The House of Representatives during the week passed a bill to set up a new institution called the Australian Industry Development Corporation. When this bill was introduced earlier this month, the Minister for Trade and Industry, Mr. John McEwen said the government believed it was taking a major step forward in policies for development and for Australian ownership. Its role, broadly, is to assist Australian interests in marshalling financial resources—particularly from overseas—for major industrial development. It will direct itself to giving assistance in ways which will help Australian companies to gain or preserve a greater Australian participation than otherwise would be the case.

The Minister outlined the needs in this area for a rapidly developing Australia. Australia had emerged as one of the most competitive suppliers of basic materials for the industries of the world. Traditionally, exports of rural origin had earned the bulk of our export income. But we had to increase our industrial exports and get the maximum return we could from exports of our mineral resources. We had a ready-made opportunity to develop further exports of industrial products from our abundance of high-grade, competitively priced raw materials. Each ton of iron ore, bauxite or other resources processed to just one further stage would multiply its earnings many times over.

The Government approved and would continue to encourage the inflow of investment from abroad. But it was a matter for national concern that overseas capital was usually obtained on terms which had resulted in predominantly foreign ownership of many of our greatest industrial enterprises and fastest growing industries. In 1969 alone at least 15 Australian-owned companies, with assets worth $100 million, disappeared from the lists of the two largest stock exchanges because of takeover by overseas interests. Overseas takeovers were not necessarily bad, and they may be part of the process of an Australian industry growing up and becoming more efficient. But too frequently when the Australian partner could not meet his share of the capital requirements, he would at best become the minor partner in the new enterprise. We could not let ourselves be lulled into feeling that all was well because aggregate figures showed only 20 to 25 percent foreign ownership of manufacturing. A deeper look revealed a vastly different picture. If we looked at the situation in factories with over 20 employees it was found that the motor vehicle industry was nearly 90 percent foreign owned, and there were other such examples.

Some foreign firms were not prepared to allow any Australian participation in their ventures. But a growing number were willing to have, and even seek, Australian participation to the point of an effective Australian voice in the board room. These companies, however, often could not find Australian interests able to take part with them to the extent necessary to achieve a significant element of Australian ownership.
What will the Industry Development Corporation do to help solve these problems? Mr. McEwen talked about the gap in the financial resources available to Australia, as distinct from foreign, firms operating in Australia. The Government believed that the AIDC would help fill this gap. It was aimed at getting more of the overseas capital in non-equity form—to tap these capital sources by means of loans, and less in overseas ownership in Australian industry. The AIDC is seen as a body which would assist Australian industry to expand its capacity and scope, and increase its efficiency and competitiveness. It should assist in retaining and expanding Australian ownership of industry and resources. It will have the capacity to help wherever existing banking and other financial institutions cannot meet the financial and investment needs of Australian companies for development and expansion. It will help in cases where the development would otherwise not take place, or would otherwise be possible only with undue loss of ownership and control to overseas interests. It would be in a position to assist an Australian venture that sought its help to undertake a viable and important industry development, and would be equipped especially to help projects in export industries and industries founded on Australia's natural resources.

It is proposed to establish the Corporation with a capital of $100 million, paid up initially to $25 million.

There was some public controversy surrounding the proposed Corporation. Some national organisations had doubts that the bill had sufficient safeguards to preserve the interests of private enterprise, while others threw in their support and expressed the view that various safeguards in the bill removed the possibility of Government ownership of industry through the Corporation's operations. In the House Government members spoke out against the bill, and several minor amendments were accepted. There was, however, overwhelming support for the proposal.

In his earlier speech Mr. McEwen gave some assurances about the new institution—what it could do, what it could not do. It would be, he said, a body entirely set apart from Government and operating only within the charter set down for it in the legislation. It was structured to become entirely a part of the private enterprise scene. It would be subject to taxes on exactly the same footing as any public company. It would assist only viable projects, and was not designed to be a supporter of lost or doubtful causes. The Corporation must not seek a controlling interest in enterprises with which it became involved. It would have to regularly review any investments it had acquired in the course of giving help to various projects, and must dispose of those holdings which were no longer
necessary to its policy objectives. These provisions were designed to ensure that the Corporation did not become a dominant element in the ownership of an industry, but continually turned over its borrowed funds to provide similar assistance in other areas. The bill made it clear that the Corporation may assist in a venture only when its assistance was sought. It must not become involved in any enterprise except with the consent of the company concerned. No existing institution or firm need fear it as a competitor. It would not have the status or privileges of a bank, nor would it function like a bank. It would be able to operate without the limitations that were necessary or usual in the field of banking. The corporation would be able to participate in projects alongside private enterprise companies, assisting them in the provision of the financial resources needed. But, having become a participant, it would be required to play only a passing role. As soon as it could adequately recoup its financial outlays in a project successfully developed, it would move onto other projects. Its borrowings in Australia would not only be a minor part of its total borrowings, but would also be expressly subject to limitation by the Reserve Bank.