

THE PARLIAMENTARY STANDING COMMITTEE ON PUBLIC WORKS.

R E P O R T

relating to the proposed erection of

ADDITIONS TO THE TELEPHONE EXCHANGE

AT HAMILTON, N.S.W.

30-4-48

For Senator Lamp -

I bring up the Report of the Parliamentary Standing
Committee on Public Works, relating to the following work :-

Proposed erection of additions to the
Telephone Exchange at Hamilton, N.S.W.

*and I move that the Report
be printed.*

Passed.

THE PARLIAMENTARY STANDING COMMITTEE ON PUBLIC WORKS.

ADDITIONS TO TELEPHONE EXCHANGE, HAMILTON, N.S.W.

R E P O R T.

The Parliamentary Standing Committee on Public Works, to which the House of Representatives referred for investigation and report the question of the erection of additions to the Telephone Exchange at Hamilton, New South Wales, has the honour to report as follows :-

S E C T I O N I.

I N T R O D U C T I O N.

Original Establishment.

1. The conversion to automatic working of the existing network at Newcastle was planned before the recent war, and an automatic exchange for the immediate city area was established on 15th March, 1941. A new automatic exchange building was also erected at New Lambton, and the present partial building at Hamilton was provided.
2. In 1945 a request was made for the preparation of working drawings for extensions to the Hamilton Telephone Exchange, and a proposal was designed involving an estimated expenditure of £54,500. The building was not proceeded with immediately, and to meet the continued growth of the Newcastle network during the war years, a temporary manual exchange was provided in the New Lambton automatic exchange building, and a temporary automatic exchange in the Hamilton building.
3. Since the war it has been possible to replace the New Lambton manual with automatic exchange equipment, and also to provide automatic continuous service at Charlestown. Waratah has a manual exchange and this will be replaced when the automatic equipment ordered for Mayfield is delivered and installed.
4. The Newcastle local call network at present is confined to exchanges within a radius of 5 miles from the G.P.O. at Newcastle and includes 6,812 subscribers connected to seven exchanges. Calls to places outside the 5 mile radius have to be made through trunk lines, and, owing to the marked development in

telephone business in and around Newcastle it has become necessary for the local call network to be extended to include all telephone exchanges and telephone offices situated within a radius of approximately ten miles from the proposed Hamilton trunk exchange. This extension of the network will have the effect of bringing into the local call area 1,005 additional subscribers' lines which are connected to ten local exchanges.

SECTION II.

THE PRESENT PROPOSAL.

General.

5. In order to establish the proposed extended network, and to provide a prompt and effective trunk line service for an area which has assumed such industrial and commercial importance to Australia, it is necessary to erect additional buildings in which to operate the extra equipment. The present Hamilton temporary exchange has therefore been selected as the most suitable locality for the trunk exchange and for the centre of the local call area.

The Building.

6. The plans show a structure which will add one additional storey to the existing building at the corner of Denison and Lawson Streets, Hamilton, and at the same time will extend all the floors to the rear of the site, leaving 12 feet width for vehicular access. A total area of 15,734 square feet will be added to the present floor space, and engineering services including appropriate air conditioning and ventilation are provided for.

Estimated Cost.

7. The estimated cost of the proposed extensions is as follows :-

| | | | |
|------------------------|--------|--------|----------------|
| Building. | | | £46,000 |
| Engineering Services - | | | |
| Plumbing and drainage | | 1,380 | |
| Electrical | | 12,020 | |
| Mechanical - | | | |
| Air-conditioning | 11,000 | | |
| Lift | 4,400 | | |
| Fire Extinguishers | 50 | | |
| Electric hoist | 350 | | |
| Hot water | 600 | 16,400 | 29,800 |
| Furnishings | | | 3,000 |
| Total - | | | <u>£78,800</u> |

SECTION III.

THE COMMITTEE'S INVESTIGATIONS.

General.

8. The Committee studied the plans, and, while in Melbourne in connection with another project, took evidence from certain departmental officials concerned with the matter. The Committee then went to Newcastle, visited the site, and inspected exchanges in the Newcastle and Hamilton districts where the service to subscribers is being carried on at the present time. Evidence was taken in Newcastle from officials of the Postmaster-General's Department and various citizens representing local bodies interested in the type of service to be provided for the district.

The Site.

9. The site, which is situated at the corner of Denison and Lawson Streets, Hamilton, is good, level building land, and is already partly occupied by the present Hamilton automatic Exchange. It has a frontage of 87 feet to Denison Street with a depth of 134 feet along Lawson Street. It was explained to the Committee that the proposed extensions to the building will occupy most of the remainder of the block to within 12 feet of the boundary. The locality is very close to the copper centre of the proposed area to be served, and is considered by the Department as most suitable for the purpose.

The Building.

10. The present building, housing that part of the automatic equipment which it has been possible to provide for Hamilton in recent years, is a brick structure, of rather utilitarian, but pleasing appearance, and sufficiently modern to be eminently suited for extension in the manner proposed.

11. Before the war, when it was proposed to lay an underground trunk cable between Sydney, Newcastle and Maitland, it was decided to terminate the cable for the Newcastle network at Hamilton. As a result of this decision plans were considered, in 1938, for a building consisting of ground and two upper floors. Due to circumstances existing at that time, however, the building proposal had to be reviewed and only a portion of the building was erected.

This portion, consisting of ground and first floors, was completed in 1940 at a cost of £8,623, the foundations being designed to carry an additional floor.

12. The building extension now to be provided will comprise one additional storey to the existing building and extension of all the floors back to the rear of the site, leaving a 12 foot width for vehicular access.

13. Accommodation - On the Ground Floor will be provided a Main Distributing Frame Room, Battery Room, Power Room, Diesel Alternator and Mechanics' Work Room, Air Conditioning Room, Installation Staff Room, Installation Store, General Store, Garage, and Locker and Toilet accommodation.

14. The First Floor will accommodate the Automatic Trunk Equipment, Carrier Equipment, Automatic Exchange, Head Technician's Room, Assistant Technician's Room and Male Toilet Room.

15. On the Second Floor will be the Trunk Switch Room, Observation Room, Technical Officer and Superintendent's Room, Lecture Room, Lunch Room, Rest Room, Female Locker and Toilet Rooms, and Male Locker and Toilet Rooms.

16. Amenities - Normal amenities, including hot water urn, pie-warmer, table and chairs, etc. are provided for luncheon purposes; bed settees, chairs and tables for the Female Rest Room. Necessary first aid equipment will be provided, and also individual lockers for both male and female staff. In addition to the existing stairs a fire escape stair is proposed at the rear of the building.

17. Construction - The building will be of steel frame construction with reinforced concrete floors and brick walls to match the existing building in tone. Window frames will be constructed of steel sections. The roof will be supported on steel roof trusses and will be covered with corrugated asbestos cement sheets. The copings and Entrance trim will be cement rendered and painted.

Engineering Services.

18. Ventilation - Air conditioning plant will be of the central station type, situated in the Plant Room on the Ground Floor.

Conditioned air will be supplied to rooms in which Telephone or Carrier Equipment is installed. A separate Exhaust System is proposed for the Battery Room.

19. Heating - All rooms not supplied with conditioned air will be electrically heated, the old system being removed.

20. Lift - An automatic passenger lift to carry 12 passengers will be provided.

Date of Completion.

21. It is anticipated that it will be possible to call tenders for this project by June, 1948. The actual building operations should probably take approximately eighteen months, but this is dependent upon the availability of materials and labour as the work proceeds.

Staff Thrown Spare.

22. The staff employed at the Hamilton manual exchange at present totals 30 officers, consisting of 27 Telephonists, 2 Monitors and 1 Supervisor. These officers will not be required at that exchange when it is converted to automatic operation, but they will be transferred to other exchanges where vacancies exist for trained personnel. It is not the practice to dispense with the services of any staff when manual exchanges are cut over to automatic operation, as suitable adjustments can be made to absorb them at other offices.

Necessity for the Building.

23. In order to understand the necessity for the proposed building at Hamilton an explanation was given to the Committee of the conditions existing in the Newcastle network, of which Hamilton is a part, and in the development of which the Hamilton Exchange is to be an important unit, both for the individual automatic service to the surrounding subscribers, and also to house the Trunk Exchange connecting the whole network with the rest of Australia and other parts of the world.

24. The Newcastle local call network - The present local call network, that is the district in which subscribers may call each other without trunk line charges, consists of 7 exchanges in a radius of 5 miles from Newcastle G.P.O. These exchanges are

Newcastle, New Lambton, Charlestown, Hamilton temporary automatic, Hamilton manual, Stockton and Waratah. The first four of these are already automatic, and the whole network provides service for 6,812 subscribers.

25. It is now proposed to extend this area to embrace a radius of 10 miles from the Hamilton Exchange and to bring into the local call area 10 exchanges which were providing service for 1,005 subscribers at the end of 1947. The total number of present subscribers included in the extended area will be 7,817. The exchanges concerned are Cardiff, Williamstown, Wallsend, West Wallsend, Tarro, Killingworth, Boolaroo, Toronto, Dudley and Belmont. Cardiff is the only one of these which is automatic at present.

26. The plans of the Department provide for all of the exchanges in the network to be converted progressively to automatic operation as soon as it is possible to do so. Conditions at Waratah are particularly unsatisfactory and congested, and the conversion of this exchange is proposed as an urgent project. This will be undertaken by establishing a new automatic exchange at Mayfield as soon as the building is erected and the equipment, which has been ordered, is available.

27. The introduction of the 10 mile radius as proposed will be of considerable benefit to the subscribers concerned, but, before it is brought into operation, it will be necessary to provide additional exchange equipment, lay extra underground cable to provide more junction lines, and re-arrange the network traffic routing scheme.

28. Owing to the difficult situation in regard to supplies of automatic equipment, it is impossible to furnish a reliable estimate of the date for the completion of the conversion of the whole of the network to automatic working. However, the work will be carried out as rapidly as possible, but it is considered essential that Hamilton should proceed to completion first, so that the telephone traffic in the network can be routed correctly and the ultimate subscribers' numbering scheme introduced initially.

29. It is proposed, therefore, to extend the Hamilton automatic exchange building at once so that it will include, in addition to the present automatic service to subscribers in portion of the Hamilton area, subscribers connected to the present Hamilton manual exchange and the Hamilton Trunk Exchange (at present located on the top floor of the Newcastle Post Office), and to make the Hamilton building the centre of the network.

30. The Hamilton Manual Exchange - Most of the existing equipment at the Hamilton Manual Exchange has been in use for 30 years and is now obsolete. Consequently the operators are now seriously handicapped in carrying out their work, and it is not practicable to maintain a high grade of service. The staff retiring rooms and other amenities also are very unsatisfactory. This exchange has a staff of 30 officers and provides telephone service for 1,573 subscribers, and it is not possible to extend the service to the large number of applicants already demanding telephones, much less to provide for the growing number of applications which will result from the important development taking place in this area.

31. The Hamilton Trunk Exchange - The existing trunk exchange, which provides trunk line service for the Newcastle network, is located on the top floor of the Newcastle Post Office and has switching equipment consisting of 35 operating positions with 5 more in course of installation (including 4 miscellaneous positions).

32. Most of the equipment is out of date and must be replaced with a modern trunk line suite as soon as possible. Owing to space limitations it will not be practicable to install any more positions, and, in fact, much congestion already exists, so that the operating staffs are working under most unsatisfactory conditions.

33. There are at present 162 trunk channels connected to the switchboard, and it will be necessary to connect many more to meet the increase in trunk line traffic. It is estimated that 77 extra channels will be provided within the next two years, making 239 circuits, and this is expected to increase to 300 in 1955. Although the increase in radius of the Newcastle local call network from 5 miles to 10 miles will involve a reduction in trunk line channels necessary for that purpose, the growth of trunk line

business will necessitate an increase in trunk channels to such an extent that it will more than offset the effect of the alteration.

34. The Hamilton Trunk Carrier Terminal and Repeater Station -

Practically all telephone, telegraph and broadcasting circuits to the northern part of New South Wales and to Queensland pass through the Sydney-Hamilton-Maitland trunk cable, to the equipment terminal stations at Hamilton and Maitland. Hamilton, in addition to being the terminal for all telephone, telegraph and broadcasting stations affecting the Newcastle area, is also a Repeater Station for similar circuits which distribute via terminal equipment at Maitland to Queensland and the northern parts of the State. The provision of additional circuits to these areas, and also to the Newcastle network itself, will necessitate much additional equipment at Hamilton and necessitate further space at that centre.

35. The staff employed at present at the Newcastle Trunk Exchange totals 73, all of whom will be required at the new trunk exchange when it is brought into service in the proposed extensions at Hamilton.

36. The Committee is satisfied that there is an urgent necessity for the building to house the automatic exchange for the Hamilton district and to provide space for the Trunk Exchange serving the extended Newcastle network.

Spare Accommodation.

37. When the Trunk exchange is transferred to the new Hamilton building the space at present occupied on the top floor of the Newcastle G.P.O. will be vacated. However, conditions in the postal and other sections of the post office at Newcastle are so overcrowded that it will be immediately in demand.

Manpower and Materials.

38. Inquiries were made regarding the extent to which the proposed building would compete with housing projects, and the Committee was informed, in evidence, that the erection of the proposed building would not have a harmful effect upon the local housing programme. It is expected that building materials, such

as structural steel, will be more readily available in Newcastle than they are elsewhere, because the steel is produced on the spot, and large quantities of steel are already stacked in Newcastle awaiting shipment.

39. Corrugated asbestos sheeting has been recommended for the roof because iron is difficult to obtain, and because the asbestos lasts indefinitely. It is particularly suitable for use in coastal regions where iron is likely to corrode.

40. It is generally recognised that the establishment of telephone exchange buildings, especially in important and developing areas, is urgently necessary and should proceed at the same time as programmes for home building, and, so long as materials are carefully chosen to avoid as much competition as possible, and a minimum of competing labour is used, the Committee agrees that the project should be pushed ahead with all possible speed.

Financial Aspects.

41. Although the estimate placed before the Committee was £78,800 it is recognised that this amount is concerned only with the erection of the building and the provision of the essential engineering services and furnishings. In addition to this amount the cost of establishing the exchange, including the automatic telephone and trunk equipment has to be taken into account. Evidence was submitted to the Committee showing the total cost of the establishment and the method by which the expenditure would be spread over five years. The following statement is a summary of the figures supplied :-

| | | |
|---|----------------|------------------|
| Site and building | | 84,545 |
| Automatic exchange equipment and subscribers' equipment | 142,000 | |
| Trunk exchange equipment and incidental material | <u>142,400</u> | 284,400 |
| Labour | | 41,000 |
| Line construction | | 44,000 |
| Administration | | 36,339 |
| Contingencies | | <u>26,208</u> |
| | | <u>£517,192.</u> |

41. It is proposed to distribute this expenditure over five financial years as follows :-

| | |
|---------|-----------------|
| 1948-49 | 6,261 |
| 1949-50 | 249,400 |
| 1950-51 | 102,000 |
| 1951-52 | 149,000 |
| 1952-53 | 11,000 |
| | <u>£517,661</u> |

Certain amounts, such as cost of site (already acquired), administration charges, and initial sections of the building in situ, are not included in the distribution figures.

43. The statement of capital cost, annual charges, and revenue is as follows :-

| | <u>At Opening.</u> | <u>At 5 Years.</u> |
|---|--------------------|--------------------|
| Capital Cost. | £770,000 | £250,000 |
| Capital cost new and in situ. | 894,000 | 992,000 |
| Working expenses. | 47,000 | 53,000 |
| Total annual charges including working expenses, interest and depreciation. | <u>108,597</u> | <u>121,949.</u> |

Assets thrown spare - The book value is £91,135, the recoverable value £36,981, and the cost of recovery £1,600. The comparatively high recoverable value is due to the automatic equipment to be recovered from the temporary Hamilton automatic exchange.

The revenue which will be derived from the Hamilton Automatic Exchange subscribers, together with the revenue from the Hamilton Trunk Exchange will be :-

| | | |
|------|-----|-----------|
| 1953 | ... | £160,067 |
| 1958 | ... | £190,000. |

Purchase of Automatic Equipment.

44. The Committee learned with a good deal of satisfaction that action had been taken, as recommended in the Committee's Report on the Batman Exchange, to arrange a conference between officials of the Postmaster General's Department and the Treasury Department in order to find a method of financing which would facilitate long term contracts and purchases in bulk of the tremendous amount of special equipment needed for telephone work. It is satisfied that the establishment of telephone exchanges and the provision of urgently needed telephone services will be greatly facilitated, and it will watch the development of the scheme with keen interest.

45. In November, 1946, the Postmaster-General submitted to Cabinet a proposal covering the implementation of a three-year programme of works for the purpose of overtaking the huge arrears which had accumulated during the war period and of restoring postal and telecommunication services to a satisfactory level of efficiency. A Sub-Committee of Cabinet, comprising the Treasurer, the Ministers for Post-War Reconstruction and Interior, and the Postmaster-General, was appointed to survey the field and make the necessary decisions.

46. A comprehensive plan involving the expenditure of £30,000,000 during the financial years 1947-50 was submitted to Cabinet in 1947 and it was decided :-

(i) that the Cabinet Sub-committee approve the proposal that the Postmaster-General's Department should be authorised to proceed with the three-year programme, commencing with the year 1947/48, and that an amount of approximately £30,000,000 be fixed within the period as a target expenditure figure of a total programme amounting to £42,000,000 for New Works, including Buildings and Sites, which has been prepared as a basis for practical planning, development of staff organisation, ordering of materials, etc. The Sub-committee noted that expenditure on the incomplete portions of works remaining at the end of the period will be carried forward into subsequent years;

(ii) that an amount of £8,115,000 be tentatively allocated for expenditure on New Works during 1947/48, subject to the usual Draft Estimates covering this amount being placed before the Treasury when the Budget is being framed, the sum required in each of the two further years of the three-year programme to be the subject of review before the commencement of the financial year concerned.

47. It was also decided to adopt a procedure worked out in connection with commitments involved in the three year programme, so that statements would be furnished by the Postmaster-General's Department to the Treasury for each financial year. The Postmaster General's Department is to be made responsible for ensuring that actual expenditure in any year is kept within the amount provided under the respective Estimate headings as shown in the statements submitted.

48. In regard to forward ordering of materials and equipment under the collective schedule procedure, it is to be arranged that records will be maintained by the Postmaster-General's Department for the liability estimated to accrue in each year of the programme period under each order, and a statement of such liabilities furnished to the Treasury after the close of each quarter.

49. In connection with individual proposals under the programme, certain limits will be prescribed beyond which it will be necessary to obtain special approval from either the Director-General of Posts and Telegraphs, or the Postmaster-General, or the Cabinet Sub-committee, according to the extent of the amount of expenditure involved. It is thus aimed to keep careful control of the expenditure on all items of this huge programme throughout the three year period.

50. The Department has already been able to place orders for essential materials on a forward basis, including automatic switching equipment, and it is expected that much of the delay otherwise necessary will now be avoided.

Australian Manufacture.

51. Considerable progress has also been made in connection with the manufacture in Australia of automatic telephone equipment of the standard pattern used by the Postal Department. There are two manufacturers in the field representing the interests in Australia of a number of the most important overseas manufacturers of this type of equipment.

52. Large new premises are being erected so that the work which is already producing good results and supplying certain portions of the equipment will be greatly expanded during 1948.

53. Two important factors which govern the possibility of production in Australia of a complete range of automatic exchange equipment of the standard pattern are (1) the necessity for agreements covering cross licensing of patents, etc. by the firms concerned, and (2) the production of the specialised types of close toleranced raw materials upon which the factories depend.

54. Negotiations are in progress with a view to obtaining satisfactory agreements regarding the patents, and, although much of the special raw material is at present imported local manufacturers are expected to enter the field when the demand for such raw materials gives promise of continuity of manufacture.

55. The Committee has previously recommended that every encouragement should be given to these firms to manufacture telephones in Australia and it again emphasises the desirability of expanding Australian production so that complete equipment can be manufactured in this country.

Local Opposition.

56. At the outset a certain amount of local opposition to the project was encountered, and some witnesses felt that the selection of Hamilton for the centre of the 10 mile radius was not advisable and would prevent residents in certain localities from receiving the benefits of automatic service.

57. On closer examination, however, it was found that most of the opposition was based upon misapprehension concerning the function of the Hamilton exchange and the ultimate intention of the Department regarding its plans for the future of this area. When it was explained that the whole of the network would ultimately be converted to automatic service, and that the Hamilton exchange is almost exactly at the centre of population calculated for greater Newcastle as estimated for 1962, most of the opposition disappeared, and it was generally agreed that the location selected by the Postmaster-General's Department for this work was satisfactory and the most suitable in the area.

58. Although Hamilton is near the coast, and it would appear at first sight that a situation some miles inland would serve a greater area, it soon becomes apparent that the main object to be studied is the number of subscribers to be connected to the exchange and the distance they are placed from the equipment. It is essential to place the exchange at the point which requires the minimum of cable and wires to connect the subscribers in the area, and, in this case, Hamilton is the nearest exchange to that point. In fact it is almost at the point which, it is calculated, will be the centre of population for the area in 20 years' time, and so should be satisfactorily situated for many years to come.

59. It is also pointed out that Hamilton is a very important repeater station on the Sydney-Maitland cable. It would be very costly to establish the trunk exchange at any point other than

Hamilton, and it has been estimated that it would cost not less than £200,000 to establish the exchange at any of the localities suggested by those opposing the scheme in the first place. In addition to this heavy cost the utilisation of the sites suggested at New Lambton, Cardiff, or Wallsend would not be effective in bringing in to the proposed network any appreciable number of subscribers who will not be provided for in the present scheme.

60. The Committee therefore, recommends that Hamilton is the most satisfactory location for the exchange and the building should be erected on the site proposed.

Working Conditions.

61. During its inspection of the various exchanges concerned the Committee was struck with the very unsatisfactory conditions under which the employees have to work. At the Hamilton Manual Exchange the conditions were most oppressive and the Committee, while recognising the great difficulty in providing new and up-to-date buildings, feels that, with the aid of fans and other improvements something could be done immediately to make improvements for the staff. It is therefore recommended that special measures should be taken, in obsolete exchanges where conversion to automatic working is to be at all delayed, to provide every possible facility to make the working conditions bearable for the staff who will have to continue the service.

Future Additions.

62. The Committee was informed, in evidence, that the foundations and walls of the proposed new portion of the building are designed to allow for an ultimate structure consisting of Ground, First, Second and Third Floors, though the Third floor is not included in the present proposal. When the Third floor is added it will be possible to transfer the amenities from the Second to the Third floor so that the whole of the Second floor could be used for Trunk Switch Room equipment.

63. Evidence showed that the necessity for extensions to a third floor would not arise for many years, probably 10 to 15 years, and no very definite details were available. Some of the officials expressed a preference for extensions to the rear rather

than upwards, though this would involve the acquisition of the adjoining property. In any case it is probable that the property will be acquired, though it is not likely that the occupants will be disturbed for many years.

64. It was stated that the cost of adding the third floor in some years' time would be greater than the cost of including it in the present proposal, but it would involve the use of materials which might be put into other buildings.

65. Further information was sought by the Committee on the matter and it was submitted that, with the extension of automatic service to the whole of the network and anticipated increase in telephone requirements, considerable space will be required for the manipulative staff as well as for equipment. It has therefore been considered desirable to make provision in the foundations and walls as an insurance against such a possibility.

66. The Committee is therefore of opinion that, if the Department expects that the need for further extension will arise within 15 years, it should be included in the present proposal on the score of economy, and in order to provide space to relieve the congested conditions in Newcastle.

SECTION IV.

THE COMMITTEE'S CONCLUSIONS.

67. The following is a brief summary of the decisions made by the Committee after considering the evidence :-

Paragraph
in Report.

- | | |
|---|----|
| (1) There is an urgent necessity for the building. | 36 |
| (2) Construction should proceed as soon as possible, providing materials are carefully chosen to avoid competition with housing. | 40 |
| (3) Hamilton is the most satisfactory location for the exchange, and the building should be erected on the site proposed. | 60 |
| (4) Pending provision of new buildings immediate steps should be taken to provide better conditions for staff working in the old exchanges. | 61 |

Paragraph
in Report.

- (5) If the contemplated third floor is likely to be required within 15 years it is recommended that it should be included in the present proposal on the score of economy.
- (6) It is emphasised that the object of manufacturing complete sets of equipment in Australia should be encouraged in every way.

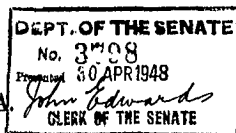
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55.

CHARLES A. LAMP.
Chairman.

The Office of the Parliamentary
Standing Committee on Public Works,
Parliament House,
CANBERRA. A.C.T.

1947.
COMMONWEALTH OF AUSTRALIA.



TARIFF REVISION.

TARIFF BOARD'S REPORT

ON

STATIC CONDENSERS OF THE OIL- IMMERSED TYPE.

12TH MAY, 1947.

By Authority:
L. F. JOHNSTON, Commonwealth Government Printer, Canberra.
(Printed in Australia.)

Senator the Hon. Ben Courtice.

I lay on the table of the Senate the
following report of the Tariff Board -

Static Condensers of the Oil Immersed Type.

TARIFF BOARD'S REPORT.

STATIC CONDENSERS OF THE OIL-IMMERSED TYPE.

On 20th March, 1946, the Minister for Trade and Customs referred to the Tariff Board for inquiry and report in accordance with sections 15 (1) (d) and 15 (2) (e) of the Tariff Board Act 1921-1934 the following questions:—

- (a) Whether static condensers of the oil-immersed type, should be removed from the provisions of entry under Tariff By-law Item 415A (2), By-law No. 124;
- (b) What rates of duty should be imposed on static condensers, of the oil-immersed type, if such are removed from the provisions of entry under Tariff By-law Item 415A (2).

EXISTING DUTIES.

DUTY PROVIDED UNDER THE CUSTOMS TARIFF 1933-1939.

| | | |
|---|------------------------------------|--------------------|
| | British Preferential Tariff. | General Tariff. |
| Item 415A.—Manufactures imported for use in the development of an Australian industry or of the natural resources of Australia, or for use in Public Hospitals or Public Educational Institutions, or for use by public utilities established under Commonwealth or State law and not conducted for private gain— | | |
| (2) Being of a class or kind not commercially manufactured in Australia and not being admissible under Items 174, 219 (c), 404 or 415A (1), as prescribed by Departmental By-laws .. ad. val. Free .. 15% | | |

NOTE.—The benefit of admission at the British Preferential Tariff rate has been extended to importations originated in and exported from Canada and New Zealand.

PRIMAGO DUTY.

Goods imported under Item 415A (2) are free of duty from all countries.

By-LAW No. 124, ITEM 415A (2).

The following manufactures imported for use in the development of an Australian industry or of the natural resources of Australia, or for use in Public Hospitals or Public Educational Institutions, or for use by public utilities established under Commonwealth or State law and not conducted for private gain, being of a class or kind not commercially manufactured in Australia and not being admissible under Tariff Item 174, 219 (c), 404 or 415A (1), may be admitted under Tariff Item 415A (2), subject to the condition that this By-law shall not apply to any goods which otherwise are goods not included in the Customs Tariff, viz.:—

Electrical Apparatus and Appliances, viz.:—

Condensers, static, of the oil-immersed type, including the oil in which the condenser units are immersed.

ALTERNATIVE CLASSIFICATION AND DUTY.

If static condensers of the oil-immersed type are not imported under By-law they are dutiable under Item 180 (1) (2) which is as follows:—

| | British Preferential Tariff. | Inter- mediate Tariff. | General Tariff. |
|--|------------------------------------|------------------------------|--------------------|
| Item 180.—Electrical and Gas Appliances, viz.:— | | | |
| (1.) Condensers, viz.:— | | | |
| (2) N.E.L. .. ad val. | 30% | 50% | 67½% |
| And in respect of paragraph (2)—for each £1 by which the equivalent in Australian currency of £100 sterling is less than £25 at the date of exportation— | | | |
| An additional duty of .. ad val. | .. 6% | .. 6% | .. 6% |

F.3002.—2

NOTE.—(1) The benefit of admission at the British Preferential Tariff rate has been extended to importations originated in and exported from Canada and New Zealand.
(2) The Intermediate Tariff rate provided under Item 180 (1) (2) is at present inoperative.

PRIMAGO DUTY.

The rates of Primago duty under Item 180 (1) (2) are 5 per cent. ad val. (British Preferential Tariff) and 10 per cent. ad val. (Otherwise.)

IMPORTATIONS.

Importations into the Commonwealth of goods covered by the references are not recorded separately in official statistics.

PUBLIC INQUIRY.

In accordance with section 11 (4) of the Tariff Board Act 1921-1934, the matter covered by the Minister's reference was made the subject of a public inquiry by the Board at—

Sydney—on 15th August, 1946.

Melbourne—on 29th August, 1946.

WITNESSES.

The following witnesses tendered evidence on oath at the public inquiry and were examined by the Board:—

IN SUPPORT OF INCREASED DUTIES.

Andrew Rudolph Persson, managing director, Ducon Condenser Pty. Ltd., 73-81 Bourke-street, Waterloo, N.S.W., manufacturer of condensers.
Clifford Searle Pittco, technical director, Ducon Condenser Pty. Ltd., 73-81 Bourke-street, Waterloo, N.S.W.

David John Doughton, managing director, Australasian Engineering Equipment Co. Pty. Ltd., 476 Latrobe-street, Melbourne, manufacturer of condensers.

William Charles Anderson, works manager, Australasian Engineering Equipment Co. Pty. Ltd., 476 Latrobe-street, Melbourne.

IN OPPOSITION TO INCREASED DUTIES.

Samuel Fergus Ferguson, director, Australian Association of British Manufacturers, 84 William-street, Melbourne and on behalf of the British Electrical and Allied Manufacturers Association, London.

Kenneth Harvey Milne, electrical engineer, Adelaide Electric Supply Co. Ltd., 232 North Terrace, Adelaide, on behalf of the Electricity Supply Association of Australia.

EVIDENCE.*

A copy of the official transcript of evidence tendered at the inquiry is forwarded herewith:—

SUMMARY OF EVIDENCE.

The main points in the evidence tendered at the inquiry have been summarized as under:—

IN SUPPORT OF INCREASED DUTIES.

By A. R. Persson (representing Ducon Condenser Pty. Ltd.)—

1. Evidence given on behalf of Ducon Condenser Pty. Ltd., at an inquiry on condensers held in 1936 still holds good and should be regarded as part of the evidence for the present inquiry.

2. It is considered that when the by-law under reference was first issued the term "static condensers of oil-immersed type" was meant to cover power factor

* Evidence not printed.

correction condensers designed for use on industrial power lines and at that time no serious attempt was being made to produce this type in Australia. However as a result of developments during recent years practically all types of paper dielectric condensers are now of the oil-immersed type.

3. Of the company's sales of oil-filled condensers during the year ended 30th June, 1940, only 13 per cent. were of the power factor correction type which it is claimed the by-law was originally intended to cover. This means that 88 per cent. of the company's output which was intended to be protected under Item 180 (1) (2) is now admissible under by-law. Thus the protection which it was intended to afford the Australian manufacturer under Item 180 (1) (2) has become ineffective. Support to this contention is given by the fact that the company's present production of paper condensers consists of 70 per cent. oil-immersed types and 30 per cent. solid filled whereas in 1936 the percentages were 5 per cent. oil-immersed and 95 per cent. solid.

4. In order to take advantage of latest developments overseas the company has entered into agreements with two of the leading condenser manufacturers in the United States of America. The company is capable of supplying the whole of the Australian requirements of condensers including power factor correction types.

5. A confidential statement is submitted showing the company's sales of oil-filled condensers during the last three years divided into power factor correction type and others. Copies of trading and profit and loss accounts and balance sheets for the last three years are also submitted confidentially.

6. It is requested that the static condensers of oil-immersed type be removed from Tariff Item 415A (2) and classified under Item 180 (1) (2). In referring to oil-immersed condensers it is desired to include condensers in which substitutes such as "Pyranol" or other synthetic impregnants are used.

By C. S. Gittes (representing Ducon Condenser Pty. Ltd.).—

1. A confidential statement is submitted showing the landed into store cost of two sizes of condensers imported from America in 1945. Production costs and factory selling prices of both large and small power factor correction condensers produced by Ducon Condenser Pty. Ltd. are also submitted confidentially. It is considered that these figures show that the Australian manufacturer needs the protection that would be afforded if these condensers were classified under Item 180 (1) (2).

2. Although the costs of production of overseas manufacturers are increasing, the Australian manufacturer has to obtain his basic raw materials viz.—aluminum foil and condenser tissues from overseas and the costs of these materials are also increasing.

3. The number of persons employed by the company and the average weekly earnings per person are shown in the following table:—

| | Number Employed. | Average Weekly Earnings per Person. |
|-----------------|------------------|-------------------------------------|
| Males— | | £ s. d. |
| Adults | 72* | 6 6 0 |
| Juniors | 10 | 3 15 6 |
| Females— | | |
| Adults | 84 | 3 14 3 |
| Juniors | 11 | 3 10 2 |

4. Power factor correction condensers may be of the large type such as are used on heavy electrical equipment or they may be of the smaller type as used in connexion with fluorescent lighting or with fractional

horsepower motors. When the by-law was originally made it was meant to cover only the large type; the smaller types were not taken into consideration because the demand for them had not then developed. The demand for small condensers has now grown to such an extent that the demand for large condensers is small in relation to the total demand for this type. However not only is the smaller type being admitted under by-law, but the greater proportion of the company's paper condenser production is now unprotected.

5. As regards recent tenders submitted to the Adelaide Electric Supply Co. Ltd., it is pointed out that the company was able to compete successfully against United Kingdom manufacturers only because it was in possession of certain stocks which had been purchased in 1942. Since that date prices have risen and are still rising.

6. It is suggested that, if the Board's recommendations are to refer specifically to the goods under reference, it would be better to define them as "static condensers of the paper dielectric type".

By D. J. Doughton (representing Australasian Engineering Equipment Co. Pty. Ltd.).—

1. In 1942 Australasian Engineering Equipment Co. Pty. Ltd. absorbed Condensers Pty. Ltd. which had been producing power factor correction condensers in Australia since 1930. Prior to the absorption Australasian Engineering Equipment Co. Pty. Ltd. was importing petroleum-jelly-filled static condensers from England and was entering them under Item 180 (1) (2). After paying duty the company was able to compete successfully against Australian products. Details of the landed cost of a condenser imported in 1938 are submitted. The list price of this type of condenser was 25s. as compared with the list price of 38s. for a comparable Australian condenser.

2. Since commencing the production of static condensers in Australia the company has supplied many thousands to all the fighting services and to many government and private establishments. Details of some important orders are submitted to show that the company is capable of meeting any demands made upon it. The only restriction on the company's output has been the shortage of labour and materials.

3. The average number of hands employed and the total weekly wages paid are as follows:—

| | Average Number Employed. | Total Weekly Wages Paid. |
|-----------------|--------------------------|--------------------------|
| Males— | | £ s. d. |
| Adults | 6 | 47 1 0 |
| Juniors | 4 | 13 0 0 |
| Females— | | |
| Adults | 20 | 80 0 0 |
| Juniors | 5 | 12 10 0 |

4. The following information is submitted confidentially:—

- Capital employed and value of buildings, plant and machinery used in the production of condensers.
- Value of sales of condensers during the last four years.
- Costs of production of representative individual lines.
- Landed costs of one type of condenser imported from the United Kingdom.
- Balance sheets and profit and loss accounts for the three years ended 30th June, 1945.

5. It is requested that static condensers of the oil-immersed type be removed from Item 415A (2) and made dutiable at the rates provided under Item 180

(1) (2) viz.:—30 per cent. ad val. (British Preferential Tariff), 50 per cent. ad val. (Intermediate Tariff) and 67½ per cent. ad val. (General Tariff). If it is necessary to refer specifically to the goods under reference it is suggested that the term "static condensers of all types" be used instead of "static condensers of the oil-immersed type".

By W. C. Anderson (representing Australasian Equipment Engineering Co. Pty. Ltd.).—

1. As condensers are of such a technical nature it is necessary, in selling them, to employ technical men who are also engaged in their production. For this reason the company has no separate selling organization.

2. Although comparable condensers produced by the United Kingdom manufacturers are rated at the same voltage as the condensers produced by Australasian Engineering Co. Pty. Ltd., they are not of the same standard as the Australian product. They will operate at the rated voltage but will break down much earlier than a comparable Australian condenser operating under the same conditions.

IN OPPOSITION TO INCREASED DUTIES.

By S. F. Ferguson (representing the Australian Association of British Manufacturers and the British Electrical and Allied Manufacturers Association, London).—

1. The following information is submitted confidentially:—

- Schedule of landed costs and selling prices of a number of condensers produced by three United Kingdom manufacturers, viz.:—British Insulated Cables Ltd., Bryco Electric Construction Co. Ltd., and Johnson and Phillips Ltd.
- Production cost data furnished by one of the above manufacturers.

2. The confidential information shows that the proportion of the finished product represented by direct labour is low and the proportion by materials is high. As the Australian manufacturer has to import most of his raw materials, the industry is of less real value to Australia than is suggested by the amount of its annual output.

3. From the evidence submitted by the Australian manufacturers it would appear that the average earnings in the United Kingdom factories are higher than in the Australian.

4. Evidence tendered at a previous inquiry on this subject showed that the most important raw materials used in the manufacture of condensers are condenser tissue, metal foil and oil. The Australian manufacturer can obtain tissue and foil duty-free from the United Kingdom. As regards oil both the United Kingdom and Australian manufacturers are obliged to import their supplies. The cost of other raw materials in Australia compares favorably with those in the United Kingdom.

5. Even if the Australian manufacturer should establish a case for the removal of the condenser from by-law on the ground that they are being commercially produced in Australia, the imposition of the duties provided under Item 180 (1) (2) would be a breach of Article 10 of the Ottawa Agreement in that United Kingdom manufacturers would not be given "full opportunity of reasonable competition on the basis of relative costs of economical and efficient production". However from evidence submitted by the representative of Australasian Engineering Equipment Co. Pty. Ltd. it appears that even with the addition of the duty provided under Item 180 (1) (2) his company would be

unable to compete with the United Kingdom manufacturers. If the other manufacturers are in the same position it is considered that condensers are not being commercially manufactured in Australia and no case exists for the cancellation of the by-law.

6. It is urged that if the goods in question are removed from by-law, they be re-classified under a new item under which they will be admitted free under the British Preferential Tariff.

By K. H. Milne (representing the Electricity Supply Association of Australia).—

1. Evidence is given on behalf of the Electricity Supply Association of Australia which consists of the following organizations:—

The Electric Light and Power Supply Corporation Ltd., Sydney.
Department of Public Works, Sydney.
Department of Railways, Sydney.
Sydney County Council Electricity Undertaking, Sydney.

Adelaide Electric Supply Co. Ltd., Adelaide.
City of Perth Electricity and Gas Department, Perth.

State Electricity Commission of Queensland, Brisbane.

City Electric Light Co., Brisbane.
Brisbane City Council, Electricity Department, Brisbane.

Victorian Railways, Electrical Engineering Branch, Melbourne.
Melbourne City Council, Electric Supply Department, Melbourne.

State Electricity Commission of Victoria, Melbourne.

The Hydro Electric Commission of Tasmania, Hobart.

City of Greater Newcastle, Electric Supply Department, Newcastle.

The State Electricity Commission of Victoria although a member of the Association wishes to be excluded from the evidence submitted by the witness.

2. The Adelaide Electric Supply Co. Ltd. has been purchasing static condensers for power factor correction during the last eleven years but it was not till May, 1946, that an Australian company submitted a tender for their supply. The tender was submitted by Ducon Condenser Pty. Ltd., and after making inquiries regarding the quality of the Australian product, the Adelaide Electric Supply Co. Ltd. accepted the tender and has requested that double the original quantity be supplied.

3. The tender by Ducon Condenser Pty. Ltd. was in competition with tenders submitted by each of three manufacturers in the United Kingdom. The prices submitted by the United Kingdom manufacturers expressed in Australian currency were between £12,000 and £22,000. The prices submitted by Ducon Condenser Pty. Ltd. in alternative tenders were approximately £14,000 and £15,000.

4. These figures show that Ducon Condenser Pty. Ltd. can supply condensers at a price far below that at which the United Kingdom manufacturers can land them in Australia. A statement is submitted setting out the prices paid by Adelaide Electric Supply Co. Ltd. for United Kingdom condensers over a number of years. This statement shows that there have been considerable increases in United Kingdom prices over the period.

5. Static condensers are used for the mere economical generation and distribution of electricity by improving the power factor of the system. Any further increase in the price of condensers however would reduce or nullify the savings effected by their use.

6. The Australian manufacturer should not be placed in a position where they do not have to face effective competition from overseas. The cancellation of the by-law would place them in such a position.

7. The association is opposed to the imposition of duties on condensers manufactured in the United Kingdom and is opposed to their removal from By-law Item 415a (2). If condensers are made dutiable however, it is requested that condensers for power factor correction purposes be admitted under by-law under security. The association is not interested in other types of condensers which are mainly used in the radio and communication field.

TARIFF BOARD'S COMMENTS.

PREVIOUS TARIFF BOARD INQUIRY.

Early in 1936 the Tariff Board held a public inquiry into the following questions included in a reference made by the Minister for Trade and Customs on 27th June, 1935:—

Whether static condensers of the oil-immersed type including the oil in which the condenser units are immersed should be removed from By-law under Tariff Item 415a (2)?

What rates of duty should be imposed on any condensers so removed?

The reference arose from requests by Ducon Condenser Pty. Ltd. and Wetless Electric Ltd., both of Sydney.

In its report of 13th May, 1936, the Tariff Board expressed the opinion that in view of the demand then existing and also the potential demand for oil-immersed condensers it would be uneconomic to make such condensers subject to protective rates of duty. The Board recommended the retention of the by-law provision. Apparently the main points of evidence which led the Board to this conclusion were—

- (1) The demand for condensers in Australia had been confined mainly to New South Wales where the total value of requirements was stated to have been about £8,000 per annum.
- (2) A review of future requirements suggested that a point had been reached approaching saturation and that there would be a decreasing demand.
- (3) Static condensers of the oil-immersed type represented only about 7 per cent. of the total production of Ducon Condenser Pty. Ltd.
- (4) There were considerable technical difficulties attached to the manufacture of static condensers which would comply with the specifications called for.

SCOPE OF PRESENT INQUIRY.

The present inquiry originated from a request made on 13th July, 1945, by Ducon Condenser Pty. Ltd. for the removal of static condensers of the oil-immersed type from the operation of By-law No. 124 under Tariff Item 415a (2) (Free, British Preferential Tariff; 15 per cent. ad val., General Tariff.)

In addition to the question of the withdrawal of the by-law, the Minister's reference embodies the question as to what rates of duty should be imposed on static condensers of the oil-immersed type in the event of the by-law being withdrawn.

PRESENT TARIFF POSITION.

No specific provision is made in the Customs Tariff for condensers of the type under review. If the by-law concession were withdrawn, without some other pro-

vision being made in the tariff, such condensers would automatically fall under Tariff Item 180 (1) (2) which is as follows:—

| Item 180.—Electrical and Gas Appliances, viz.— | British Preferential Tariff. | General Tariff. |
|---|------------------------------|-----------------|
| (1) Condensers, viz.— | | |
| (2) N.E.L. | ad val. 30% .. | 57½% |
| (These rates are subject to adjustment in the event of the exchange rate moving towards par.) | | |
| Priming | ad val. 5% .. | 10% |

LOCAL INDUSTRY.

The manufacture of oil-immersed static condensers was commenced by Ducon Condenser Pty. Ltd., Sydney, in 1934. At the time of the Board's previous inquiry in 1936, Wetless Electric Ltd., Sydney, was also engaged in manufacture. At that time the demand for condensers of the type mentioned was limited and, so far as Ducon Condenser Pty. Ltd. was concerned, represented a small proportion of that Company's total production. However, according to evidence tendered at the latest inquiry, there has since been considerable development in conditions and technique.

According to Mr. Persson, in order to take advantage of the latest improvements and developments overseas, his company has entered into agreements with the two leading overseas condenser manufacturers, viz.—International General Electric Company Incorporated and the Aerovox Corporation, both of United States of America. These agreements provide for the continuous supply of manufacturing and technical information in regard to condensers for use in the power factor and industrial fields as well as electronic communication and other uses. The agreement with International Electric Company Incorporated permits Ducon Condenser Pty. Ltd. to produce under the first-named company's patents, all condensers using the synthetic impregnant or filler known as "Pyralol".

The Australasian Engineering Equipment Co. Pty. Ltd., of Melbourne, commenced manufacturing power factor correction condensers in 1939. It was claimed by the witness representing the company that during the past six years it has been capable of supplying any demand for condensers, the only restriction being that due to shortage of labour and materials. Wetless Electric Ltd., although represented at the previous inquiry, was not represented at the later one. It is understood that the company is not now in business.

During the war there were practically no imports of condensers of the type under review and this position has continued since. The local industry was, therefore, called upon to meet the demand and, in the absence of evidence to the contrary, it must be assumed that they did this with satisfactory products.

REQUESTS.

By Ducon Condenser Pty. Ltd. and Australasian Engineering Equipment Company Pty. Ltd.—

That static condensers of the oil-immersed type be removed from By-law under Tariff Item 415a (2) and that such condensers be charged duty as condensers n.e.l. under Item 180 (2) (2).

By S. F. Ferguson (representing British Electrical & Allied Manufacturers' Association of London)—

That if static condensers of the oil-immersed type are removed from By-law Tariff Item 415a (2), they be placed under a new item to be inserted in the tariff providing freedom from duty under British Preferential Tariff.

By K. H. Milne (representing Electricity Supply Association of Australia)—

That a separate item be provided in the tariff for power factor correction condensers.

GROUNDNS FOR CANCELLATION OF BY-LAW.

The main grounds advanced on behalf of Australian manufacturers at the Board's inquiry in support of cancellation of the by-law were:—

- (1) Due to technical developments since the by-law was issued, 88 per cent. of the condensers which it was originally intended to protect under Tariff Item 180 (1) (2) are now admissible under the by-law. Thus, the protection given to Australian manufacturers has become ineffective.
- (2) Manufacturers in the United Kingdom and the United States of America increased their productive capacity during the war greatly beyond that needed to meet the domestic needs of those countries. It is feared, therefore, that when the present short supply position has been corrected, the surplus production of the overseas manufacturers will be a serious menace to the Australian industry, unless the duties under Tariff Item 180 (1) (2) are imposed.
- (3) By manufacturing to the extent necessary to meet local needs, Australian manufacturers have fulfilled the conditions governing the granting of tariff protection.

GROUNDNS AGAINST CANCELLATION.

The main grounds on which evidence in opposition was tendered on behalf of the British Electrical & Allied Manufacturers Association of London were—

- (1) The local industry is under no disadvantage relatively to the United Kingdom after allowing for transportation costs.
- (2) Even if there should be a prima facie case for withdrawing the by-law on the ground that oil-immersed static condensers are being commercially manufactured in Australia, such condensers from the United Kingdom cannot be made dutiable under Item 180 (1) (2) without infringing Article 10 of the Ottawa Agreement.
- (3) Having regard to the relative wage levels as between the United Kingdom and Australia and the relatively favorable position of the local industry as regards materials, no duty at all should be required under the British Preferential Tariff.
- (4) If it should be found that the local manufacturers' selling prices are higher than the prices of imports from the United Kingdom, based on duty-free admission, then it will indicate that the local industry is less efficient or less economical than the industry in the United Kingdom or that greater margins of profit are included in the prices of the local products.

Opposition on the following grounds was advanced on behalf of the Electricity Supply Association of Australia (excluding State Electricity Commission of Victoria):—

- (1) It is established that Ducon Condenser Pty. Ltd. can supply power factor correction condensers at a price far below that at which United Kingdom manufacturers can land them in Australia, and it is, therefore, unreasonable to believe that any protection is needed.

- (2) Any further increase in the price of condensers would reduce or even nullify the savings to electricity supply undertakings and consumers, brought about by the use of such condensers.

- (3) It is in the public interest to challenge any move in regard to tariff which might place Australian manufacturers in the position of not having effective competition from overseas.

- (4) The very considerable increases in British prices over a number of years indicates how unnecessary it is to widen, by duties under the tariff, the already great disparity between Australian and British prices.

OVERSEAS COMPETITION.

Before the war, overseas competition came mainly from the United Kingdom.

The Board's inquiry elicited little evidence of overseas competition, there having been no imports of significance for some years. For this reason, Australian manufacturers found difficulty in tendering information on which to base comparisons of landed costs of imported condensers with the selling prices of comparable products produced locally.

Mr. S. F. Ferguson, representing the British Electrical & Allied Manufacturers Association of London, stated that owing to the absence of shipments to Australia, he had found difficulty in securing comparisons over any wide range of condensers. However, he tendered a statement showing the Australian selling prices, on a duty free basis, of certain condensers manufactured by the undermentioned United Kingdom manufacturers:—

British Insulated Cables Ltd.
Byrne Electric Construction Co. Ltd.
Johnson & Phillips Ltd.

Mr. Ferguson pointed out that the prices submitted for one of these manufacturers were not actual prices because no sales have been made to Australia for some years. They were, however, based on recent shipments to New Zealand with suitable adjustments for freight, &c. Another of the manufacturers named has also made no shipments to Australia for some years. However, Mr. Ferguson said that in both cases the prices given were those which would be charged to Australia if shipments were made. The figure given for the remaining manufacturer was an actual figure, as this company had continued to make small shipments to Australia.

A comparison of the Australian selling prices, for the United Kingdom condensers has been made with the selling prices for comparable condensers produced locally, by Ducon Condenser Pty. Ltd. In three of the five lines covered by the figures, the selling prices of the United Kingdom condensers were lower than those of the locally produced condensers, while in two cases the position was reversed.

A witness representing Australasian Engineering Equipment Co. Pty. Ltd., tendered, in confidence, a statement showing the landed cost on a duty free basis of a "64 microfarad sub-divided condenser" imported by McKenzie and Holland Ltd. from the United Kingdom in April, 1946, together with his company's cost of producing a similar condenser in Australia. This comparison showed that the landed cost of the imported condenser was very considerably lower than the cost of production in Australia. Even if the duty sought under Tariff Item 180 (1) (2) had been imposed, the Australian cost would still have been very much higher.

The only explanation forthcoming of the disparity was that the Australian manufacturer is probably under a disadvantage in the matter of costs of raw materials as compared with manufacturers in the United Kingdom. However, it is difficult to accept such explanation seeing that the f.o.b. cost of the United Kingdom condenser was less than the amount shown in the Australian costs for materials imported from the United Kingdom and which represented 51 per cent. of the total cost. The Australian manufacturer could not have been at any great disadvantage in that connexion seeing that the materials, when imported from the United Kingdom, are free of duty.

Another witness representing Australasian Engineering Equipment Co. Ltd. stated that prior to 1939 his company was importing from Telephone Condenser Co. Ltd., London, many types of petroleum jelly filled high voltage static condensers. He stated that, even with duty under Item 180 (L) (2), these could compete quite well with any Australian condensers, thus showing that the duty was not then excessive.

As evidence of the ability of Australian manufacturers to compete with overseas condensers, Mr. Milne, representing Electricity Supply Association of Australia, submitted information regarding tenders called by Adelaide Electricity Supply Co. Ltd. in 1949, for 415 volt 3-phase 50 cycle static condensers for power factor correction. Tenders were submitted by United Kingdom manufacturers and also by Ducon Condenser Pty. Ltd. In this case the quotation by the local manufacturer was considerably lower than those quoted in sterling by the United Kingdom tenderers. The result was the placing of an order with Ducon Condenser Pty. Ltd. for double the quantity originally specified. A representative of the Ducon Condenser Pty. Ltd. claimed that the securing of the tender is not a true indication of the present position. On the one hand, his company based its costs on materials purchased some four years ago, whereas United Kingdom manufacturers would obviously be quoting on current prices and, furthermore, there is no evidence that United Kingdom manufacturers are sincere at present in endeavouring to compete successfully for Australian business. In undertaking to supply double the quantity of the original tender, Ducon Condenser Pty. Ltd. had done so subject to the proviso that any increase in costs of materials would be to the account of the Adelaide Electricity Supply Co. Ltd. This was done because overseas prices for materials are on the upward trend, in some cases severely so, especially in the United States of America, to which country Australian manufacturers have to look for supplies owing to inability to secure from the United Kingdom.

In the matter of competition from the United States of America, a representative of Ducon Condenser Pty. Ltd. said that during last year Australian General Electric Co. Ltd. ordered from International General Electric Co., large quantities of small power factor correction condensers which were admitted under By-law Item 415a (2). Subsequently, orders for similar condensers were placed with Ducon Condenser Pty. Ltd. by Australasian General Electric Co. Ltd. Comparison of the cost of producing the condensers locally with the landed costs of the imported condensers showed that the landed cost was lower than the Australian manufacturer's costs. If duty under Item 180 (L) (2) had been applied, the local condensers would have been competitive.

It was stated further that a quotation had recently been received from one of the United States of America associates of the Ducon Condenser Pty. Ltd. for electrolytic condensers, such quotation being based on current costs in the United States of America. The price quoted, it was stated, was considerably lower than the

cost of producing similar condensers in Australia. Although electrolytic condensers are subject to duty under Item 180 (L) (1) and are, therefore, not relevant to the present inquiry, the case was cited because the company considered it reasonable to assume that if such a position exists in regard to electrolytic condensers it would also exist in the case of other condensers.

COSTS OF PRODUCTION.

The principal materials used in the manufacture of the condensers under review are—

Imported—
Condenser tissue.
Metal foil.
Tinplate.
Oil or other impregnating or filling materials.
Local—
Steel sheet.
Brass.
Bakelite sheet.
Bakelite moulding powders.

Detailed costs of production of individual lines, stated to be representative of local production, were submitted by the Australian manufacturers.

Mr. S. F. Ferguson, tendered cost figures obtained from one United Kingdom manufacturer for a 50 k.v.a. 400-440 volt. condenser. He explained that, although other United Kingdom manufacturers had been interested in export to Australia before the war, he had been unable to obtain information from them, probably because they were fully occupied in trying to cope with the unprecedented demand for their products.

In the absence of detailed costs of production overseas of representative lines with which to make comparison with comparable lines made locally, the Board sought to make a comparison of the costs of materials and labour overseas with those in Australia. However, the information available in regard to materials is insufficient to enable any comparison of value to be made. Australian manufacturers are dependent upon overseas sources of supply for the greater proportion of their raw materials. In normal circumstances, supplies are obtained from the United Kingdom and, as the materials are admitted free of duty, Australian manufacturers should be at no disability in regard to costs as compared with the United Kingdom manufacturers. However, according to evidence, it is not now possible to obtain supplies from the United Kingdom and Australian manufacturers are forced to seek supplies from the United States of America where, it was stated, prices are increasing and no firm quotations are available.

As regards labour, the following comparison is based on figures tendered at the inquiry. The average weekly earnings are in each case shown in Australian currency:—

AVERAGE WEEKLY EARNINGS.

| | Australasian Engineering Equipment Co. Pty. Ltd. | Ducon Condenser Pty. Ltd. | United Kingdom. |
|----------|---|---------------------------------|--------------------|
| Males— | | | |
| Adult | £ s. d. 7 10 10 | £ s. d. 6 0 0 | £ s. d. 7 5 0 |
| Junior | 3 5 0 | 3 15 5 | |
| Females— | | | |
| Adult | 4 0 0 | 3 14 3 | 4 0 3 |
| Junior | 2 10 0 | 3 10 2 | |

It will be seen that, based on figures of Ducon Condenser Pty. Ltd., the largest Australian manufacturer, the average earnings in Australia are lower, in

the case of all employees, than those in the United Kingdom. Moreover, the Australian manufacturer has an advantage over the United Kingdom manufacturer in that the former is employing a proportion of juniors, both male and female, whereas the United Kingdom manufacturer apparently employs no juniors at all. It is recognized that the comparison made in this paragraph relates to only one United Kingdom manufacturer and one Australian. While it is not suggested that the comparison accurately represents the position in the Australian industry generally, it gives support to general information the Board has had from time to time on the general question of relative labour costs.

So far as labour is concerned, there would seem to be good grounds for assuming that the Australian condenser manufacturing industry should not be under any disability as against the United Kingdom. No information is available on which to make a comparison with the United States of America but it appears safe to assume that, in the case of that country, Australian manufacturers would be at an advantage.

NEED FOR PROTECTION.

It was generally agreed by representatives of Australian manufacturers that, during the war and since, there has been no competition from overseas. There was also no evidence of potential competition and the request for imposition of the duties under Tariff Item 180 (L) (2) was evidently based on fears as to the future. This assumption is supported by the following extracts from evidence:—

Mr. Gittos (Ducon Condenser Pty. Ltd.)—

"This is the only reason why we are making this application—we fear the position will arise and that we shall then be in danger from a commercial point of view and it will take a long time to get the system altered. If, however, it could be altered quickly, the position could stand as it is. We are quite happy: no condensers are being imported at the moment; we are not suffering any competition."

Mr. Persson (Ducon Condenser Pty. Ltd.), in response to a request by the Board for production of evidence regarding present and potential competition—

"I will do that. The overseas prices, if obtainable at all, will probably take some little time. The reason I say 'if obtainable at all' is prompted by the feeling that overseas manufacturers are at the present time overburdened with orders and might not bother about the exportation to Australia at all."

TARIFF BOARD'S CONCLUSIONS.

Three alternative means of dealing with this case present themselves, viz:—

- (1) to allow the by-law to continue in operation;
- (2) to cancel the by-law and take no other action;
- (3) to cancel the by-law and embody in the tariff an item covering the condensers under review and providing rates of duty regarded as appropriate.

Regarding the question raised in the Minister's reference, as to whether the by-law should be cancelled, the Tariff Board is satisfied that static condensers of the oil-immersed type are being commercially manufactured in Australia. The local industry is efficient and is meeting needs with condensers of satisfactory quality. Condensers of the type covered by the by-law form a large proportion of the local production of condensers. Therefore, on these grounds, Australian manufacturers have justification for their request for cancellation of the by-law.

However, even assuming cancellation of the by-law, there remains the second question raised in the reference as to what rates of duty should be paid in such an event.

If the by-law were cancelled and no other action taken, then the condensers concerned would automatically become liable to duty as condensers n.e.i. under Tariff Item 180 (L) (2) at 30 per cent. ad valorem (British Preferential Tariff) and 57½ per cent. ad valorem (General Tariff). The Australian manufacturers have assumed that if their request for cancellation of the by-law were accepted to they would then be entitled to the protective rates under Item 180 (L) (2).

The duties under Item 180 (L) (2) were inserted in the tariff in 1935 on the recommendation of the Tariff Board after public inquiry. Although the item covers condensers n.e.i., static condensers of the oil-immersed type which are included in the generic description, were specifically dealt with at the inquiry and also in the Board's report. Oil-immersed static condensers were subsequently prescribed for admission under by-law to Tariff Item 415a (2).

Conditions obtaining at the time the duties were provided in the tariff were different from present conditions and it does not necessarily follow that the rates determined as appropriate in 1935 are appropriate under existing conditions.

In the latest inquiry the Tariff Board sought to obtain information on which to assess the measure of protection, if any, that could now be justified. Mainly due to lack of interest in the Australian market on the part of the United Kingdom manufacturers, who were the main overseas suppliers to Australia before the war, the information obtained is not sufficient to enable sufficiently conclusive comparisons to be made on which to determine the issue.

However, the figures submitted for comparison justify the assumption that under existing conditions, duties higher than those at present operating under the by-law are needed in some cases, although not necessarily duties as high as those provided in Tariff Item 180 (L) (2). Witnesses who supported the request for cancellation of the by-law freely admitted that, apart from any comparisons of costs of overseas and locally produced condensers, the absence of importations has rendered the Australian industry immune from overseas competition for some time and there is no evidence of such competition at present.

It is evident that the request which gave rise to the Minister's reference was the result of apprehension on the part of the local manufacturers regarding the future rather than from any need for duties while the present absence of importations continues. They seek the imposition now of the duties under Tariff Item 180 (L) (2) as a safeguard against the possibility of alteration in conditions placing them at a disadvantage sometime in the future. The desire for some safeguard that can be quickly applied is a natural one; such a desire is, no doubt shared by most Australian manufacturers.

It is of course, not possible to predict what future conditions are likely to be either in Australia or overseas and it is, therefore, impossible to determine what rates of duty, if any, might be justified at some future time.

One of the basic principles which has guided the Board in its recommendations in regard to tariff protection is the limitation of such protection to rates of duty that will adequately protect, but not over-protect economic and efficient industries. In conformity with this principle and on the basis of existing conditions the Board would, in the case under review, have no alternative to recommending against the imposition of the rates of duty operating under Tariff Item 180 (L) (2). There is, however, a lack of conclusive evidence on which to determine what rates of duty higher than those provided in the by-law item would be appropriate.

The rates of duty the applicants are seeking are already provided in the tariff, although inoperative by reason of the granting of the by-law concession. In this connexion there are many tariff items at present operating which provide protective duties, imposed before the war, at rates that would probably be found, on inquiry, to be much higher than are necessary under present conditions. These items will no doubt call for review in due course, but in the meantime they will continue to operate.

While in ordinary circumstances, the Board would, in conformity with its established principle, be averse to recommending the imposition of duties higher than are needed, it feels that in this case there are circumstances justifying cancellation of the by-law and the imposition of the rates of duty already provided in Tariff Item 180 (L) (2) until such time as a further review under more settled conditions is possible. The main reasons for this conclusion may be stated as under—

- (1) A strict reading of the by-law item limits admission thereunder to goods not commercially manufactured or produced in the Commonwealth.
- (2) The goods covered by the by-law are being commercially manufactured in Australia. The local industry is efficient and meeting requirements with condensers of satisfactory quality.
- (3) The rates of duty that would operate if the by-law were cancelled and no action to amend the tariff were taken are already provided in Item 180 (L) (2), their operation having been suspended by the granting of the by-law concession.
- (4) Cancellation of the by-law and operation of Item 180 (L) (2) would remove the present anomalous position under which static condensers of the oil-immersed type enjoy the by-law concession whereas recently developed types used for similar purposes but in which no oil is used are charged duty under Item 180 (L) (2).
- (5) Assuming cancellation of the by-law, the provision of rates of duty different from those which would operate under Item 180 (L) (2) would necessitate the insertion of a new item in the tariff. There is a lack of evidence on which to determine rates of duty that might be appropriate. Furthermore, it is considered that in any revision of the tariff consideration should be given to all types of condensers and the present is not an opportune time for such revision.

OTTAWA AGREEMENT.

Regarding the Ottawa Agreement aspect, the Board's inquiry has shown that United Kingdom manufacturers have not been interested in the Australian market for some considerable time. The indications are that they are still too occupied in other directions to be concerned with exports to Australia. The witness who represented the United Kingdom interests at the inquiry attributed to this lack of interest his inability to present sufficient evidence to enable a review in terms of the agreement to be made. This being so, it could hardly be claimed by United Kingdom interests that the bringing into operation of duties already provided in the tariff constitutes an infringement of Article 10 of the Agreement. Incidentally Australian manufacturers are like'y to suffer disadvantage through having recently been forced to seek in the United States of America supplies of certain important materials formerly supplied by the United Kingdom but which are not now

obtainable from that source. The expectations are that the change will impose added cost on the Australian manufacturers.

FUTURE REVIEW.

The Board considers that as soon as conditions permit a further inquiry should be held into the condenser industry, and such inquiry should be extended to cover all types of condensers. The further inquiry would afford United Kingdom interests an opportunity to present a fuller case than was presented at the inquiry which gave rise to this report, assuming, of course, that United Kingdom manufacturers are then more interested in the Australian market than they apparently are at present.

TARIFF NOMENCLATURE.

Evidence indicates that in the United Kingdom, condensers are invariably described by the trade as "capacitors" and the Board has been given to understand that the latter term is a widely accepted designation. Therefore, in any future revision of the Tariff, in respect of condensers, consideration should be given to the use of the term "capacitor" in lieu of, or in conjunction with, the term "condenser".

TARIFF BOARD'S RECOMMENDATIONS.

The Tariff Board recommends that—

- (1) Static condensers of the oil-immersed type be removed from the provisions of entry under Tariff By-law Item 415A (2).
- (2) That the rates of duty at present provided in Tariff Item 180 (L) (2) be imposed on static condensers of the oil-immersed type; until such time as the further review suggested herein is possible.

H. E. GUY, Acting Chairman, Tariff Board.
W. G. DUFFY, Member, Tariff Board.
Melbourne, 12th May, 1947.

MINORITY REPORT.

I do not agree with the recommendation that duties, that are admitted to be higher than are needed, should be imposed on static condensers of the oil-immersed type.

My reasons are—

- (1) The evidence is quite clear that the principal Australian manufacturer does not at present need protection against imports from the United Kingdom.
- (2) The granting of the protection recommended would be detrimental to the Australian economy.
- (3) The action recommended would be inconsistent with the interpretation placed by the Tariff Board for many years past, on Australia's obligations under Article 10 of the Ottawa Agreement.

The following is submitted in amplification of these reasons—

1. NECESSITY FOR PROTECTION.

The only reliable comparison of prices of United Kingdom and Australian condensers received in the inquiry are the competitive quotations in 1940 to the Adelaide Electric Supply Co. Ltd. In this case the principal Australian manufacturer under-quoted three British tenders by as much as one-third. Because of increased costs of material is it probable that future prices of the Australian manufacturer under this contract will be a few pounds higher than at present, but still considerably lower than the British quotations. The only other comparison is on one size of condenser in which the landed cost of one British manu-

3. OTTAWA AGREEMENT.

Article 10 of the Ottawa Agreement has always been considered by the Tariff Board as impossible to apply in a literal way. The Board has always held that the only practicable application of its intention is to limit protective duties to the lowest level consistent with protection. British interests have never accepted this view as correct, but they have never proposed any other practical interpretation. The majority of the Board admits that its recommendation is not consistent with this interpretation. The recommendation, therefore, ignores the intention as well as the letter of the Article.

British manufacturers cannot justly be accused of lack of interest in the Australian market, as is evidenced by the fact that three of them recently quoted the Adelaide Electricity Supply Co. Ltd. for condensers, and by the fact that they were represented at this inquiry.

If the price comparisons on which my colleagues rely to justify protection are valid, United Kingdom manufacturers have now an "opportunity of reasonable competition". The imposition of the duty recommended would completely deny them that opportunity.

It seems undeniable to me that the acceptance of the majority recommendations would constitute an infringement of Article 10 of the Ottawa Agreement, even on the interpretation placed by the Board in the past on that Article.

REASONS FOR THE MAJORITY RECOMMENDATIONS.

My reasons for disagreeing with the majority recommendations that are set out above seem to me to be much more weighty than the five reasons for those recommendations given by my colleagues (page 10).

The first three of these are statements of fact with which I agree, but which have no bearing upon the matter of the disagreement.

The fourth suggests that some advantage would follow from the removal of the "present anomalous position" in which the condensers under reference are admitted under by-law whilst others, used for similar purposes, are charged duties under Item 180 (L) (2). There is no evidence that there is, in fact, any anomaly, the other condensers referred to not having been covered by the Minister's reference. The probabilities, judged from a visit to the factory in which all types are made, are that the correct remedy for the anomaly, if any exists, would be to reduce the duties on those other types rather than to increase them on the types under inquiry.

The fifth reason states that a new Tariff item would be necessary to make oil-immersed condensers dutiable at rates lower than those provided under Item 180 (L) (2). This statement continues "There is a lack of evidence on which to determine rates of duty that might be appropriate". I have set out my reasons above for disagreeing with this statement. In my opinion there is ample evidence justifying their duty-free admission under the British Preferential Tariff. The fifth reason is apparently based upon some features of Customs law on which I am not competent to express an opinion. My only comment is that if the present state of the law is such as to necessitate action detrimental to the national interest, then the law should be altered.

RECOMMENDATION.

I recommend that the rates of duty at present imposed on static condensers of the oil-immersed type be not altered.

WALTER J. ROSE, Member, Tariff Board
Melbourne, 12th May, 1947.

factor is a few shillings (about 0.6 per cent.) lower than the price to wholesalers charged by the main Australian manufacturer. In no other instance is it clear that the comparison is exact. It is only these comparisons that give colour to the statement that "duties higher than those at present operating under the by-law are needed in some cases".

Ducon Condenser Pty. Ltd. has in recent years earned good profits and should be able, without reducing these below a reasonable level, to meet any overseas competition that may develop whilst relative costs in the United Kingdom and Australia remain at about their present levels.

2. EFFECT ON NATIONAL ECONOMY.

The Majority Report states "One of the basic principles which has guided the Board in its recommendations in regard to Tariff protection is the limitation of such protection to rates of duty that will adequately protect, but not over-protect economic and efficient industries". This principle has been frequently declared by the Tariff Board to be essential in the national interest, and this is the first occasion in many years in which it has not been observed.

There are many new activities, started during the war, that are in a similar position to condensers as regards protection, and it is inevitable that the recommendation in this case will be taken as a precedent. The cumulative effect on the national economy could then become serious.

The case under review itself supplies an instance of the benefit to Australia of closely adjusted duties. If, as my colleagues believe, some British manufacturers are able to underquote the Australian on some sizes of condensers, the result would not be a loss of business to the latter but a reduction in its prices to a level that could not be considered unreasonably low. Furthermore, the evidence shows that there have been rapid changes in the design of condensers since the Board last reviewed the item. If further changes should take place, it is important that the Australian manufacturer should keep abreast of developments. The imposition of the duties recommended, which in the circumstances of this case can justly be termed prohibitive, would prevent pressure to reduce prices or to keep up to date, being exerted upon the Australian manufacturer.

In the Annual Report of the Tariff Board for the year ended 30th June, 1946, the following appears—page 22:—

The Tariff Board has always regarded as one of the most powerful methods of controlling Australian industrial efficiency the fixing of duty rates at a level that will give adequate protection only when Australian production is efficient.

In the report of the first session of the Preparatory Committee of the United Nations Conference on Trade and Employment, the following appears in Annexure 10:—

AVOIDANCE OF NEW TARIFF OR OTHER RESTRICTIVE MEASURES.

It is important that members do not effect new Tariff measures prior to the negotiations which would tend to prejudice the success of the negotiations . . . and they should not seek to improve their bargaining position by Tariff or other restrictive measures in preparation for the negotiations.

Though the majority recommendation would not result in the alteration of any Tariff item, it would result in higher duties being applicable to imports of the goods under review. It seems to me to be obvious that such action would be considered by other nations as inconsistent with the above quotation. I consider that any action that cast any doubts upon the sincerity of Australia in international trade negotiations would be extremely harmful to the national interest.