

Chapter 4 - The War of 1914-1918

THE SMALL ARMS AMMUNITION FACTORY

Until 1927, the Small Arms Ammunition Factory at Footscray, Victoria, was the property of the Colonial Ammunition Company Limited of English ownership. It was however an essential unit in the Australian munitions production organisation, and almost entirely dependent for its income upon the Department of Defence, consequently the Department's dealing with it must be included in this narrative. Up to the year 1911 the Company had imported all components used for the manufacture of small arms ammunition it was supplying to the Government. In 1912 a brass foundry was installed together with a rolling mill plant whereby the brass cups were produced for subsequent manufacture into .303" cartridge cases. By 1915 the output of these cups had been so much increased that in addition to provision of the increased local requirements it was possible to export some millions to cartridge manufacturers in England. During 1913 the departmental Cordite factory commenced supply of the size 3 3/4 cordite necessary for the .303" cartridges but this had to be supplemented by importation during that year and it was only at the end of that year that imports of size 3 3/4 cordite ceased. During 1914, the Company was still dependent upon importation for the following components -

- (a) Percussion caps
- (b) Cupro-nickel cups for bullet envelope
- (c) Glazed Board Discs
- (d) Leather board for cartridge clips

but steps were taken in August of that year to instal plant for manufacture of the caps, the Cordite factory providing the fulminate of mercury. The cap factory did not reach production until February 1916, but soon after that it also was exporting percussion caps to other Dominions. The Company also undertook smelting of copper and nickel and stamping of cupro-nickel cups soon after the outbreak of war, but importations had to continue until the end of 1916; it was a difficult process and time elapsed before success

was achieved. The items (c) and (d) proved to be intractable despite all the experimentation and imports only could be relied upon.

As regards production, it has already been recorded that on 11th December, 1914, the Chief of the General Staff reported to the Minister for Defence the conclusions of a Departmental Committee which discussed the war requirement of .303-inch ammunition with the Company's local Manager: Mr. G.A. Cartright; an extract from which reads -

The output of the C.A. Coy. is not so satisfactory. In one document the Manager says he can make two million rounds a week, in another he suggests it will require more plant.

Recommended that the Committee consider later whether it is not advisable to take the factory over.

The Company was approached on the matter on 2nd February 1915 and advised in reply that it had conveyed the enquiry to its London Board. Meanwhile the Agreement customary between the Commonwealth and the Company for supply of ammunition since the latter was first established in 1888 - a clause of which provided for expiry and renewal at periodic intervals - had expired and a renewal was under consideration. On other papers I had been dealing with at the beginning of 1915, the Company had advised the Department that its bankers had refused to finance the importation of the raw materials it needed to fulfil the announced Commonwealth requirement of 2,000,000 rounds of ammunition weekly for two years. The Company already owed the Commonwealth 23,000 as an advance to purchase raw materials and now another 25,000 was requested in consequence of the attitude of the Bank; an indication surely that there was a doubt as to the financial stability of the Company. Having regard to the facts here disclosed, that the Company owed the Commonwealth 23,000 and might soon be owing another 25,000, and considering further that the Company should earn a minimum profit at least of ten per cent upon the orders now placed with the Company by the Commonwealth, say 150,000 within three years, I worked it out that by earmarking only 22,000 in cash additional, the Company's book value would at least be equalised, I therefore suggested that the Commonwealth should offer to purchase the

(Company's interests)

Company's interests for £202,000. On 25th February 1915, Senator Pearce
162.6.13 took my paper to Cabinet, signed by Mr. Trumble, Secretary for Defence,
and the Prime Minister, Mr Fisher, endorsed it "Enquire conditions of
purchase"; incidentally Senator Pearce told Mr. Trumble that the Prime
Minister asked him who was the Company Promoter in his Department. The
Company was asked on 2nd March

to state the price and conditions upon which you are prepared
to dispose of your works to the Commonwealth Government.

and on 8th March it replied saying the enquiry had been submitted to
the Head Office and suggesting that as it would take some time to study
the proposal "the existing Contract should be completed in view of the
repeated promises made by your Department to this effect". The Minister
marked that, without any prompting, "Defer Agreement until answer received",
and so the Company was advised. Its response, on 24th May, was in the form
of a cablegram from its Head Office -

We will quote prices and conditions on receipt of cable
from you that Government has given you written undertaking
that if our offer is not accepted within thirty days, they
will sign new contract. We shall not quote an extravagant
price.

The Minister marked this - "Reply that conditions cannot be agreed to",
and the local Company was so informed on 5th June. On 4th August 1915
a reminder was sent and it was promised in reply that the matter would
be dealt with after the next Board meeting, but nothing eventuated, and
our thoughts having turned to inclusion of a new Government factory in a
general arsenal, that aspect was not pursued. Meanwhile I had continued
working on the question of funds for financing imports of the raw materials:
copper, zinc and lead; finished paper boards; and punched nickel cups for
making the bullet envelope, and the Commonwealth Bank expressed willingness
to provide the £25,000 seeing that the goods were to serve a Commonwealth
Government contract. This was conveyed to the Company whereupon its own
bank hastily agreed to do likewise, and for itself the local management

explored every avenue possible with a view to less dependence upon importation; the results of that I have already outlined. This change of practice on the part of the Company involved purchases of additional manufacturing plant, including some modern versions of its own already well-tried machines, the outcome being that when the new equipment had been installed, and the processes re-arranged, the factory became a highly efficient organisation; I remember during World War II, in the course of a letter to one of the former large shareholders, informing him that even the machines made by Greenwood and Batley of Leeds at the beginning of the century, were still belting along day and night, turning out ammunition components as good as any being made in England or anywhere else.

Some time was to elapse nevertheless before we could depend entirely upon the local sources of supply for .303" ammunition, and efforts to supplement these by importation of complete rounds of ammunition were disappointing for a time. Later on, limited supplies were obtained from the United States and small supplies were received intermittently from England. Local manufacture improved as the war progressed: the output of 1914 was increased 62 per cent in 1915, by 140 per cent in 1916 and by 209 per cent in 1917; and it was satisfactory thereafter. Meanwhile the factory was being tooled up for production of the pointed bullet Mark VII ammunition, as to which it was dependent upon the Cordite Factory for a new specification of Cordite: M.D. Tubular, size 5-2, which became available about the middle of 1917, and the factory gradually worked in the new components until only Mark VII type was being manufactured at the rate of 2,000,000 rounds weekly.

In August 1916, matters came to a head in regard to the proposed Arsenal: Mr. Leighton was appointed General Manager, the Minister favoured placing the Arsenal in Federal Territory, and I had to prepare advices to Mr. Leighton of local conditions at the selected district, the preliminaries

leading up to the decision, the contemplated production programme, etc.; for one thing, there had to be something definite about the small arms ammunition section. Accordingly I drafted a letter to the Colonial Ammunition Company - dated 4th August - it was twelve months since we had heard from them -

With reference to my communication of 2nd March 1915, inviting you to state the price and conditions upon which you were prepared to dispose of your Works to the Commonwealth Government, to which no definite reply has been received notwithstanding several reminders, I am directed to inform you that the Government has now decided to establish its own Small Arm Ammunition Factory in conjunction with the Government Arsenal to be erected in Federal Territory. I am also to say that the Government is willing to consider the purchase of any machinery and plant you are prepared to dispose of.

As it is desired to proceed with the erection of the Small Arm Ammunition Factory at the earliest possible moment, I shall be glad to receive advice in the matter of your early convenience.

The Minister signified his approval of this in the customary manner: by initialling the office copy, and a reply was received dated 4th August -

... we beg to inform you that on 11th May, our Directors wrote to the Prime Minister in London quoting a price in answer to your Government's invitation, which letter was acknowledged by the Prime Minister who stated that he would put the proposal before the Government on his return to Australia. Copy of the proposal referred to is enclosed herewith.

There was never any indication that the letter addressed to the Prime Minister had reached the Defence Department, but the copy indicated that the Prime Minister had been offered the business for £350,000 plus (1) all new capital issued after 31st December 1915; (2) all capital expenditure since the same date; (3) all stores and materials in hand and on order; and (4) partly manufactured goods at cost price plus 100 per cent on the Wages for Establishment Charges. Here I can mention that the Commonwealth did purchase the business about ten years later, and it will be interesting to compare the terms of sale then with this offer. Senator Pearce took the Company's letter above of 7th August 1916, together with the copy of 11th May 1916, to Cabinet and brought it back marked as follows: "Cabinet decided to take no action at present. W.M. Hughes. 9/8/16". The Company

On 4th September, the Company wrote to Senator Pearce requesting that in view of the foregoing correspondence, the Government should now proceed with preparation of a new agreement with the Company for supply of ammunition. A review of the present position in regard to the proposed Agreement was prepared; the former agreement with the Victorian Government had expired on 27th May 1914, and the new first draft had been completed in October 1914, to extend for 25 years, but questions then arose as to details, the Arsenal proposal had intruded - a likely change in the pattern of ammunition to be manufactured was affecting consideration of the latter - and decisions about all these had still to be cleared up, some of them with the Attorney-General's Department. Mr. Trumble described the alternatives suggesting themselves as -

- (a) The Government to take over the Colonial Ammunition Company's works at a Valuation and run it as Government concern where it is now situated, and later perhaps as the Arsenal develops, transfer the plant and machinery there.
- (b) Enter into no further agreement with the Colonial Ammunition Company and leave the Government free to start a factory of their own when the time is opportune, e.g. when a change of pattern in the cartridge is decided upon. The Colonial Ammunition Company might appear, however, to have some ground for consideration - morally if not legally - in the event of the Government deciding to discontinue orders.

In any case any agreement with the Company under which we will be obliged to take from them any portion of our requirement is unsound if we are going to start our own factory. There is not room for two big factories.

On this the Minister wrote a Minute addressed to Mr. Trumble -

The questions to be decided are -

1. Should the Government proceed with the provision of Small Arm Ammunition Factory as an essential part of the Arsenal at Tuggeranong at present.
2. If so should it purchase Colonial Ammunition Company plant and remove it to Tuggeranong or purchase new plant.
3. Should (1) be answered in the negative there seems to be no reason why we should not proceed with the agreement Government waiving Clause 4 and Company Clause 5.

Cable should be sent to Mr. Leighton setting out position and asking his advice. Prepare and submit proposed cable.

E 93/2/19

A cablegram was despatched on 16th November -

Leighton re Small Arms Ammunition portion of Arsenal in connection with present plant of Colonial Ammunition Company following questions arise (1) should Government proceed at present with provision of small arms ammunition factory as essential portion of arsenal having in view necessity for rolling mill and Q.F. cartridge factory. (2) if so should it purchase Company's plant and remove it to Arsenal or purchase new plant. It is explained that agreement with Company has expired and they are pressing for new one and although they have no legal claim to consideration we feel that we should do something for them difficulty however is that Commonwealth normal annual requirements ammunition thirty five million rounds and company desires at least this quantity in any agreement their present output with two shifts being more than double. It is reported that additional plant installed since war is up-to-date and has modernised whole establishment but they only manufacture Mark six ammunition whereas we proposed equipping Arsenal factory to manufacture latest Mark adopted for new rifle. It is probable however that plant can be easily changed over. Please telegraph your views.

A reply to the foregoing was received from Mr. Leighton dated 22nd November.

E 93/2/20
Referring to your telegram of the 17th November, Commonwealth Arsenal, my answer to the two questions is in the negative. Recommend fresh agreement with Company for five years. Insert clause provides for conditional purchase also for effective help towards the erection of Canberra plant and its operation, training of a staff and workers and supply of all drawings. Agree with you that change over to Mark VII is easy but as change will have far reaching effect act only on definite request from your Military Advisers.

In view of numerous policy questions that arise I request urgent, careful estimates of requirements War Material in certain presumed circumstances. Estimate to be based on present day War experience. My opinion is making allowance for building up advisable reserve, the normal ammunition demand will be greater than you state.

The second half of this cablegram obviously was a matter for advice by the Military Board, and accordingly, it formed the subject of a communication to the Board on 6th December 1916; and has been dealt with further in Chapter 5. With reference to the proposed Agreement, a Board of Business Administration was set up in the Defence Department in 1918, and soon afterwards the Minister for Defence referred the draft Agreement for consideration and advice. On August 22nd 1918, the Board reported -

On account of not being able to arrive at a satisfactory price for small arms ammunition it requested the C.A. Coy. to supply the whole of its costings. These are now being checked with a view to arriving at a satisfactory price, which the Government should pay.

When the Board was appointed one of the first matters submitted to it was the new Contract for the Colonial Ammunition Coy. The Board has not thought fit to recommend the signing of this as it contained certain clauses which were against the interests of the Government.

The purchase clause which had been included and practically agreed to would have meant that the Government would have had to pay probably, at least £100,000 Goodwill. As the Government is the only customer for Small Arms Ammunition this was most exorbitant, and the Board have refused to agree to any clause for Goodwill being included.

However the Board continued to examine the matter with the Company and ultimately the negotiations were carried to an Agreement which it recommended to the Minister and was satisfactorily concluded in 1919. Nevertheless it worked out after termination of the war that the Company found itself in difficulties and had to approach the Commonwealth for relief. It would be preferable therefore to pause here and continue the story in the chapter covering the post-war period.