

The report of Dr. Skelton's committee also held that the establishment of state arsenals, the continuous operation of which could not be maintained, was uneconomic, and pointed out that complete nationalization of the arms and munitions industry, even in wartime, might lead to such a degree of regimentation as would be very difficult to undo upon the advent of peace.

The ultimate decision of the Government, as announced by the Prime Minister and the Minister of National Defence, was:-

- (1) That, where state manufacture was economic that procedure should be followed;
- (2) That, with reference to remaining business where competitive bids could be called, that practice should be followed;
- (3) That, where competitive bids were not practicable, there should be the closest government inspection and audit to prevent excessive profits.

Arising out of the report of Dr. Skelton's Committee, there was established in March, 1937, a permanent interdepartmental committee on profit control.

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