

Australia Dossier by Robert Barwick and Allen Douglas

Machine-tool industry disappears

The Industry Commission has put the final nail in the coffin of this once-vibrant sector.

The Mont Pelerin Society-dominated Industry Commission (IC), soon to be known as the Productivity Commission (see *EIR*, April 25, p. 11), has recommended that on June 31, the last remnant of Commonwealth government assistance to Australia's once-flourishing machine-tool industry be terminated. In January 1996, then-Assistant Treasurer George Gear mandated the IC to investigate the bounty (subsidy) on the production of machine tools and robotics in Australia. The IC report was compiled by Presiding Commissioner Maurice Joyce, a former manager of the Comalco subsidiary of RTZ-CRA, of the Queen's raw material cartel; Joyce is also an employee of the World Bank. His recommendation finishes off a sector which once challenged the world's best.

The history of machine-tool production in Australia is a study in dirigism: The industry has done well only when the government has made it a high priority, as it did during the two world wars of this century. Ian Kennedy, of Business Victoria, a Victorian state government department, has written a fascinating history of the industry entitled *Manufacturing History: The Australian Machine Tool Industry, 1910-1995*. In it, Kennedy reports that the industry began when 17 firms diverted resources to production of machine tools during World War I; Australia at the time was a country with a population of only 3 million.

But, by the outbreak of World War II, only three machine-tool companies existed. In March 1939, the government set up a Commonwealth Machine Tools Committee as part of the new Department of Munitions. The

committee established the Directorate of Machine Tools and Gauges, under the direction of Col. Frederick Thorpe, the nation's leading authority on the subject. In 1943, Thorpe wrote in *Australia Today*: "There is, generally speaking, no machine too large or too intricate for the Australian engineer to tackle, if the need is sufficiently urgent." A British MP, Sir Oliver Simmonds, who visited Australia in 1944, was reportedly astonished to find that of 52,000 complex machine tools being used in Australian industry, 11,000 were from the United States under Lend Lease, 5,000 were from Britain, and 37,000 had been manufactured domestically.

Encouragement for machine-tool production continued into the two decades following the war, with most of the impetus coming from Australia's post-war reconstruction program, particularly the huge Snowy River Hydroelectric Scheme, and the establishment of an automobile manufacturing industry, beginning with the government-initiated General Motors- Holden car.

However, in the 1960s, government support diminished quickly; between 1960 and 1965, ten firms ceased production, and imports soared. In 1966, the Machine Tools and Gauges Industry Advisory Committee, chaired by Wilton Eady, advised the Minister for Supply, Sen. N.H.D. Henry, that the "situation in the industry is extremely critical, and positive action must be taken if the industry is to survive." Despite this, the government directed, in November 1968, that "the machine-tool industry *should not be encouraged to expand beyond the range within which it is now operat-*

ing" (emphasis added). In 1972, the government introduced the Metal Working Machine Tools Bounty Act, which specified bounty assistance of 33.3% of the factory cost of drilling machines, grinding machines, lathes, power-fed special purpose machines, and numerically controlled machining centers. The general tariff rate at the time, 35%, was also a help.

But for many companies, it was too late. As Eady wrote in 1972, "Had the government acted in 1967, I think the machine-tool works might have survived. But by 1972 the situation was beyond recovery."

It got worse: In 1973, the Whitlam Labor government dropped tariffs by 25% across the board, and, during 1988-96, the bounty was dropped to a ridiculous 5%.

As Lyndon LaRouche has elaborated, without a "full-set" machine-tool industry, a nation can not be truly sovereign. The Mont Pelerin hacks who have dominated Australia's governments over the past two decades have made clear that they would like Australia to continue its colonial status. As current Primary Industries Minister John Anderson has stated, Australia should not be a "processing nation," but a "raw materials exporting nation." This deliberate collapse of machine-tool-led manufacturing was also the single largest contributor to last year's current account deficit of over \$14 billion.

At the end of World War II, U.S. President Franklin Roosevelt and Australian Prime Minister John Curtin envisioned using Australia's machine-tool industry to help industrialize Asia, to thus throw off the shackles of British and other colonialisms. With the new Eurasian Land-Bridge project, such a possibility is opening up once again; and, once again, will require a vast expansion of machine tools to really succeed.