. The interest charges on these 'loans' were merely bookkeeping entries between the two departments – what the Government paid out of one pocket (the Transcontinental Railway) it put into the other (the Australian Notes Account)

It is quite correct, therefore, to say that most of the money used in the construction of the railway was obtained by printing notes, and that none of it involved the people of Australia in debt or interest charges.

* * * * * * *

LONG LABOUR IN THE EASTERN DIVISION

The morning of 14th September, 1912, broke clear and bright at Port Augusta, after a night of rain and fierce wind. It revealed that little town 'en fete' and three Australian destroyers gay with bunting, in Spencer Gulf. The Governor-General (Lord Denman), the Prime Minister (Mr. Fisher), some thirty prominent politicians, and more than two thousand people, had assembled to witness the ceremony of the turning of the first sod of the Commonwealth Railway, and the King had sent a cable wishing success to the enterprise. Lord Denman threw off his coat, pitched the sod into a wheelbarrow, wheeled it clear, and tipped it out, when it was immediately rushed by the people, who tore it into pieces, which they carefully wrapped up in a handkerchiefs, and carried home as souvenirs of the great event.

Work commenced, but for the first twelve months progress was very slow. Materials had to be collected, depots formed, an efficient administration staff created and the Commonwealth had to design and build by contract every vehicle required upon the railway, owing to the gauges differing at both ends of the line. By the 24th June, 1913, when the second Fisher Administration was succeeded by the Cook 'Fusion' Government, only six miles at the eastern end of the line had been actually completed, although the earthworks had been constructed for many miles in advance; but by July the line had arrived at Yorkey's Crossing, at the head of Spencer's Gulf. At this point one of the few engineering difficulties of the railway had to be encountered. Here the tide rises and falls ten feet, and at the flood it sweeps for many miles inwards over the flat lands, leaving them, at the ebb, alive with stranded and struggling fish. A bridge had to be constructed upon concrete piers, and 'the work was very difficult, on account of soakage, necessitating constant pumping; stone had to be torn out of the Flinders Range, seven miles distant, through blinding drifts of red sand, which stung the flesh, and played havoc with the machinery.' But the bridge was built, and the railway went on. The Minister for Home Affairs (King O'Malley) had imported from Chicago two great American track-layers - machines never before seen in Australia - and had sent one to each end of the line. The Ruston shovel, an Australian invention capable of shifting 500 cubic yards of soil per day, a steam crane lifting 35 tons and some secondhand rolling stock, bought in Australia, completed the heavy plant.

In October, 1913, trouble with the South Australian Government, long brewing, came to a head. Previous to the commencement of the railway, the Commonwealth had handed over their wharf at Port

Augusta to the State Government, under an agreement with the latter. The State Government, very jealous of the Commonwealth in those days, saw a chance to assert itself and make money at the same time. It refused to allow the Commonwealth to run their own trucks upon their own wharf, made them use State trucks, and charged them 12/- per day for their use, as against 2/6 per day to other people. Although the Commonwealth had to pay for repairs to the wharf, and for the interest on its construction price, the State Government charged them a wharfage rate of 1/3 to 1/6 per ton, and would only supply them with water at 3/- per 1,000 gallons, as against 6d. per 1,000 gallons to everybody else in the vicinity. (Hansard, Vol. 71, 2516-7-8) The Cook Administration managed to terminate this agreement with the State Government and the Commonwealth resumed possession of its wharf. This Administration did not believe in day labor under Government supervision; it wanted the railway built by private contractors and accordingly, on 5th February, 1914, the Engineer-in-Chief (Mr. Henry Deane) recommended that the tender of Mr. Teasdale Smith to construct the earthworks for the railway, between the 92 and 106 mile pegs, at 'The Pines', near Pimba, be accepted. He gave three months' notice of his intention to resign upon the same day, but offered to continue work until his successor was appointed. Mr. Teasdale Smith duly got his contract (26th March, 1914) but, unfortunately for him and the Government, a general election was pending at the time; the Opposition dragged the full particulars of the contract into the light of day, and it was discovered that the price charged by the contractor for the work was about double what it would have cost the Government by day labor. There were no more contracts.

The railway was now engaged in the heart of the Lake District of South Australia - that peculiar district where lakes, only a foot or so deep, extend for hundreds of miles square after rains, and are simply beds of salt in dry weather. It had left behind Pernatty Lagoon, with its copper-impregnated waters, crossed the foot of Lake Windabout, passed the Island Lagoon, with its remarkable hill in the midst of it, and was approaching Lake Hart, the lower portion of which it was also about to cross. It had advanced from Port Augusta some 140 miles. The Cook Administration had been relying in great measure upon private enterprise to provide stores and satisfactory living conditions for the men working upon the railway, and private enterprise had completely broken down. Prices were high, stores scanty and deliveries very uncertain. Many men were sleeping and eating under very unsatisfactory conditions and where they were collected into camps, the sanitary arrangements were bad. The flies in the unsettled portions of the interior have to be seen in order to be believed; the saying prevalent that you could always tell an 'East-Wester' because he ate with one hand and waved the other in front of him to keep off the flies, had its basis in sheer fact. Flies were everywhere, they got into everything and if a piece of foodstuff was left unprotected for a moment, they swarmed upon it in clusters. Under these conditions, labor was hard to obtain, not eager to remain and apt to look for trouble if it did so.

In April, 1914, Mr. Norris Bell was appointed Engineer-in-Chief. He started energetically to reform the existing system of management, and the third Fisher Administration, which came into power in September, 1914, and also the various Hughes Administrations which followed it, gave him a free hand. His reforms were effective and as described later on; but up to the beginning of 1915 they were probably not concerned with the living conditions of the workers on the line. Meanwhile, what might have been expected to happen duly occurred. The first case of typhoid was reported on 4th January, 1915, and the disease was soon raging all along the line. Of the men employed in the Eastern Division of the railway, 102 became 'cases', and seven died. The hospital at Port Augusta could not cope with this sudden rush of patients, and Norris Bell acted with decision; a temporary hospital, containing 51 beds, was improvised and 12 nurses and other assistants engaged. The South Australian Central Board of Health sent its health inspectors up and down the line, the insanitary conditions obtaining in the camps were abolished and in three months the disease was stamped out.

In March of 1915, another attempt was made by interested persons to get the construction of the railway carried out by private contractors. Reporters from a Melbourne and a Perth newspaper were despatched to the two railheads, and the result was a series of articles in their respective papers, charging the workmen with deliberately loafing on their jobs. Bell was asked for a report and in it he stated emphatically: "I can assure you that the men are working honestly and conscientiously; that they are working as well, if not better, than they would work for a private employer." His report is confirmed by the description given of the day's work by a Methodist minister stationed on the line. A surveying and clearing party came first; behind them came the steam shovel, doing the work of 400 men, and turning up two miles of embankment per day. Some miles in the rear came the huge track-laying machine, operating at the head of a line of trucks filled with the material for the day's work, and pushed by an engine from behind. The rails and sleepers were raised by winches, which kept them regularly falling into troughs constructed on each side of the track-layer, and fitted with rollers worked from the engine at the rear. The gangs in front had to work to time or be crushed by the constantly arriving material.

A highly trained and perspiring party toiled away, spreading sleepers, fitting fresh rails to those already laid (on which the track-layer stood), adjusting fishplates, screwing up the bolts and driving the dogs into the sleepers. Then, with a grunt and a rattle, the colossal machine moved forward, and the process repeated. At this period, rails and sleepers for a mile of track were sent to the railhead each day; the men ceased work as soon as they were laid, "and" says the Methodist minister, "in spite of what critics may say, we think the pace satisfactory enough to anyone taking delivery of those relentless streams of heavy material." As the work went on, however, this pace was exceeded; in one day the men laid 2 miles 40 chains, in one week they put down 14 miles 50 chains, and in one year they accomplished 442 miles 44 chains - a record for railway construction in Australia.

As the railhead advanced into country that was practically unexplored, valuable deposits of salt, manganese, barytes, copper, tin, gypsum, chrome, ochre and potter's clay were found along the line. Tarcoola, with its goldfields surrounding it, and its opal fields in the Stuart Ranges to the north-east, was reached on 15th May, 1915, and by April, 1916, the line was approaching its second engineering difficulty at 'The Sandhills', near Barton. Men were sent out far in advance, and began the battle 100 miles in front of the rails. All their supplies had to be brought up to them by camel; the gangs had to excavate 1,000,000 cubic yards of earth within a space of 25 miles and face some of the larger cuttings with stone. The labor of it all may be imagined. Nevertheless, that labor was accomplished and the line moved steadily forward towards Ooldea.

IN THE WESTERN DIVISION

The first sod was turned at Kalgoorlie on 12th February, 1913 but by 24th June only eight miles had been completed. When, at this date, the Cook Administration came into power, one of its first acts was, on representations made by the Engineer-in-Chief (Mr Henry Deane), to dismiss the Supervising Engineer of the Western Division (Mr. Chin) for 'unfaithfulness and inefficiency' (11th August, 1913). Mr. Chin departed filled with the bitterest animosity against all who represented the railway, and Mr. Darbyshire took his place. The line continued to crawl slowly outward, but on 18th November, 1913, one of the monster track-laying machines, which had been ordered by King O'Malley, commenced operations. By 15th December, 25 miles of rails had been laid, and the line no longer crawled.

In March of 1914, the 60 mile peg was reached, and the first serious strike on the line occurred. The men were getting 11/8 per day, but there had been a promise, either expressed or implied, by the Fisher Administration, that beyond this peg they were to get 13/4, as goods were charged from 10% to 15% higher beyond that point than in Kalgoorlie. Moreover, the construction of some of the earthworks and waterways was being done by private contractors, who were paying their men 13/4. The Cook Administration would only agree to pay 12/6, so on 16th March, 1914, the men downed tools. The strike lasted until 13th June next, when the men resumed work at 12/6. Certain sections of them, of course, were paid more than this but in June, 1916, over two years later, we find King O'Malley instructing Norris Bell that no attempt must be made to reduce the basic wage below 10/6 per day in the Eastern Division of the railway and 11/8 per day in the Western. This cannot be described as a wildly extravagant wage, especially in view of the fact that, when the private contractors (who paid 13/4) were bought out later on by the third Fisher Administration, the reason given for this action was, not that these contractors were making excessive profits, but 'because they were unable to keep up with the needs of the Department'.

By 24th October, 1914 the railway was at Zanthus, 125 miles from Kalgoorlie, and on 20th March, 1915, it reached Naretha, where it entered upon its long journey across the Nullarbor Plain, which extends from this point to Ooldea, a distance of over 400 miles. This plain has not its like in Australia, nor, perhaps, in the world. It is an old sea bed, honeycombed with caves - some of them large enough to drop a cathedral into - and punctuated by blowholes from which furious blasts of air issue at intervals. It is covered with a thin red soil, in which the saltbush and the bluebush grow, but throughout it entire length it is entirely destitute of trees and of human habitations. Upon this plain, for over two and a half years, the men were practically isolated from the rest of the world. Except for an occasional newspaper, there was no literature; sports and amusements did not exist, wireless broadcasting had not yet been invented; feminine society and family life, except in rare cases, lay far behind them. The most popular pastime was 'two-up'; the largest 'schools' in Australia were to be found along the line, and small fortunes were made by members of 'the clever division' from Adelaide, Melbourne and Sydney, at the expense of men who never wearied of calling 'heads' when they should have called 'tails'. Alcohol was a forbidden pleasure in the camps, but from time to time men would throw up their jobs, go down to Perth or Adelaide, indulge for a few days in a wild 'spree', and then return to work with shaking nerves and empty pockets. Missionaries travelled up and down the line, holding services - not the kind you would see in a city church. Hairy men, sun-tanned and weatherbeaten, clad in nothing more than a pair of trousers, boots, a singlet and an old hat, gathered around the preacher to sing the old hymns they had learned as children; their Sunday washing hung on string lines carried from tent to tent. It was a hard life. By day they toiled, often under a burning sun; by night, under the moonshine, the ghostly blue and white bushes stretched away from them to infinity, in a great silence. Labour troubles were frequent, but only once serious, and, in the opinion of the Methodist minister, were mainly due to the isolation, dust and flies. "The railway men," he says, "were ardent Unionists, and one of the most familiar sounds of camp life was the call to Union meetings, which broke the monotony of the evenings from time to time; it was no soothing bell, but a kerosene tin, which quivered under strong battering by some enthusiast. Of course, all the meetings were not for war, but if any officer or ganger had fallen from grace in Union eyes, he knew that that evening the tune would be rung on him." Nevertheless, a strong feeling of comradeship quite irrespective of rank, sprang up between all 'East-Westers', as they termed themselves. To touch one was to touch all - a fact which was soon to be proved by the Gilchrist dispute, one of the most remarkable disputes on record.

D. L. Gilchrist was an unsatisfactory sort of clerk in the head office of the railway in Melbourne, who was transferred to the Kalgoorlie end on 28th August, 1914. After his departure it was discovered that he had been making erasures and alterations in his books, not, as subsequently transpired, for the purpose of defrauding the railway, but in order to save himself the trouble of balancing his accounts correctly. His superiors started to give him an official drubbing for the good of his soul, and on 20th June, 1915, Gilchrist applied for leave of absence to go to Melbourne and explain matters, expressing his intention of getting satisfaction from the Engineer-in-Chief, or of making things hot for everyone concerned. He left Kalgoorlie with a dismissed railway official (Mr. Carrington) and upon their arrival in Melbourne they interviewed Mr. Chin. Between them they drew up a list of serious charges against the Railway Administration, which they accused of having a shortage of £80,000 in its stores and of permitting faulty, dangerous and wasteful methods of construction. After an interview with the Minister for Home

Affairs (King O'Malley), Gilchrist, on 25th August, 1915, lodged a statutory declaration embodying his charges, 'made in a spirit of revenge, with the object of driving Mr. Bell and Mr. Darbyshire, if possible, from their positions, or at least of besmirching their reputations'. He had previously (12th August, 1915) joined the A.I.F., but soon deserted. he was arrested on 14th December, 1915, but owing to an oversight or mistake on someone's part, he was never tried as a deserter, but was discharged as 'medically unfit'. Upon his discharge (18th January, 1916), O'Malley reinstated him in his old position - under the extraordinary plea that he was a returned soldier - but the Supervising Engineer (Mr. Darbyshire) refused to have anything to do with him. O'Malley thereupon dismissed Darbyshire (6th March, 1916), and the clerks threatened to resign in a body if he was not reinstated. O'Malley replied by appointing Mr. H. E. Marnie to take over the supervision of the Western End of the railway, but Marnie also refused to employ Gilchrist, and was dismissed in his turn. Thereupon the clerks and workmen joined forces, fell in solidly behind their dismissed officers and threatened a general strike. O'Malley was forced to yield. He accepted apologies from Darbyshire and Marnie, and reinstated them; Gilchrist was employed elsewhere and Judge Eagleson, who was appointed a Royal Commission to go into the accusations, reported that the charges were untrue, and that Gilchrist had committed 'wilful and corrupt perjury'.

By 30th June, 1916, the railhead had reached Forrest, in the centre of the Nullarbor Plain, about 410 miles from Kalgoorlie; twelve months later it had arrived at a point about midway between Cook and Fisher, still on the plain, and 546 miles from its starting point. It was not until 17th October, 1917, that the two great track-laying machines met at Ooldea, 621 miles from Kalgoorlie and 430 miles from Port Augusta, and the final rails were laid. The men were given a holiday, and, like the Greeks of old, they celebrated the event with games, which were followed by 'a concert in the evening, with speeches worthy of the occasion'. The King cabled his congratulations, and Sir John Forrest, speaking in Melbourne, said: "I rejoice to see this day. Western Australia, comprising one-third of the continent, hitherto isolated and practically unknown, is from today in reality a part of the Australian Federation. From today East and West are indissolubly joined together by bands of steel, and the result must be increased prosperity and happiness for the Australian people."

BROAD OBSERVATIONS

The preliminary survey of the line was carried out by Mr. J. F. Furner in the Eastern Division and Mr. R. J. Anketell in the Western. The story of Anketell and his camel pacing sedately over Nullarbor Plain, miles in advance of the main party – the man running the course with a prismatic compass, and taking observations of the start each night to check his work, while the beast dragged a knotted bullock chain behind it to 'blaze the trail' for the chainmen to follow – remains one of the epics of the West. This survey was completed in 1909, and, save for a few trifling diversions, the railway followed the route pegged out.

Longer lines have been laid down than the Commonwealth Railway, and lines presenting far greater engineering difficulties, but nowhere else in the world has a railway been built across 1,000 miles of practically waterless desert, which was for 800 miles absolutely uninhabited. The total distance covered is 1,051 miles, and throughout its entire length it does not cross a single permanent stream. Across the Nullarbor Plain it runs for 330 miles without a bend or a curve – the world's record for a straight – and a politician, passing over it, made the apposite and probably truthful remark that 'he had never travelled so straight in all his life.' It was estimated to cost £4,000,000, and to take about four years to build; it actually cost (inclusive of buildings and rolling stock) about £7,000,000 and its construction took five years. The reasons for this may be summed up in one word – materials.

On 8th August, 1912, King O'Malley stated: "I am up against the trusts of the world, which have laid themselves out to make this railway so costly that it will be a dead failure." Before a single rail was laid the steel magnates raised their prices and as they controlled the world's market, their prices had to be paid. After the outbreak of the World War, not only did prices rise, but it became increasingly difficult to get supplies. Plate-laying ceased altogether for over seven months on the Western Division because no rails could be obtained. In 1915 the Broken Hill Proprietary started to manufacture rails, and in 1916 this was the only source from which the line obtained them. But the Proprietary was often in arrears with its deliveries, though never with its prices. In 1916 the line was paying £2/2/- per ton more for rails, £10/14/- per ton more for bolts and £9/7/6 per ton more for steel angles, than in 1914. At first there was a shortage of rolling stock, for the traffic on the line was very great. Individual engines averaged 5,000 miles per month, as food, water, materials, everything, had to be carried over the line itself as the railhead moved forward into the wild. At the eastern railhead at one time there were 1,200 men, an uncertain number of women and children, 350 horses and 210 camels to be catered for. The Commonwealth bought secondhand rolling stock, which soon wore out under the strain, it placed contracts both at home and abroad with private firms who were often long in arrears with their deliveries, and finally it built for itself.

The railway required and used an enormous number of sleepers, but in 1912 the Western Australian Timber Combine had a practical monopoly of the jarrah forests in that State. Listen to Senator De Largie: "It rules its concessions with an iron hand; it has its own stores, and will not allow business men to go there and compete with them. I saw commercial travellers ordered off trains running between the Government lines and those of the Combine, and not allowed to solicit orders at the timber mills. The truck system was in full swing, and the men were frequently in debt when pay day came round; the Combine paid their manager £5,000 per annum, and their workmen 7/- per day; the men built huts for themselves out of scrap timber, and were then charged exorbitant rents for them." This magnificent concern disdained to tender for sleepers; let the Commonwealth apply to it, and pay its prices. But the Fisher Administration did not. It snapped up all the tenders for jarrah sleepers it could get hold of from the few small firms outside the combine, and then made a proposition to the Western Australian Government. The latter had a certain amount of jarrah country, and large forests of karri, while the Fisher Administration had a process known as 'Powellising', by means of which the karri could be rendered fit for sleepers (it is not naturally good timber for laying on the ground). Let the State Government build sawmills and a light railway, and then cut and 'Powellise' karri sleepers; the Commonwealth would get all its sleepers from them, as there would be but little difference in price between the 'Powellised' karri and the 'un-Powellised' jarrah, while the former would have the longer life of the two. The Western Australian Government agreed, and signed a contract for 1,400,000 'Powellised' karri sleepers (6th August, 1912), the first delivery to be in June, 1913. They duly built their railway and mills, but heavy rains delayed them, and the karri was not ready by June; so they delivered 100,000 jarrah sleepers instead, and got the contract extended to November. When November came, the Cook Administration was in office. The karri sleepers were ready, but before any of them could be delivered, Cook cancelled the contract, on the ground that the Western Australian Government had defaulted. Such indignation was aroused in the West, however, by this action which was commonly imputed to the political influence of the Combine, that the Cook Administration was forced to give the

State Government another contract for 500,000 sleepers. After the outbreak of the war the export trade of the big Combine was ruined; many of its mills closed down, and the Western Australian Government had no difficulty in obtaining jarrah. They left off 'Powellising' karri, and supplied jarrah sleepers instead to the railway, which, after the Cook Administration departed, dealt with them exclusively.

Throughout the period of construction, the railway suffered from constant water troubles; the distances over which water had to be carried increased to 500 miles on the Western Division, and 337 miles on the Eastern. Although water was obtained from a weir at Port Augusta, and from the Mundaring water supply in Western Australia, the main source of supply was the wells at Kingoonya - indeed, without these wells it is difficult to see how the railway could have been built at all. In addition to the original well, the railway put down two others, and connected all three together by cross drilling, with the result that the daily output from the wells rose to over 100,000 gallons. Eight large dams, of capacities ranging from three to eight millions of gallons, were constructed, lined with asphalt to prevent soakage, and, in some cases, roofed with galvanised iron in order to check evaporation; twenty-seven artesian bores and many wells were also sunk, but the water from them proved so highly impregnated with salts of various kinds as to be of very little use. So unsatisfactory, indeed, was most of the water obtained that, in nine months, 2,000 boiler tubes were rendered useless by it, and had to be renewed; a water softening plant, therefore, was erected at Port Augusta, in addition to condensers at other points and the obstinate water finally yielded to treatment.

Norris Bell's reforms fell into two classes - administration and care of employees. He organised his staff into branches, with different duties and responsibilities, and summoned the heads of these branches to meet him once every month in a 'business conference'. He received their reports, listened to their suggestions, gave them their instructions and sent them back to their various branches. It was a commonsense arrangement, which made for keenness, efficiency, and good feeling among his subordinates. He provided boarding houses, mostly made of bags, in which the men could get clean and well-cooked food at moderate prices; the largest of these provided accommodation for 500 men. He brought all clothing, groceries and other articles of sale under the control of the railway, ran them out in special cars to where they were needed, and erected movable buildings to serve as stores. He established butcheries and bakeries along the line, and saw to it that the work was carried out under hygienic conditions. A loaf of bread on Nullarbor Plain cost 4-1/2d. and at Zanthus you could buy a better meal for 1/6 than in Perth. Board in all camps along the line cost 22/6 per week, but the price was raised to 25/- in 1916, and to 27/- in 1917. Most of the men lived in tents, but some had huts; their camps were formed on military models, with special attention to sanitation. The Commonwealth Bank ran its 'Savings Bank Car' up and down the lines for the benefit of the thrifty, and at some points there were schools for the children. From the start, two hospital cars were provided, each under the charge of a chemist; doctors were retained at the bases, and a first aid helper was attached to every gang of workmen; they were needed for during the construction of the line there were approximately 900 accidents, of which 20 were fatal and 120 cases of disease, resulting in 10 deaths.

Very much greater speeds than those obtained upon the Commonwealth Railway (about 45 miles per hour) are now obtainable and should be obtained. Some English railways have obtained 80 miles per hour, a railway between Hamburg and Berlin does 120 miles normally, but has sometimes reached 140 miles per hour; while 'very definite experiments have taken place along the lines of monorail transport and gyroscopic trains, which may double the present speeds'. The Commonwealth, however, can no longer create money against the real credit of the nation in order to purchase inventions, and make the necessary alterations to its lines. It has surrendered this power to private bankers, and year by year its railway service falls behind, and its deficits come forward. Meanwhile, the financiers who control the banks, and therefore, the Government, are attempting to take from the Australian citizen his railways, both State and Commonwealth, as they lately took his bank, his mills and his fleet of steamers.

The scheme submitted ('Advertiser' 7-6-33) is to write off £112 millions 'dead capital' from the value of the railways - that is, to reduce their book (but not their actual) value by about one-third, and to issue shares against the balance to investors, who would thus receive stock worth about one-third more than they paid for it. The company thus formed, having to pay dividends on their stock, would naturally raise freights and fares and the Australian citizen would have the pleasure of paying double or treble the amount he formerly paid in taxes to meet the railway deficits. We are told that the Government would control the company, but it is much more likely that the company would control the Government.

Here ends the story of the Commonwealth Railway and it would appear to teach us the following lessons:

1. The contention, often made, than men work less efficiently and conscientiously for the Government than for a private employer is based rather upon prejudice than upon fact. This same charge used to be made against joint-stock companies, and it certainly does not apply to all Government undertakings.

2. Nations who allow private banking institutions to issue them currency for their needs in the form of a debt due to the banks, and on which they have to pay interest – when they could as easily create this money for themselves, without being indebted to anyone for either principal or interest – can hardly expect to be either free or prosperous. Their politicians, who advocate the flotation of loans, are either financially interested in these flotations, mentally defective or cowardly or perhaps a mixture of all three.

3. While an increase in currency does not necessarily imply an increase in prices, in the absence of proper safeguards it may do so. The methods of controlling prices, however, are now well known, and the one which interferes least with personal liberty and the existing order of things is known as 'The Just Price Formula'. It is stated as follows:

$$\text{COST X } \frac{\text{Consumption + Exports + Depreciation}}{\text{Production + Imports + Appreciation}} = \text{JUST PRICE}$$

By applying this formula the Consumer is enabled to buy his goods at a fraction of their cost, and the greater the increase of total production over total consumption, the smaller is that fraction. The Retailer receives the difference between the cost and the selling price of his goods, plus a fixed percentage of profit, in the form of a subsidy paid in money specially created by the Government for that purpose, and therefore imposing no debt or interest charges upon the community.

* * * * * * * * * * * * * *

Data for this book were obtained from the following authorities:

Official Year Books for 1910-1921

Parliamentary Debates for 1912-1917

Parliamentary Papers for 1914-1918

The 'Argus' Newspaper for 1912-1917

'Spanning a Continent' by a Methodist Minister, 'The Inlander', February, 1918

'The Trans-Australian Railway' by the Commonwealth Railway Department

'Transport and Its Relation to the Development of Australia' by Norman H. Taylor, in Blennerhassett's 'Business Lectures'

'Money Power' by F. Anstey

'The Australian Credit and Banking System' by A. L. G. Mackay

Report of the Royal Commission on the Australian Monetary and Banking Systems (Appointed 1935)

THE STORY OF THE COMMONWEALTH WOOLLEN MILLS

(This book was first published in 1934)

PREFACE TO FIRST EDITION

It may not be out of place here to draw attention to the following generally-forgotten facts.

The original and proper function of a Parliament was to act as an advisory and consultative body to the Sovereign. It advised the Sovereign in respect to the laws he proposed to enact, and the Sovereign consulted it as to the best method of raising by taxation whatever sums were needed to carry on the government of the country.

Parliament neither enacted laws nor administered them. That was the function of the Sovereign.

In a self-governing community the Sovereign is the people, and the duty of a law-maker is thrown upon them. They can no more delegate this duty to representatives than they can delegate to representatives their duties as married people or as parents. It is Parliament which should deliberate upon and prepare bills for submission to the citizens; it is the votes of the Citizens that should determine whether these bills become laws; it is the Civil Service which should administer laws when they are enacted.

So well was this understood in the republics of antiquity that the ordinary Greek or Roman citizen would have shouted with laughter at the idea of allowing representatives to legislate for him. The practice grew up among our half-savage ancestors in the middle ages, owing mainly to the fact that the people were scattered over the large areas, and means of communication were either very bad or totally lacking.

Today modern methods of communication have made it possible for citizens throughout the length and breadth of their country to meet at local centres to discuss and vote upon proposed legislation, and for the results of their voting to be transmitted to the seat of Government almost immediately. We have out-grown the device of law-making by representatives, which has never worked, and can never work, well. For representatives (with a few honorable exceptions) can always be bribed or intimidated into betraying the trust reposed in then, whereas the citizens, in their collective capacity, are incorruptible, and can neither be intimidated nor misled for very long.

D. J. AMOS
Adelaide, July, 1934

PREFACE TO SECOND EDITION

THE RETAIL PRICES given on page 46 herein were taken from the statements of public men of the period as recorded in Hansard. They have, however, been called in question as being an *UNDER-STATEMENT* of the case. An ex-soldier informs me that, although the Returned Sailors and Soldiers' Association started selling the cloth from the Commonwealth Mills at 9/- per yard, they quickly pushed the price up to 12/-, thus making the figures read:

Retail price of cloth	£2	2	0
Retailer charged for making suit	£4	4	0
	---	---	---
Soldier-consumer paid for suit	£6	6	0
	===	===	===

A leading tailor in Adelaide states that the retail price to the civilian-consumer was made up as follows:

Wholesale price of cloth	£5	5	0
Charge for making suit	£4	4	0
Overhead expenses	£1	1	0
Profit	£3	3	0
	---	---	---
	£13	13	0
	===	===	===

I have no doubt that the above figures are correct, but I am not in a position to prove them.

D. J. AMOS
Adelaide, December, 1945

PRICE

(by Clarence P. Seccombe)

Price! Price! Price!
Ye miserable mendicants of price!
Is there nothing else in living?
Did ye never hear of giving?
Do ye never think of anything but price?

Price! Price! Price!
Ye go whining to the Homeland for a price!
Is our gracious past forgotten?
Has our English blood begotten
Nought but petty parasites of price?

Price! Price! Price!
Ye go crawling to the stranger for a price!
Sell your birthright for a pittance -
Scorn of nations for your quittance -
While your plundered people pay the price.

Price! Price! Price!
Ye would compass Earth and Heaven for a price!
While your people wait despairing,
Past all thought of hope or caring,
Till ye sell their souls and bodies for a price.

Price! Price! Price!
Ye burn the people's food to feed your price!
Build in blood your hateful pyre,
Pass your children through the fire,
In your worship of the hellish Moloch, Price.

Price! Price! Price!
While ye grovel in the gutter for a price,
In the bushland, birds are singing -
All the bells of God are ringing -
Strange - that springtime should not tarry for a price!

THE MAKING OF THE MILLS

When, in the year 1909, the principle of compulsory military training was first incorporated in the law of the land, the Commonwealth Government knew that it would soon be required to find large quantities of cloth for the uniforms of the trainees. It had formerly obtained what cloth it needed by the time-honoured method of letting contracts, but the business methods of the private contractors were beginning to get upon its nerves. Not only was the quality of the cloth supplied often not up to specification, but the contractors were continually defaulting with regard to time. A firm would take a contract for supply of so many thousand yards of cloth, but if the factory was busy the contract would be put on one side, and the contractors would squeal for an extension of time so as to enable them to complete their private orders. In one case a contract that should have been completed in one year went on for several, and when at last the Minister for defence enforced the provisions of the contract, and imposed a fine, he was bitterly attacked in the House because of "the injustice done by interfering in such a way with private enterprise." (Hansard, Vol. 57, p. 2888) The Fisher Administration, therefore, obtained a report from a departmental committee representing the Postal and Defence Departments, and, upon its recommendations, included in the "Appropriations - Works and Buildings - Bill" of 1910, clauses giving them power to establish factories, one for the manufacture of cloth and another for making all uniforms needed by employees of the Commonwealth Government. The Bill was passed on October 5, 1910.

These two factories became known as the Commonwealth Woollen Mills and the Commonwealth Clothing Factory, and it was the latter which first commenced operations. A building was erected at Clifton Hill, Collingwood, Melbourne, and work began on January 3, 1912. The cloth used was supplied from private mills, and at the end of six months the factory was employing 300 hands - most of them women - and had turned out garments valued at £26,795. So high was the quality of the work done, and so reasonable the cost, that the capacity of the factory had to be duplicated to cope with the orders received. The employees worked eight hours a day, were given fourteen days' leave annually on full pay, were paid for all public holidays, were given a comfortable luncheon room, with free tea, sugar and milk, were paid higher wages than those prescribed by the Wages Boards, and still turned out work under contract prices at a handsome profit. (Hansard, Vol. 65, p. 2508)

Meanwhile, in 1911, Mr. Smail, manager for many years of a

Scottish woollen factory, had been imported to take charge of the mills (when erected), and his first duty was to choose a suitable site for them. He visited some thirty places, and on June 25, 1912, reported in favour of a site on a small inlet called Corio Quay, at Geelong. It belonged to the Harbor Trust, who offered the land free of cost, and were prepared to supply the mills with all the electricity needed. There was a good supply of water, suitable for manufacturing purposes, available, and also the necessary water for transporting material by sea, it being possible to bring barges right up to the mills.

On July 19, 1912, the Fisher Administration accepted the site recommended by Mr. Smail. They commenced to erect the necessary buildings and import and install the needed plant; but on June 20, 1913, there took place the second break in the regular series of their Governments from November, 1908 to October, 1915. The first break - the third Deakin Administration, from June, 1909, to April, 1910 - did not have very much effect on Government policy; but the second - the Cook Administration, from June, 1913 to September, 1914 - was a fusion of all the reactionary elements in Australian politics, and its hatred of all the ideals which animated the Fisher Administration was extreme. Its avowed object was to replace social enterprise by private contracts wherever it could be done, and although it did not venture to touch the Commonwealth Bank, of which Sir Denison Miller had been appointed Governor in 1912 for a period of seven years, it did all in its power to discredit it, and interfered with disastrous effects, in the affairs of the Commonwealth Railway, the Commonwealth Woollen Mills and the Commonwealth Clothing Factory. In August, 1913, it took the order for supplying uniforms to the Postal Department away from the Clothing Factory, and got these uniforms made by private contract. As a result, 50 employees were dismissed from the factory, and its organisation was so weakened that, when war broke out in 1914, and its services were urgently needed, some time elapsed before it could function efficiently. Not until the third Fisher Administration came into office could Senator Pearce report, on December 3, 1914, that "the factory now employed 439 persons (84 males and 355 females), and carries out the manufacture of most of the clothing required by the Naval and Military Forces, as well as a large quantity for the Postal Department. The quality of the work is considered to be superior to any hitherto supplied, and the cost compares very favourably with prices paid to contractors."

As for the Mills, the Cook Administration held up the work on the buildings for six months and neglected to get the necessary machinery from England, with the result that, upon the outbreak of war, instead of being able to manufacture the cloth they needed, they were forced to the extreme step of seizing all private stocks of woollen goods, and appointing an officer to fix the prices to be paid for them. (Hansard, Vol. 77, p. 3634). The Fisher Administration had at first to adopt somewhat similar measures. Manufacturers of woollen cloth were invited to tender for Government requirements, under threat of requisitions if they did not, and in one case this threat was carried into effect. (Hansard, Vol. 77, p. 4161). Finally, however, the buildings were completed, the necessary machinery installed, and the Mills commenced operations. They actually started work on September 23, 1915, but not until December 22 of that year was the opening ceremony performed by the Governor-General of Australia (Sir Ronald Munro Ferguson). "I declare these Mills opened," said he; and by April, 1916, every available machine was running full time.

THE MARVEL OF THE MILLS

On October 27, 1915, the last of the Fisher Administrations went out of office. It was followed by the various Hughes Administrations, which, until the close of the war, three years later, saw to it that the clothing of the Australian armies was entirely carried out by the Commonwealth Woollen Mills and Clothing Factory - and it is universally admitted that better clothed armies never took the field. In addition, most of the naval and postal uniforms were obtained from the same source. Said Senator Reid: "Indeed, I do not think that any civilian in the Commonwealth is clothed in better material than is being turned out today at the Geelong factory (Mills). Upon this matter I claim to speak with some authority because I have been in the woollen business myself. Similar classes of material are being sold wholesale in Flinders Lane (by private firms) at 17/6 to 20/- per yard, yet that very cloth is being produced in the Commonwealth Woollen Mills for 6/6, 7/6 and 8/6 per yard; the best quality cloth manufactured there could not be bought elsewhere for less than 25/- per yard. But for the operations of this factory (the Mills) we would be paying twice or three times as much for the cloth in question." (Hansard, Vol. 86, p.6907)

Naturally, both the Mills and the Factory were very unpopular with the owners of private concerns of a similar nature, who clamoured for a Royal Commission to be appointed to investigate and report on the operations of all Government factories. Accordingly, on July 2, 1917, "our trusty and well-beloved W. G. McBeath, James Chalmers and Frank A. Verco," received instructions to enquire into the Navy and

Defence Departments. When their report came out (March 13, 1918), private enterprise probably wished that it had kept quiet. The Commission adversely criticised several aspects of the administration of the defence Department, but it had nothing but good to report of the Woollen Mills and Clothing Factory. For the year ended 30-6-17 their outputs and profits had been as follows:

	Output	Profit
Woollen Mills	£	£
Year ended 30-6-17	149,779	22,414
Since inception 23-9-15	194,832	22,414
Clothing Factory		
Year ended 30-6-17	243,864	11,440
Since inception 3-1-12	1,081,001	74,942

"The Government factories," reported the Commission, "and the ease with which their various activities co-ordinate, have proved valuable assets to the Administration." During this enquiry several members of Parliament seem to have been taken on a tour of inspection of the various factories concerned, and Senator Foll remarks: "What impressed me was the fact that these Mills (combined with the Factory) could turn out a good three-piece suit and cap for 30/-. It behoves the Minister to ascertain why the public have to pay £7/7/-, £8/8/- and £9/9/- for their suits. There must be some big profiteering going on somewhere when the public have to pay such high prices for their clothing." There certainly was, but it did not reach its climax until some two years later.

While our merchants and manufacturers are helping us to "win the war" by these methods, and investing their profits in war loans carrying a very comfortable rate of interest per annum, let us pay a visit to the Commonwealth Clothing Factory. It is "meal time", but the machinery is still running and many of the employees are busily working. On our asking the reason, Mr. Slade (the manager) informs us that, although long hours of overtime are being worked, the employees have voluntarily set aside a certain portion of their "meal hours" in order that they may make small articles for the comfort of the troops. "They have made thousands of them," he says, "and the machinery is run continuously to allow of their doing so." Comparisons are odious - but they are sometimes necessary.

During 1919 the Australian Imperial Forces began to stream home for demobilisation. What with their deferred pay and their gratuity, most of the men had money; but they found that a decent suit of civilian clothing cost them anything from £10/10/- to £12/12/-, and they objected vigorously. They formed the Returned Sailors and Soldiers' Imperial League to look after their interests and this League obtained from the Government the agency for selling cloth from the Commonwealth Mills to returned soldiers, sailors and nurses throughout Australia, who thus obtained their clothing for one-half the price that was extorted from the unfortunate civilians. This is how the price was made up in each case –

Price of Soldiers' Clothing under Social Enterprise:

The wool grower sold 7 lbs. of wool (1 suit length of 3-1/2 yards) to the Commonwealth Mills at 14.23d. per lb. Price of the wool therefore was	£0	8	3
The Commonwealth Mills sold 1 suit length of 3-1/2 yards to the Returned Soldiers' Association at 7/6 per yard Wholesale price of cloth therefore was	£1	6	3
The Returned Soldiers' Association sold 1 suit length of 3-1/2 yards to the soldier-consumer at 9/- per yard. Retail price of cloth therefore was	£1	11	6
The retailer charged for making the suit	4	4	0
The soldier consumer paid for the suit	£5	15	6

Price of Civilians' Clothing under Private Enterprise:

The wool grower sold 7 lbs. of wool (1 suit length of 3-1/2 yards) to the manufacturer at 14.23d. per lb. Price of the wool therefore was	£0	8	3
The manufacturer sold 1 suit length of 3-1/2 yards to the wholesale at 15/- per yard Cost of cloth therefore was	£2	12	6
The wholesaler sold 1 suit length of 3-1/2 yards to the retailer at 30/-			

Wholesale price of cloth therefore was	£5	5	0
The retailer sold 1 suit length of 3-1/2 yards to civilian consumer for retail price of	£7	7	0
Plus charges for making suit	£4	4	0
The civilian consumer paid for the suit	£11	11	0

(Hansard, Vol. 93, pp 4400 and 4404. Vol. 103, p. 775) (Also see Preface to Second Edition - page 40)

It was a splendid object lesson in economics for the civilian. He at once began, through his representatives in Parliament, to ask all manner of awkward questions, and the following facts came to light -

1. The Commonwealth Woollen Mills were turning out tweeds and flannels at the undermentioned prices, which yielded them a profit of over £20,000 per annum -

Grey tweeds, No. 1 quality	5/6 per yard
Grey tweeds, No. 2 quality	6/6 per yard
Indigo-blue tweeds, No. 3 quality	7/6 per yard
Flannels	8/6 per yard

2. For the same classes of tweeds the wholesale private firms were charging from 30/- to 40/- a yard, and for the same class of flannels, 17/6 to 18/- per yard.

As to the profits these private firms were making, let us listen to Senator Guthrie, a man, as even his political opponents admitted, "familiar with the woollen trade and woollen manufacture from boyhood, part of whose experience had been acquired in Yorkshire, and who was in touch with all the technicalities of the wool trade." Speaking in the House on 10-9-1920, he said: "During the years 1915, 1916 and 1917 the existing woollen mills of Australia made a total net profit of £1,197,000 upon a total capital of £1,144,000 - i.e. slightly over 100%; some mills, however, averaged as low as 33% on capital invested. On April 16, 1920, the Central Wool Weaving Co. made a net profit of 303.2% out of a sale of wool to them by the Government. We Australian citizens, if we go into a shop and ask for Australian tweed, cannot get it, and nine times out of ten the sellers will not tell us whether it is Australian tweed or otherwise. They say the Flinders Lane people will not tell them where it comes from. There is absolutely no doubt in my mind that the majority of Australian tweeds have been sold as imported. The manufacturers in other parts of the world have to charge a very high price because they are paying 300% more than the Australian manufacturer (this was a war-time provision) for the raw product, plus freight, insurance, loss of interest, heavy freight back to this country, and a protective duty of 35% on top of it all. Naturally, therefore, imported tweeds are about 30/- per yard, but it is a crime and an imposition on the public of this country that Australian tweeds and Australian clothing should be at anything like the price they are. I know it is not entirely due to the manufacturers, but is due largely to Flinders Lane, where the merchants have been proved to be making 100% net profit on Australian tweeds." (Hansard, Vol. 93, pp 4403-5) "At the present time," said Mr. Lazzarini, "Flinders Lane and York Street are able to dictate terms to the (private) factories. The factories can only produce what the wholesale firms will take, and if they attempt to distribute any of their surplus through other channels than the wholesale houses, pressure is at once brought to bear upon them."

That Australian cloth was being largely sold as imported material was proved by the action of the New South Wales Storey Administration. They appointed an Inspector to investigate conditions in the woollen industry, and one of the first firms he called upon was Messrs. Davidson and Norton. When asked if they stocked Australian made goods, they replied that they did not, as they only kept the best imported material; but when the Inspector examined a roll of serge he found it branded as having been made in the Commonwealth Woollen Mills. He then visited the premises of Birkes, Limited, and saw a roll of material 40 yards in length, which he was told was the best English serge, of a quality that could not be produced in Australia. He examined the cloth, and again found it stamped "Made in the Commonwealth Woollen Mills". (Hansard, Vol. 103, p.775) It is fairly safe to assume that what was being done in Sydney was being done in other cities also.

On May 12, 1920, the fourth (and last) Hughes Administration announced that they approved of additions being made to the existing machinery and plant of the Mills, which would enable their output to be doubled. It is estimated that the cost of the duplication would amount to £60,793, and that the capacity of the Mills would be increased to 1,200,000 yards of cloth per annum. Flinders Lane and York Street were thoroughly alarmed. Backed by an Association known as the National Federation, they at once inaugurated a press campaign against the Hughes Administration, and assailed the right of the Commonwealth, under the Constitution, to act as a tradesman or a merchant. (Six years later, the High Court of Australia definitely stated its opinion that the Commonwealth had no such right – C.L.R., Vol. 39, Case 1, Page 9)

THE MARRING OF THE MILLS

William Morris Hughes has been called (with some justice) "William the Conqueror", but in 1920 a political opponent referred to him (also with some justice) as "William the Conundrum", because, as his only policy appeared to be to remain Prime Minister of Australia, one never knew what institutions or principles he was prepared to throw overboard in order to retain that desirable position. He reacted to the stimulus applied by the National Federation in the following manner –

On October 27, 1920, the decision to duplicate the capacity of the Commonwealth Mills was referred to the Public Works Committee for a report thereon.

On May 11, 1921, the decision to duplicate was rescinded. Instead, £45,000 was to be provided for machinery to make worsteds.

On December 8, 1921, the proposal to install this machinery was struck out. The Mills already had some machinery for making worsteds, but in his report for the year ended June 30, 1922, the manager complained that its capacity was being taxed to the utmost.

In this same month of December, 1921, the daily press jubilantly announced that Mr. S. M. Bruce, the representative of the Flinders Lane and York Street interests, and the "lion" of the National Federation, had been appointed to the position of Treasurer in the Hughes Administration. From that moment, and as a matter of course, the Mills were doomed.

In July of 1922, the Hughes Administration announced its intention of selling the Mills to a private firm, and Senator Lynch tabled a motion against the sale. It was shown (Hansard, Vol. 100, pages 2287 and 2301) that the Government had invested £295,000 capital in the Mills, and that their balance sheets showed the Mills to be on a most prosperous footing. After allowing for every conceivable kind of charge that could be made in a well managed concern, including sinking fund, interest upon capital invested and depreciation up to a very safe figure (15% in the case of machinery), the Mills had made £142,691 profit in five years. Said Senator Lynch: "At whose suggestion have the Government taken this action? Apparently the influence exerted by the Flinders Lane manufacturers (and wholesalers) is entirely responsible: other producers and citizens do not count. (A sinister fact.) The Mills were established to secure us against the spoliation – that is a strong word, but it fits – of these men, who had no regard for their country's interests, and now, on the mere 'I say so' of the Government, they are to be sold." Emphatically he demanded why, and strange to say, he received a truthful answer from two entirely different types of politician.

Senator Millen stated that the output of the Mills was 600,000 yards of cloth per annum, while the Government only needed 150,000 yards. From March, 1920, to June, 1922, they had sold 700,000 yards of tweed to returned solders and 100,000 yards to the trade, *but they would not enter into competition with private enterprise by selling to the general public.* Consequently, the Mills must either be sold or remain idle during a great part of the year. Senator Guthrie remarked cheerfully that he wanted, and intended to get, shares in the concern that bought the Mills, because they had done such splendid work in the past that they were bound to make handsome profits in the future; also (apparently as an afterthought) more men would be employed if the Mills were run all the year by private enterprise, instead of only a portion of the year by the Government. The fact that, by working the Mills continuously, and by selling to the general public, the Australian citizen would have been decently clothed at reasonable prices, was not taken into consideration at all.

It is not often that a politician's prophecies are fulfilled to the letter, but Scullin's prediction may be noted here. Said he: "The fear that State enterprise will not prove payable finds its best answer in the fear of private enterprise to be subjected to State competition. The crime that it (the Woollen Mills) is committing is not that the workers are practising the Government stroke, not that it is inefficient, but that it is too efficient, and is carrying out its operations better than private enterprise is able to do. If the House fails to record a vote against the Government, and if the people at large do not protest, the Commonwealth Mills will be the first to go, next the Commonwealth Ships will follow, and then, as sure as I live, the Commonwealth Bank will be handed over to private enterprise."

The Hughes Administration decided to sell the Mills. They called for tenders on July 22, 1922 but went out of office before they could put their decision into practice, and it was left for the Bruce-Page Administration to complete the transaction. They did it in their usual 'businesslike manner' – that is to say, in a way that smelt to the high heaven of everything that is undesirable in politics. Wildridge and Sinclair, an engineering firm, who made a valuation of the property of the Mills for the Government, valued the land at £2,500, the plant, machinery and fittings at £191,609, and the buildings at £73,050 – a total of £267,159; but they did not attempt to estimate the value of the business. If we take the net profits of the Mills for the two preceding years (£103,311) as representing this value or goodwill of the business, and add that to the value of the property, we get £370,470, representing the value of the Mills as a going concern. These figures are extremely conservative, and probably the true valuation of the Mills was not less that £400,000. (Hansard, Vol. 103, pages 200-2) On April 24, 1923, Bruce sold this splendid national industry to James Dyer of Flinders Lane, Julius Solomon of Geelong, Senator Guthrie, of Parliament House and other prominent 'business men and wool growers', for the sum of £155,000, paid by instalments. Bruce was reported in the press as saying: "The Government considers this is a satisfactory sale." It must have been – to those who bought the Mills – for between 1916 and 1923, after paying £81,000 in interest, and writing off £100,000 for depreciation, the net profit on the Mills was £219,000.

Whatever opinion one may hold on the merits or demerits of Scullin as a Prime Minister of Australia, it cannot be denied that, in common with many of his countrymen, he possesses the gift of oratory, and his attack on Bruce over the sale of the Commonwealth Mills is one of the most brilliant speeches in our Parliamentary records. "If," said he bitterly, "this is a business Government, then spare Australia from another."

He pointed out –

(1) That while charging low prices for splendid material, the Commonwealth Mills had been able to show a substantial net profit year after year, and that employment had been under the best possible conditions. They had produced 4,000,000 yards of cloth and 30,000 pairs of blankets. When the other manufacturers had said, "We cannot manufacture at this price," the Government produced Mr. Smail (the manager of the Mills), who showed them the cost prices of the Mills, and said: "We are doing it at considerably less than that figure." This had the effect of keeping down prices (to the Government), and it would be a very low estimate to say that the country was saved up to £3,000,000.

(2) That more than half of the total profits had been made in the two years after the war, when the Mills were supplying returned soldiers with suits at about half the price that civilians were paying for their clothing. The civilians were clamouring to have these benefits extended to them, and so delighted was the Government with the pronounced success that had attended the operations of the Mills that, in 1920, they had placed upon the Estimates a sum for the duplication of many of the machines, in order to double the output of the Mills. Then something had happened. Reports had appeared in the press that business men were becoming restive with the Hughes Government. There had been a re-shuffle in the Cabinet and Flinders Lane had obtained representation in the Ministry. The National Federation (an organisation of vested city interests, drawing an immense fighting fund from manufacturers and the Flinders Lane merchants) had become the money-masters of the Government, and these money-masters hated the Mill. They had reason to hate it. They hated it because they considered that the profits it was making should have been theirs. They hated it because, by selling at a fair price, it was exposing their extortion. Above all, they hated it because it was a living proof of the success of social enterprise, and they feared the extension of its benefits among the people. When they had decided to sell the Mills they were faced with difficulties. The old accusations against nationalisation - that it must fail because it was inefficient, and the taxpayers had to make up the losses - were shown by the balance sheets to be completely false, and the Hughes Government had been obliged to come out into the open and speak the truth. They had been forced to say that to compete with private enterprise was against their policy and that they considered it to be against the public interest to run the Mills for the profit of the people. Their policy was to represent the financial clique who provided their colossal fighting funds. It was interesting to glance at the wealth census statistics, and so gain an idea of the enormous power wielded by this clique. These statistics showed that 466 persons in Australia possessed £92,000,000 worth of property, so that when it came to providing fighting funds for a political party their power was tremendous. To these people it would be an awful crime for a publicly-owned mill to sell its output to the public, an awful crime that people should have a chance to obtain cheap clothing, blankets, tweed or flannel from a mill built and paid for by themselves.

(3) That the Mill was a magnificent structure, built of brick, with concrete floors, iron roofs, and steel girders. There was nothing in Australia to equal it, or the plant installed in the building. Returned soldiers who were running a woollen mill at Geelong had been anxious to extend their operations and purchase the Commonwealth Mills. They had not sufficient cash to pay a deposit of one-third of their tender, plus £25,000 deposit on stock, but offered their mill, valued at £57,000 as security until they could float a company with a capital of

£250,000, and pay cash for the lot. The Government had said their offer could not be entertained; but they had accepted, by secret arrangement with Mr. James Dyer and his private syndicate, a deposit of one-tenth of the purchase price, the remainder to be paid in ten years instead of five, and to carry interest at 5-1/2% instead of 6%.

(4) That Bruce's unofficial confidential secretary during this transaction had been a Mr. Alexander Russell, the son of Mr. Phillip Russell, a rich squatter in the Western District of Victoria, who was a member of the purchasing syndicate. For valuing the stock of cloth on hand the Government had appointed Mr. George Kettlewell, with Mr Hudspeth as an expert assistant, to look after its interests. Both these men were connected with the Lincoln Knitting and Spinning Mills, of which Senator Guthrie was a director, and Senator Guthrie was an organiser of and shareholder in the purchasing company; so that the position was that Senator Guthrie's fellow-director of the Lincoln Mills had been appointed by the Commonwealth to say how much the Commonwealth should be paid by Senator Guthrie and his syndicate.

"That these Mills made a profit for the people," said Mr. Scullin, "was their one great crime. That they undersold profiteering firms was their cardinal sin. Flinders Lane condemned them on these accounts. This magnificent public utility . . . is squandered by the present Government, and scrambled for by the political supporters of honorable members opposite. If Ministers were directors of a private company and handled the shareholders' property in the same manner, they would be called before the courts and indicted." (Hansard, Vol. 103, pages 195-208).

On June 5, 1923, the conditions of the contract of sale having been complied with by the purchasers, they entered into possession of the Commonwealth Woollen Mills. The Clothing Factory continued to operate but it was supplied with its material by private firms.

Here ends the story of the Commonwealth Woollen Mills, and its main interest to adherents of the New Economics lies in the following facts -

(1) For the first four years of their existence the Mills did not seriously attempt to make profits at all. They were a social institution, and their idea was service. Such profits as they did make were more for the sake of showing that they were not running at a financial loss to the community than for any other reason. Consequently, their sales were, to all intents and purposes, at cost, their overhead expenses were small and their distribution of purchasing power was large.

Here, then, if anywhere, the opponents of the New Economics should find proof that what is known as the A + B theorem is incorrect.

This theorem states that the only money available for the purchase of goods is the amount distributed in the form of wages, salaries and dividends ("A" payments), and that all other money distributed for raw materials, machinery, plant and overhead expenses ("B" payments) never gets into the hands of individuals at all, but passes from firm to firm (or under a Socialistic form of Government from one Government Department to another) until it is finally used to pay off an overdraft advanced by the banking system, when it is cancelled out of existence. Therefore, as the price of goods contains both these payments (A + B), there is never enough money passing through the hands of the people during any one period of time to purchase all the goods they produce during that period (A cannot purchase A + B); and this applies to any economic organisation which only distributes purchasing power through its industrial system.

Let us take the year 1917-18, which is midway between the date the Mills commenced operations and the date when they commenced to supply the trade with cloth at a profit, and we get the following figures:

Price of goods produced at cost		£145,275
Purchasing Power distributed as wages and salaries	£24,139	
Dividends to Government as Profits and interest on Capital Supplied	£27,205	
	------	£51,344

Excess of Prices over Purchasing Power		£93,931
		======

"But," says the orthodox economist, "although the theorem obviously holds good for any particular industry, it must fail when applied to industry considered as a whole because it takes no account of money distributed in respect of services rendered which do not produce goods."

The reply is that all private services such as those of doctors, lawyers, clerical workers and domestic servants are paid for out of wages, salaries or dividends, earned in the last analysis by the production of goods, while all services performed by Government servants are paid for out of taxes levied upon those same wages, salaries and dividends. All such payments, therefore, come out of the existing amount of purchasing power and are not additions to it.

"But," persists the orthodox economist, "if industry is considered as a whole, as one vast going concern, then at any particular date, say, 30th June, although the last stage of the chain of production which resulted in your woollen goods might not have distributed enough purchasing power in 'A' payments to buy them, there would also be the 'A' payments distributed at that date in intermediate stages of other chains of production which would finally result in boots and cotton goods at say, 30th July and 30th August respectively. This money would enable the woollen goods to be sold."

The reply is that it would not, because woollen goods were not the only goods turned out at 30th June in company with a totally inadequate distribution of purchasing power with which to buy them. The gap between prices and purchasing power remains unbridged.

(2) It has now become obvious that, under a monetary system (and the author assumes that none of us wish to return to a system of barter), the nationalisation of industry alone will not help us to bridge the gap between prices and purchasing power. This can only be done by the distribution of additional money among the community *outside* of the productive system, for any increase *inside* that system in the shape of higher wages and salaries is necessarily accompanied by a corresponding increase in the price of the goods, or by a decrease in the purchasing power distributed in the form of profits. This additional money has been distributed in the past –

(a) By exporting our surplus of goods to foreign countries. (an impossibility today)

(b) By constructing more capital goods on borrowed money. (This serves for a time, but it merely postpones and aggravates the day of reckoning.)

(c) By war. (Under modern conditions, this has brought our civilisation to the brink of destruction, and has left us crushed under a mountain of debt.)

It seems reasonable to suppose, therefore, that in the near future the additional money required will be distributed in the form of National Dividends to all Citizens, accompanied by a system of Discounts to all Purchasers of Goods – inflation being guarded against by means of the Just Price formula. Emphasis should be laid on the fact, which too many people are prone to forget, that the

New Economics could be put into force, and if honestly administered, would give equally satisfactory results under *any* form of government; but –

(3) People who advocated "planned economics" as the only remedy for our social ills always imagine themselves as doing the planning. They are living now under an economy that has been planned (by bankers), and they show small signs of gratitude to the planners. The author suspects that they would show as little love for an economy planned by a dictator or by a group of proletarians. If we had sufficient money, we could by our purchasesand plan our own economy.

* * * * * * * * * * * * *

APPENDIX

TOTAL VALUE OF THE OUTPUT OF THE MILLS

Year	Cloth etc.			Yarn etc.			Dyeing etc.			By-products			Total		
	£	s	d	£	s	d	£	s	d	£	s	d	£	s	d
1915-16	41,27	0	7	3,528	3	4	105	16	10	139	18	2	45,052	18	11
1916-17	149,00	0	4	76	15	6	274	4	7	428	19	2	149,779	19	7
1917-18	141,93	9	9	567	8	4	2,147	11	11	627	19	0	145,275	9	0
1918-19	168,25	6	2	4,593	19	3	211	13	4	955	4	7	174,019	3	4
1919-20	174,21	11	4	1,641	4	6	433	14	1	958	4	7	177,251	14	6
1920-21	262,26	15	8	6,139	19	7	958	8	3	834	19	6	270,202	3	0
1921-22	197,10	3	9	3,060	4	0	1,369	7	3	1,193	13	10	202,732	8	10
1922-23	173,04	8	8	11,277	2	1	686	18	3	670	7	5	85,681	16	5
Totals	1,307,11	16	3	30,884	16	7	6,187	14	6	5,809	6	3	1,349,995	13	7

TOTAL EXPENDITURE OF PUBLIC FUNDS

Year	Drawn by Warrant Authority or Expended by other Departments on account of the Mills			Less Transferred to the Treasury at close of the Financial Year			Balance Provided from Public Funds		
	£	s	d	£	s	d	£	s	d
1911-15	156,477	14	1	7,010	13	11	149,467	0	2
1915-16	88,188	7	1	2,299	6	2	85,889	0	11
1916-17	22,850	5	7	Nil			22,850	5	7
1917-18	14,779	17	7	44,526	18	4	Cr 29,747	0	9
1918-19	14,735	0	0	54,843	6	11	Cr 40,108	6	11
1919-20	11,796	11	0	41,166	2	3	Cr 29,369	11	3
1920-21	9,081	0	0	89,368	12	11	Cr 80,287	12	11
1921-22	11,910	0	0	96,156	6	9	Cr 84,246	6	9
1922-23	1,980	0	0	84,403	15	11	Cr 82,423	15	11
Balance in Excess of Amount from Public Funds							Cr 87,976	7	10

AUTHORITIES

Parliamentary Debates - - - - -	1910-1923
Annual Reports and Balance Sheets of	
The Commonwealth Woollen Mills - -	1917-1923
The Commonwealth Clothing Factory -	1913-1923
Fourth Progress Report of Royal Commission	
on Navy Defence and Administration	March 13, 1918
Munitions Supply Board -	
Second Report - - - -	June 30, 1923
Annual Report - - - -	June 30, 1924
"Argus" Newspaper - - - -	1915, 1920, 1921

* * * * * * * * * * * * *

This book and others on similar subjects available from:

Heritage Bookshop, 145 Russell Street, MELBOURNE, Victoria, 3000

Book Mailing Service,
P. O. Box 93, BORONIA PARK, New South Wales, 2111

Heritage Bookshop, 2nd Floor, Princes Building,
24 Waymouth Street, ADELAIDE, South Australia, 5000

Book Mailing Service, P. O. Box 1035,
Midland, WESTERN AUSTRALIA, 6056

or

The Conservative Bookshop,
2nd Floor, McConaghy House,
460 Ann Street,
BRISBANE, 4000

(Typeset using the "Wordpal" Text Processing System)