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**Changing Nature of the NSW
Economy**

by

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1 INTRODUCTION

In 1934 the *National Handbook of Australia's Industries* gave the following description of the economy of New South Wales: "New South Wales is predominantly a pastoral and agricultural state."¹ By the year 2000, production in the state has changed considerably: with the development of sectors such as financial services, retailing and manufacturing.

This paper endeavours to look at how these changes have come about, by examining four major arenas of activity: the production of commodities for export; manufacturing; insurance and banking; and retailing, property, telecommunications, tourism and education. By looking at these four arenas, it is possible to see, not only how production in the state has developed, but also what has been (or currently is) the significant feature of that activity as far as understanding the economy of NSW today.

2 ORIGINS OF THE NSW ECONOMY

(a) Introduction of the Elements of Production in NSW

As can be easily understood, the basic elements of the NSW economy were established when Britain first took possession of the Australian continent in 1788. The new settlement needed *food; clothing; footwear; dwellings; and means of transport*. Philip and his successors steadily moved to bring all these into being. Because of a shortage of private capital in the settlement, the government, initially, proceeded by itself to establish operations in these areas of basic production. G.P. Walsh has written that,

Numerous saw-pits were constructed in the arms and coves of Port Jackson and Broken Bay to provide timber for the building industry, and bricks and tiles were manufactured at several localities in Sydney and Parramatta. The government establishment on the side of Brickfield Hill was the largest brickyard. Flour milling was the most important basic industry during this period. . .The first windmill in Sydney. . .[for grinding grain] was completed and successfully operated in 1797. . .By 1809 several small bakeries had begun operations in central parts of the town. . .Of the industries other than building and food-processing, the manufacture of clothing and textiles and boatbuilding were most important. . .the government woollen manufactory was situated at Parramatta close to the supply of wool. . .By 1804, fifteen small [marine] craft averaging twenty tons each had [also been] built in Sydney, most of them in the Government Dockyard. . .boots and shoes. . .were also manufactured from local materials. . .Several small tanneries were established at Sydney and Parramatta after 1803. . .²

¹ Ambrose Pratt (ed.), *The National Handbook of Australia's Industries* (Specialty Press, Melbourne, 1934), p.100.

² G.P. Walsh, "The Geography of Manufacturing in Sydney, 1788-1851" in *Business Archives and History*, vol.3, no.1, February 1963, pp.21-28.

(b) Early Emergence of Key Companies

When money finally began to flow substantially into the colony, as will be outlined in the following section, undertakings that had, previously, been established by the colonial government, were now transferred to individual hands. As this process continued, there emerged the beginnings of a number of companies that came to have key positions in various sectors of the NSW economy:

Financial Services

Although the bulk of the investment, which really expanded production in New South Wales, was to come in the form of direct investment from England, Macquarie, during his term as governor, succeeded, according to Reginald Holder, in prevailing upon a group of “magistrates, principal merchants and gentlemen of Sydney” to form a bank to contribute, on a local level, to the stimulation of investment in the colony. This undertaking was officially inaugurated in April 1817 as the Bank of NSW: the present-day Westpac.³

Legal Services

In 1822, George Allen, whose father-in-law had been transported from England in 1816, established a solicitor’s office in Sydney – founding the present day firm of Allen, Allen and Hemsley.⁴

Energy

In 1837 the Australian Gas Light Company (AGL) was incorporated, for the purpose of providing gas for the lighting of Sydney’s streets. The honorary secretary of the company was the Reverend Ralph Mansfield who had left England, for Australia, in 1820. AGL’s first gas streetlights were put into operation, in Sydney, four years after its founding.⁵

Retailing

In 1838, David Jones, who had left England four years previously, established a small shop, on the corner of George and Barrack Streets, for the retailing of clothing and other kinds of goods.⁶

³ Reginald Holder, *The Bank of New South Wales: A History*, vol.1, 1817-1893 (Angus and Robertson, Sydney, 1970), pp.11,18.

⁴ George Allen, *Early Georgian* (Angus and Robertson, Sydney, 1958), p.80.

⁵ Rosemary Broomham, *First Light: 150 Years of Gas* (Hale and Iremonger, Sydney, 1987), pp.9-16.

⁶ Charles Lloyd-Jones, “The History of David Jones Limited” in the *Journal of the Royal Australian Historical Society*, vol.4, part 5, 1955, pp.227-229.

Publishing

In 1841, John Fairfax, who had left England three years earlier, bought a controlling interest in the Sydney Herald (already established in 1831) and founded the *Sydney Morning Herald*.⁷

Insurance

In 1848, five individuals, including at least two prominent businessmen in the colony, held a meeting to form a friendly society. The five were the Reverend W.H. Walsh, Thomas Holt, Thomas Mort, Charles Lowe and William Perry. In 1849 the Australian Mutual Provident Society (AMP) was registered under the Friendly Societies Act of NSW.⁸

Brewing

In 1875, John Toohey, a descendant of Irish emigrants, established a large brewery in Elizabeth Street. Although Toohey's was a smaller concern than the already established Tooth's brewery (founded by the Englishman John Tooth in 1835), Toohey's brewery had a considerable production capacity.⁹

Resources

In 1885, Broken Hill Proprietary Limited (BHP) was established, initially, to mine silver. Although the company was registered in Melbourne (where its headquarters were established), the operations of the company were in western New South Wales. Production of silver at Broken Hill reached 4 million ounces a year, by 1888.¹⁰ Subsequently, during the 1920s, BHP would open collieries in NSW eventually becoming one of the big coal mining companies in the state.¹¹

⁷ Gavin Souter, *Heralds and Angels: The House of Fairfax 1841-1992* (Penguin Books, Melbourne, 1992), pp.28-32.

⁸ Geoffrey Blainey, *A History of the AMP 1848-1998* (Allen and Unwin, Sydney, 1999), pp.2-5.

⁹ *The First Hundred Years: A Brief History of the Kent Brewery* (Tooth and Company, Sydney, 1935), pp.11-12; J. Peter Thoeming, *Here's Too'ee: The History of Toohey's* (Crawford House Publishing, Bathurst, 1997).

¹⁰ Trevor Sykes, *Two Centuries of Panic: A History of Corporate Collapses in Australia* (Allen and Unwin, Sydney, 1988), p.146.

¹¹ Donald Dingsdag, *The Restructuring of the NSW Coal Mining Industry, 1903-1982* (PhD Thesis, University of Wollongong, 1988), pp.145-146.

3 THE ROLE OF BRITISH, AND OTHER OVERSEAS, INVESTMENT IN THE DEVELOPMENT OF PRODUCTION

(a) The Early Part Played by British Investment

Given that Britain established its colonies in Australia entirely originally, capital, to inaugurate production, had likewise to come from Britain. Even though money gradually began to be accumulated by the British people that came to settle in the Australian colonies, the most important source of funds in the early years of settlement continued to be Britain itself. According to Gordon Wood, by 1887 (just before the crash of the 1890s), £77 million of British money had been placed in New South Wales alone: both in the form of investment in commercial undertakings, and by way of loans to the NSW colonial government.¹² British investment continued to be the most important element in Australian production by the beginning of the 1900s. R.L. Nash, in his *Australasian Joint Stock Companies' Year Books*, wrote in 1898 that, "The amount which the British investor has contributed. . . is enormous, and there is no doubt that in this form the stake of the home capitalist in Australasian enterprise is far in excess of that held by the investor here." Nearly fifteen years later, Nash estimated that British investment in the, now, states in Australia (in both commercial concerns, and state loans) – for the financial year 1912-1913 – amounted to nearly £384 million.¹³

By the 1920s, British investment in Australia had increased even further. Roland Wilson estimated that, in 1921, the amount of British investment in Australia – in loans to state governments, and in commercial undertakings - had reached nearly £503 million.¹⁴ Nearly twenty years later, by 1938, just before the onset of the second war in Europe and the subsequent war in the Pacific, British investment in Australia had increased to around £662 million.¹⁵

(b) The Combined Role of British, and American, Investment after the Pacific War until the 1980s

After the end of the second war in Europe, and the war in the Pacific, British investors again placed their money in Australia. Initially, Britain continued to be the pre-eminent source of overseas funds. Gregory Pemberton has written that, "In 1947 eighty-six per cent of all private and public foreign investment in Australia was British."¹⁶ Subsequently,

¹² Gordon Wood, *Borrowing and Business in Australia: A Study in the Correlation between Imports of Capital and Changes in National Prosperity* (Oxford University Press, London, 1930), p.77.

¹³ Cited in Brian Fitzpatrick, *The British Empire in Australia: An Economic History 1834-1939*, second edition (MacMillan of Australia, Sydney, 1969), p.300.

¹⁴ Roland Wilson, *Capital Imports and the Terms of Trade* (Melbourne University Press, Melbourne, 1931), p.46.

¹⁵ William Woodruff, *Impact of Western Man: A Study of Europe's Role in the World Economy 1750-1960* (MacMillan, London, 1966), p.156.

¹⁶ Gergory Pemberton, *All The Way: Australia's Road to Vietnam* (Allen and Unwin, Sydney,

American investors began to invest increasing amounts of money in Australia. This is illustrated by the accompanying figures for overseas investment for the period 1950-1984:

*British and American Investment in Australia: 1950-1984*¹⁷

	Britain	USA
1950-1959	\$1.05 billion	\$508 million
1960-1969	\$2.5 billion	\$2.4 billion
1970-1979	\$3.6 billion	\$4.3 billion
1980-1984	\$10 billion	\$5.6 billion
TOTAL	\$17.15 billion	\$12.88 billion

(c) British, American and Asian Investment in Australia: 1990s

During the last fifteen years - under the Hawke, Keating and Howard governments - not only has British investment in Australia trebled,¹⁸ but investment from the USA has also increased significantly (overtaking that of Britain) while countries in Asia have also increased in prominence, as sources for investment in Australia: particularly Japan. This is illustrated by figures for overall investment in Australia in 1997:

*Levels of Investment in Australia: mid1997*¹⁹

USA	\$89.5 billion
Britain	\$76.0 billion
Japan	\$51.0 billion
Other European Union Nations (France, Germany, Netherlands etc.)	\$37.3 billion
ASEAN (Brunei/Indonesia/Malaysia/Philippines/Singapore/ Thailand)	\$8.4 billion
Switzerland	\$7.1 billion

4 ARENA OF COMMODITY EXPORTS

(a) Promotion and Expansion of Wool for Export

Until the 1820s, the colony of New South Wales was essentially subsidised by the British government. By this time, however, the government in London had decided that the colony

1987), p.1.

¹⁷ Alan Loughheed, "International Transactions and Foreign Commerce" in Wray Vamplew (ed.), *Australians: Historical Statistics* (Fairfax, Syme and Weldon, Sydney, 1987), p.200.

¹⁸ Joanna Jolly, "Young Guns in the Old Dart" in *The Australian*, 13 November 1997, p.17.

¹⁹ Australian Bureau of Statistics, *International Investment Position: Australia*. ABS Catalogue 5306, June 1997, p.17.

should become able to pay for itself through trade. Following the end of the wars with France, the Secretary of State for Colonies (Earl Bathurst) sent the former chief justice of Trinidad (John Bigge) to Sydney to investigate the means by which this could be done, and make recommendations. Bigge arrived in 1819 and took note of the fact that, as early as 1812 the Reverend Samuel Marsden had sent about 4,000 pounds of wool to an agency in Yorkshire which had given him an acceptable price and, that by the time of his own arrival, wool exports, from the colony to England, had reached around 90,000 pounds a year.²⁰

In his subsequent report, entitled *State of Agriculture and Trade in the Colony of New South Wales*, delivered in 1823, Bigge remarked that,

the growth of fine wool. . .creating a valuable export to Great Britain. . .appears to be the principal, if not the only source of productive industry within the colony from which the settlers can derive the means of repaying the advances made to them from the mother country, or supplying their own demands for articles of foreign manufacture. The great extent of pasturage that is now opened between the course of the river Hastings on the north, and the country that has been discovered in the neighbourhood of lakes George and Bathurst on the south, affords the most favourable opportunities for individuals disposed and capable of entering upon an extensive scheme of agricultural speculation.²¹

Concomitant with the release of the Bigge report, the British government began to indicate, to the British financial community, that investment in New South Wales would be worth their consideration. English people, who had settled in the colony, returned to London (the current financial capital of the world) to borrow capital for undertakings in NSW. Christopher Jay has recalled how the Australian Agricultural Company (AAC) was formed during the 1820s “in the Lincoln’s Inn chambers of John Macarthur Junior to cultivate a million acres of Australian farmland, initially north of Newcastle”. Gordon Wood has added that the nominal capital of the company was “one million pounds, and was mainly contributed from Great Britain”. K.G. Ponting noted that “After 1825 English capital began to enter Australia in considerable quantity. . .Australia was. . .seen as. . .an excellent field of investment.”²² In the late 1830s, for example, two banks were directly established with English funds: The Union Bank and the Bank of Australasia.²³

²⁰ G.J. Abbott, *The Pastoral Age: A Re-Examination* (MacMillan, Melbourne, 1971), pp.37-40.

²¹ John Bigge, *State of Agriculture and Trade in the Colony of New South Wales*, report of the commissioner of inquiry, 1823, reprinted in *Australiana Facsimile Editions*, no.70 (Library Board of South Australia, Adelaide, 1966), p.18.

²² Christopher Jay, *The Coal Masters: The History of Coal and Allied 1844-1994* (Focus Publishing Sydney, 1994), p.15; Wood., *op.cit.*, p.10.; K.G. Ponting, *The Wool Trade Past and Present* (Columbine Press, Manchester, 1961, p.78.

²³ Sydney Butlin, *Foundations of the Australian Monetary System 1788-1851* (Melbourne University Press, Melbourne, 1953), p.227.

Not long afterwards, English money began to be invested in the pastoral industry. Kosmas Tsokhas has written that,

There were four main Anglo-Australian pastoral houses. The New Zealand Loan and Mercantile Agency Co.Ltd. . . was established in 1865 in England to invest in New Zealand. . . In the 1870s it spread its lending and investing activity to Australia. . . Dalgety Australia Ltd was a company formed in 1846 by F.G. Dalgety. In 1849 he went to the UK to organise credit and to establish a channel for the sale of colonial products. . . in 1854. . . he set up a head office in the UK. . . The Australian Estates Co. Ltd. . . was engaged in wool agency. . . business. In 1886 its headquarters moved to the UK to make it easier to mobilise funds from the London capital market. . . The final Anglo-Australian company, the Australian Mercantile Land and Finance Co.Ltd. . . also engaged in lending for pastoral investment and in wool broking.²⁴

As well as there now being English capital available for investment in woolgrowing in NSW, the other reason that the industry was able to expand was the accompanying expansion, in Britain, of the manufacturing of worsted yarn. Francois Crouzet has pointed out that the “building of. . . mills [for woollens and worsted cloth], more and more of them powered by steam, intensified during the 1820s and the 1830s. . . The West Riding of Yorkshire, the main centre of the worsted industry, had 2,800 powerlooms in 1836. . . In 1850, there were more than 9,400 powerlooms for woollens (and 33,000 for worsted). . . A strong surge of mechanisation then ensued, which brought the number of power looms up to 48,000 in 1870.”²⁵

From this time onwards, NSW became the chief colony (and then the chief state) for wool production in Australia. A trade slump in the 1840s slowed wool production, but it then increased dramatically from the 1860s to the 1880s, as the following figures indicate:

*Wool Production in NSW: 1830-1900*²⁶

1830	4.4 million kilograms
1850	6.5 million kilograms
1860	5.8 million kilograms
1870	21.5 million kilograms
1880	82.4 million kilograms
1890	123.5 million kilograms
1900	107.8 million kilograms

²⁴ Kosmas Tsokhas, *Markets, Money and Empire: The Political Economy of the Australian Wool Industry* (Melbourne University Press, Melbourne, 1990), pp.4-5.

²⁵ Francois Crouzet, *The Victorian Economy*, translated by A.S. Forster (Methuen, London, 1982), pp.216,219.

²⁶ Bruce Davidson, “Agriculture” in Vamplew, op.cit., p.82.

The Bank of NSW (later Westpac) began to gain the prominence, that it afterwards fully acquired in the state, through lending to business groups to engage in woolgrowing. Noel Butlin wrote that, “Ten companies, of all the banks and non-pastoral companies, accounted for 90% of all NSW leaseholds held by companies in 1889/90. . .[the first] in order of importance. . .[was] the Bank of NSW”.²⁷

As in the nineteenth century, wool continued to be a major income earner for New South Wales during the early twentieth century. In 1906, for instance, the NSW government estimated that wool to the value of £12,000,000 had been exported in that one year.²⁸ During the 1920s, wool remained similarly profitable. The *National Handbook of Australia's Industries* reported that “In normal years the total yearly value of the pastoral production of NSW approximates £40,000,000”.²⁹ Kevin Burley wrote, concerning Australia as a whole, that in the 1920s “wool regularly contributed at least one-third of export earnings, often the proportion was more than 40% and in four years it represented about one-half of the total value of exports. . .about 75% of the sheep [were] to be found in the three mainland eastern states.”³⁰ The peak year for wool returns was financial year 1950-1951. At the outbreak of the war in Korea, the American government undertook extensive bulk purchases of Australian wool for army clothing. Wool reached a nearly legendary figure of £1/pound. J.B. Were's centenary history reported that “In the 1950-51 selling season, Australia's clip realised a total of £636 million, as compared with the previous record of £286 million achieved in 1949-50.”³¹ The figures for the amount of wool produced in NSW, during the first half of the twentieth century, are as follows:

*Wool Production in NSW: 1910-1950*³²

1910	182.5 million kilograms
1920	159.7 million kilograms
1930	208.6 million kilograms
1940	247.8 million kilograms
1950	233.6 million kilograms

Wool continued to be a major exporter earner during the remainder of the 1950s. A report by Personnel Administration Pty. Ltd noted that, during financial year 1958-59, the total

²⁷ Noel Butlin, *Investment in Australian Economic Development 1861-1900* (Cambridge University Press, London, 1964), pp.143-144.

²⁸ NSW Intelligence Department, *Notes for a Lecture on the Mother State of Australia* (NSW Government Printer, Sydney, 1907), p.8.

²⁹ *The National Handbook of Australia's Industries*, p.100.

³⁰ Kevin Burley, *British Shipping and Australia 1920-1939* (Cambridge University Press, London, 1968), pp.151-152.

³¹ *The House of Were* (J.B. Were and Sons, Melbourne, 1954), p.464.

³² Bruce Davidson, *ibid.*, in Vamplew (ed.).

value of Australia's exports was £938 million of which £377 million came from wool (roughly 40% of the total). NSW's share of total production for that year was as follows:

*Wool Production in NSW and Australia: 1958-1959*³³

	NSW	Australia
1958-59	310.3 million kilograms	721.6 million kilograms

During the 1960s, returns from wool continued to be the predominant feature of Australia's overall export revenue. The NSW Department of Decentralisation and Development noted, in 1968, that "Wool is still Australia's biggest export representing, in 1966/67, 27% of the total at a value of \$812m."³⁴ Woolgrowers were even seeking to expand their markets in countries that had not, before, been Australia's main market for wool. The Department similarly reported that "Japan took 34% of Australia's wool exports in 1966/67 and Britain took 11%."³⁵

By 1970, however, the returns for wool began to decline. The NSW Department of Decentralisation and Development reported that "The future of the Australian wool growers is causing concern among growers. . . because of. . . a long-term decline in world prices". This decline was substantially attributed to "competition from man-made fibres".³⁶ In 1971 the price of wool sank to 65 cents per kilogram.³⁷

The price of wool did recover, temporarily, however: in 1973 it reached 184 cents a kilogram and, by 1983, had revived to 319 cents a kilogram.³⁸ Then there was a dramatic rise to 1269 cents a kilogram in 1988 (when wool exports, Australia-wide, returned a value of \$5.8 billion). Despite this, by 1990 – after Russian and Chinese buyers halted their purchases of wool - the price had dropped back down to 700 cents a kilogram.³⁹

³³ Personnel Administration, *Investment Opportunities in New South Wales* (Personnel Administration Pty.Ltd., Sydney, 1960), pp.II.2,II.5.

³⁴ NSW Department of Decentralisation and Development, *New South Wales: A Handbook for Investors* (NSW Department of Decentralisation and Development, Sydney, 1968), p.48.

³⁵ Ibid.

³⁶ NSW Department of Decentralisation and Development, *Economic Projections to 1980* (NSW Department of Decentralisation and Development, Sydney, 1970), p.41.

³⁷ Peter Shergold, "Prices and Consumption" in Vamplew, op.cit., p.223.

³⁸ Ibid.

³⁹ See Barry Pestana, "Agriculture in the Australian Economy" in National Farmers Federation (ed.), *Australian Agriculture*, fourth edition (Morescope Publishing, Melbourne, 1993), p.9; Asa Wahlquist, "How We Fell off the Sheep's Back" in the *Sydney Morning Herald*, 1 April 1991, p.7.

Once more, in the early 1990s, the price of wool temporarily increased: rising to 850 cents a kilogram in 1994. However in 1995 the price dropped to 575 cents a kilogram and, despite rising again to 700c a kilogram in 1997, it fell back to 650 cents in 1998 and sank to 550 cents a kilogram in 1999.⁴⁰

New South Wales, remains, however, the principal wool growing state in Australia. This is illustrated by figures for sheep numbers in Australia, in the mid-1990s:

*Total Number of Sheep in Australia: 1996*⁴¹

Australian Total	NSW Total
121.1 million	39.8 million (33%)

(b) Coal

Deposits of coal were discovered at Newcastle, in 1796, and at Coal Cliff, near Wollongong, in 1797. Again, the colonial government took charge and began mining operations in 1798 at outcrops at the mouth of the Hunter River. The coal was then shipped on naval vessels. In the early 1800s the government's mining industry began to expand operations. Between 1805 and 1806, 320 tons of coal were shipped from Newcastle to Sydney. Between 1810 and 1814, under Macquarie's governorship, 3,000 tons of coal were shipped from Newcastle to Sydney.⁴²

Until 1845, the Australian Agricultural Company, which, as outlined above, acquired an outstanding share of wool production in the 1820s, also gained a virtual monopoly on coal production in the colony. However, Alexander Brown, who had left Scotland in 1841 and subsequently opened the Four Mile Creek coal mine near Maitland - leading to the establishment of the company J. and A. Brown - brought pressure on the AAC to relinquish their monopoly.⁴³ Once the AAC had given up its monopoly, coal production surged in New South Wales. Salsbury and Sweeney, in their history of the Sydney Stock Exchange, have written that,

⁴⁰ David McKenzie, "Wool Stockpile Sale Gets Extra Six Months" in *The Australian*, 31 March 1998, p.23.

⁴¹ Erica Douglas, "Wool" in Fiona Douglas (ed.), *Australian Agriculture*, sixth edition (Morescope Publishing, Melbourne, 1997), p.158; Andrew Stevenson, "Buyers Line Up for Wool Stockpile" in the *Sydney Morning Herald*, 21 January 2000, p.5.

⁴² Roger Morse, "Energy" in Australian Academy of Technological Sciences and Engineering (eds.), *Technology in Australia 1788-1988* (Australian Academy of Technological Sciences and Engineering, Melbourne, 1988), p.780; Godfrey Linge, *Industrial Awakening: A Geography of Australian Manufacturing 1788-1890* (Australian National University Press, Canberra, 1979), pp.34-35.

⁴³ Jay, op.cit., p.13-20.

Coal. . .[became] the boom commodity. The rise of the Newcastle Coal and Copper Company to dividend paying status in 1856 caused a flurry of interest in Newcastle and on the coast south of Sydney. In 1858 the Newcastle and Wallsend Mine started, followed by the Tomago Coal Mining Company (1861), the Bulli Company (1862), the Alwicks Coal Mining Company (1862) and the Waratah Coal Company (1862). . .coal seemed the wave of the future.⁴⁴

The surge in coal production in New South Wales, is indicated by the figures for production between 1860 and 1890:

Coal Production in New South Wales: 1860-1890⁴⁵

1860	375,000 tons
1870	882,000 tons
1880	1,490,000 tons
1890	3,110,110 tons

By the end of the century, a substantial amount of this coal was being exported, as the following figures also demonstrate:

Coal Exports from New South Wales: 1860s to 1914 (in tons) ⁴⁶

	New Zealand	Pacific Isles	Asia	North America	South America
1861-1865	54,000	8,000	49,000	15,000	2,000
1866-1870	90,000	21,000	130,000	53,000	6,000
1871-1875	117,000	44,000	162,000	106,000	3,000
1876-1880	159,000	50,000	161,000	106,000	6,000
1881-1885	166,000	83,000	257,000	194,000	50,000
1886-1890	156,000	96,000	238,000	339,000	131,000
1891-1895	163,000	137,000	182,000	289,000	266,000
1896-1900	171,000	235,000	267,000	235,000	449,000
1901-1905	262,000	404,000	233,000	200,000	567,000
1906-1910	238,000	414,000	421,000	227,000	800,000
1910-1914	358,000	241,000	398,000	130,000	693,000

Coal continued to be as valuable a money earner in the twentieth century, as it had been in the century before. The NSW Intelligence Department estimated that, in 1906, the value of coal produced in the state amounted to £2,337,227.⁴⁷ The continued focus on coal was

⁴⁴ Stephen Salsbury and Kay Sweeney, *The Bull, the Bear and the Kangaroo: The History of the Sydney Stock Exchange* (Allen and Unwin, Sydney, 1988), pp.416-417.

⁴⁵ Hugh Saddler, "Minerals and Energy" in Vamplew, op.cit., pp.92-93.

⁴⁶ Kevin Burley, "The Organisation of the Overseas Trade in New South Wales Coal, 1860-1914" in the *Economic Record*, vol.XXXVII, no.79, September 1961, p.381.

⁴⁷ NSW Intelligence Department, op.cit., pp.9-10.

stimulated by the sheer volume of the coal deposits in the state. The NSW Intelligence Department, likewise in 1906, estimated that there were “115,346,000,000 tons of coal available for mining in New South Wales.”⁴⁸ Coal production continued in importance after the end of the Great War of 1914-1918, with the *National Handbook of Australia's Industries* estimating that during the 1920s “The coal mines of NSW. . . produce[d] coal to the value of £7,000,000 per annum.”⁴⁹ Already established companies, such as Australian Gas Light (AGL), became substantial domestic purchasers of NSW coal. In the one year, 1936, AGL's gas works at Mortlake used 376,250 tons of coal.⁵⁰ The figures for coal production for 1900-1939 are as follows:

*Coal Production in NSW: 1900-1939*⁵¹

1900	5,596,000 tons
1910	8,304,000 tons
1920	10,887,000 tons
1930	7,207,000 tons
1939	11,375,000 tons

After the end of the Second World War, coal assumed even greater importance as an export earner for the state. As in the case of wool and the needs of British textile mills in the late 1800s, so it was the large-scale factory requirements of another industrial country which provided a similar stimulus for NSW coal exports in the late twentieth century. This time, that country was Japan. As Japanese industry revived during the late 1950s and early 1960s (after the Pacific War of 1941-1945) New South Wales coal operations began to gain contracts to supply Japanese concerns with large quantities of coal. In 1964 the then Premier of NSW, Robert Heffron, remarked in an article in *Far Eastern Economic Review* that,

In 1962, for example, imports from Japan into Australia were valued at £A49.5 million, of which New South Wales accounted for £A24.5 million, while the value of exports to Japan from Australia was £A186.9 million, £A70.2 million of it from New South Wales. . . Japan has now become Australia's largest market for coal – the great bulk of the coal is mined in New South Wales. . .⁵²

In 1970 the NSW Department of Decentralisation and Development commented that “New South Wales is currently Australia's leading producer of mineral wealth, and in 1968 the

⁴⁸ Ibid.

⁴⁹ *The National Handbook of Australia's Industries*, p.101.

⁵⁰ Broomham, op.cit., p.136.

⁵¹ Saddler ibid., in Vamplew, op.cit., pp.92-93.

⁵² R.J. Heffron, “New South Wales” in *Far Eastern Economic Review*, vol.XLIII, no.5, 30 January 1964, p.217.

state's mineral output [amounted to a] value of \$300 million [and] represented 35% of the nation's ex-mine value of minerals. Almost half of the NSW output came from coal mining." Indeed in 1968, NSW produced around 31 million tonnes of coal.⁵³ By this time, BHP had become a major producer of coal in the state: extracting about 20%, annually, of all the coal mined in the NSW.⁵⁴ The department similarly noted the new emphasis on Japan as a destination for Australian coal exports. The Department observed that "Japan has already become a large purchaser of Australia's black coal output. In 1969, 17 million tons was exported to Japan and valued at about \$174 million."⁵⁵

By 1978-79, however, under the Wran government, the production and export of coal increased dramatically. In that year, coal production in New South Wales rose to nearly 50 million tonnes. The sharp nature of the increase is seen by the contrast between the figures for the late 1960s and the late 1970s:

*Coal Production in NSW: late 1960s and late 1970s*⁵⁶

1968	31 million tonnes
1979	50 million tonnes

A report by the final year management students at North Sydney Technical College noted that "In the late 1970s the annual value of mineral production was approximately \$1,126m." Of the total amount of mineral production in the state, coal represented 54%. NSW continued to export the bulk of its coal output to Japan. They reported that, during 1978-79, "Japan was again the principal importer of NSW's coal with a record 15.8m tonnes".⁵⁷

Even though the increase in coal production in NSW, during the late 1960s to the late 1970s, seemed dramatic, even greater increases in production occurred during the 1980s and 1990s. J.N. Pierce, writing in *The Sydney Morning Herald*, estimated that, by 1984, Australia had "taken the title of the world's largest exporter of coal."⁵⁸ In fiscal year 1992-1993, exports of coal reached \$3.1 billion in value.⁵⁹ The figures for coal production, in New South Wales, during the late 1980s and early 1990s, are as follows:

⁵³ Ibid.

⁵⁴ Dingsdag, op.cit., pp.318-320.

⁵⁵ NSW Department of Decentralisation and Development, *Economic Projections to 1980*, pp.52-53.

⁵⁶ Saddler, *ibid.*

⁵⁷ Final Year Management Students of North Sydney Technical College, *New South Wales the Premier State: Implications for the Future* (School of Business and Administrative Studies, North Sydney Technical College, 1981), pp.26-27.

⁵⁸ J.N. Pierce, "Coal Exports Raise \$3.5 bn" in the *Sydney Morning Herald*, 16 January 1985, p.17.

⁵⁹ Information supplied by the NSW Department of Mineral Resources.

*Coal Production in NSW: late 1980s and early 1990s*⁶⁰

1987	83,600,000 tonnes
1993-1994	102,000,000 tonnes

During the late 1990s, Australia continued to be the largest exporter of coal in the world. Kate Askew wrote in the *Sydney Morning Herald* in 1998 that, “The coal industry is Australia’s largest export earner and brought in \$8.8 billion of revenue last year [1997].”⁶¹ In 1998, total NSW coal production was 107.7 million tonnes and the total revenue from that production amounted to \$4.5 billion.⁶²

A major problem for coal returns – as with wool – is a dependency on the state of production of the major acquirer of the commodity. This became evident during the international recession of 1980-1982 when Japanese steel production, and Japanese car production, slowed down. According to the 1983-1984 edition of the *Register of Australian Mining*, Japanese steel mills, in 1983,

forced Australian coal producers to agree to an 18.18% drop in their price for hard coking coal [used in steel production] to US\$54 a tonne, and a 20.96% reduction in the price paid for Newcastle-shipped soft coking coal to US\$45.25. These reductions preceded similar cuts in steaming coal [power station coal] prices of around US\$12 to an upper limit of US\$43. . .⁶³

Subsequently, in the mid- to late 1980s, Australian coal producers once again had to endure price cuts as Japanese steel production stagnated. Andrew Main reported in 1987, in the *Sydney Morning Herald*, that “In the latest round of talks in Japan, Australian coking coal suppliers had to accept tonnage cuts of between 15 and 30 per cent. . . [down] to about US\$44 a tonne. . . coal. . . used in power generation. . . has been languishing at about US\$30 a tonne.”⁶⁴

⁶⁰ Greg Smith, *Union/Employer Bargaining and the Australian Coal Industry Labour Market, 1968-1988* (PhD Thesis, University of New England, 1993), pp.11-15; *1995 New South Wales Coal Industry Profile* (NSW Department of Mineral Resources, Sydney, 1995), p.4.

⁶¹ Kate Agnew, “Coal Industry Turning into Poor Relation” in the *Sydney Morning Herald*, 2 April 1998, p.27.

⁶² Sean Aylmer, “Coal’s Black Year” in *ibid.*, 20 January 1999, p.23 (citing the annual PriceWaterhouseCoopers *Minerals Industry Survey*).

⁶³ *Register of Australian Mining 1983-84*, p.53.

⁶⁴ Andrew Main, “NSW Coal Exporters Reduce Reliance in Japan” in the *Sydney Morning Herald*, 21 January 1987, p.24.

During the international recession of 1990-1992, coal prices dopped yet again. Once the recession ended, however, and Japanese production revived, Australian producers were able to ensure an increase in coal prices. Damon Frith reported in *The Australian*, in 1995, that Australian coal producing companies had been able to obtain increases of between \$6 and \$7 a tonne: with the price of hard coking coal rising to US\$51.10 and the price for steaming coal rising to US\$40.30 a tonne.⁶⁵

In the late 1990s, however, coal producers, once more, had price cuts forced on them as, according to Michael Millett, “the Japanese steel industry faced its biggest slump since World War II.”⁶⁶ With Japanese production languishing, Richard Sproull and John Phaceas reported in *The Australian*, in January 2000, that “In December 1998 the JSM [Japanese Steel Mills] negotiators forced 1999-2000 contract prices 18 per cent lower to \$41.90 a tonne”.⁶⁷

5 THE ARENA OF MANUFACTURING IN NSW

(a) Early Emergence of Manufacturing in the State

By the 1840s, according to Brian Carroll, there was a growing number of small manufacturing undertakings, as the following table indicates:

Manufacturing in NSW by Category: 1840s

Flour Mills	223
Tanneries	62
Breweries	51
Soap and Candle Works	30
Foundries	27
Potteries	8
Rope Works	7
Salt Works	5
Hat Manufactories	4
Sugar Refineries	2 ⁶⁸

⁶⁵ Damon Frith, “Sellers’ Market Lifts Coal Hopes” in *The Australian*, 11 December 1955, p.17.

⁶⁶ Michael Millett, “Japan Keeps Lid on Iron Ore Price” in the *Sydney Morning Herald*, 22 February, 2000, p.33.

⁶⁷ Richard Sproull and John Phaceas, “Coal Suppliers Go Down Mine on Japanese Contract” in *The Australian*, 27 January 2000, p.15. The largest steel companies in Japan are Nippon Steel, NKK Corporation, Kawasaki Steel, Kobe Steel and Sumitomo Metal Industries. See “Nippon Profits Lost in Job Cuts” in *The Australian*, 8 March 2000, p.29.

⁶⁸ Brian Carroll, *Australian Made: Success Stories in Australian Manufacturing since 1937* (Institution of Production Engineers, Australian Council, Melbourne, 1987), p.2.

(b) The Expansion of Basic Manufacturing in NSW

By the end of the 1800s, manufacturing had advanced even further in NSW. This was stimulated, considerably, by the advent of the railway. Rail transport had been inaugurated in Britain, in 1825, with the opening of the Liverpool and Manchester Railway. This led to a railway boom, in Britain, during the 1830s and early 1840s. M.C. Reed has written that by 1842 railways were “the largest single group of joint-stock companies quoted in London.”⁶⁹

British settlers, in New South Wales, clamoured for railways to be likewise built in the colony. In 1849 the NSW Legislative Council passed an Act authorising the recently created Sydney Railway Company (formed by a group of Sydney businessmen) to build a railway from Sydney to Goulburn.⁷⁰ By 1855 this company had run out of money and it was bought out by the NSW government which completed the company’s half-finished line as far as Parramatta. As Gary Wotherspoon has remarked, this initiative introduced “in Australia the tradition of government ownership and control of the railways”.⁷¹ Towards the end of the 1880s, the NSW colonial government had overseen the construction of 1,688 miles of railway throughout the colony.⁷²

Railway development provided further opportunities for local manufacturing. During the 1870s, two Sydney companies, Henry Vale and Company, and Mort’s Dock and Engineering Company (established by the wool broker Thomas Mort, who also helped to found the AMP), gained contracts from the NSW government to supply locomotives for the railways. During the 1880s, companies such as Thomas Wearne and the Atlas Engineering Company were also awarded contracts. However, the greatest number of locomotives were imported. Godfrey Linge noted that, “by the end of 1890 colonial manufacturers had built 54 locomotives for the government railway system. . .whereas 395 imported engines had been put into service”.⁷³

Wagons and carriages, for the railways, were also made locally and, in the 1860s, P.N. Russell and Company was awarded a contract from the government to supply rolling stock. In the late 1870s, the firm of Hudson Brothers also gained a large contract to supply wagons and carriages for the railways. This induced the company, as Linge has described, “to erect

⁶⁹ M.C. Reed, *Investment in Railways in Britain 1820-1844* cited in Salsbury and Sweeney, op.cit., p.54.

⁷⁰ Robert Lee, *The Greatest Public Work: The New South Wales Railways 1848-1899* (Hale and Iremonger, Sydney, 1988), pp.15-23.

⁷¹ Gary Wotherspoon, “The Development of Sydney’s Transport” in Garry Wotherspoon (ed.), *Sydney’s Transport: Studies in Urban History* (Hale and Iremonger, Sydney, 1983), p.15.

⁷² Augustus Morris, *New South Wales: Its Progress, Present Condition and Resources* (NSW Government Printer, Sydney, 1886), p.143.

⁷³ Linge, op.cit., pp.432-438.

new works on the western outskirts of Sydney at Clyde.”⁷⁴

By 1890 there were nearly 50,000 workers employed in manufacturing, as the following table shows:

*Manufacturing in NSW by Category: 1890*⁷⁵

Food, Drink and Tobacco	9,840
Clothing	6,980
Metals, Engineering	6,064
Sawmilling and Joinery	4,772
Paper, Printing	4,672
Skins, Tanning	2,871
Footwear	2,481
Bricks, Potteries, Glass	2,305
Railway Workshops	2,229
Coaches and Wagons	1,958
Furniture, Cabinets	1,448
Boats, Ships and Slips	1,123
Chemicals	869
Non-Metallic Mineral Products	670
Power and Light	532
Textiles	376
Jewellery	220

On an overall level, Linge has commented that “New South Wales led the other colonies in heavy engineering activities by 1890”.⁷⁶ Despite this, T.A. Coghlan, the colony’s statistician, remarked that “New South Wales cannot be considered an important manufacturing country”.⁷⁷

(c) The Emergence of the Steel Industry in New South Wales

Greater encouragement of manufacturing came with the election of the first Australian Labor Party government in NSW, in 1910. The 1909 conference of the party had advocated the establishment of a government-run steelworks in the state, in the event of the party being elected. However, on gaining office, James McGowen, the new premier, decided to accept an offer from BHP to enter into discussions over the company’s plans for a steelworks in Newcastle. Two years later, McGowen succeeded in obtaining passage of the *Newcastle Iron and Steel Works Act 1912* which paved the way for the inauguration of

⁷⁴ Ibid., p.440.

⁷⁵ Ibid., p.470.

⁷⁶ Ibid., p.436.

⁷⁷ T.A. Coghlan, *The Wealth and Progress of New South Wales 1900-01* (NSW Government Printer, Sydney, 1902), p.450.

BHP's Newcastle plant: the works being opened by the governor-general of Australia, in June 1915.⁷⁸

Imports of steel, which had mainly been supplied from Britain, were significantly curtailed by the outbreak of war in Europe, in 1914. Colin Forster has noted that, whereas in 1913, imports of "bar, girder, hoop, ingot, plate and sheet" steel had amounted to 5,071,000 hundredweight, by 1917-1918 they had fallen to 556,000 hundredweight (down to approximately 10% of 1913 imports).⁷⁹ The newly opened steelworks at Newcastle was able to take advantage of this and, during the remainder of 1915, BHP was able to gain orders from the railway departments, in the various states, for a total of 106,000 tons of rails. Between 1915 and 1919, BHP produced 693,349 tons of steel and 454,244 tons of pig iron.⁸⁰

In 1935, BHP became the outright producer of steel in the state when it acquired the Hoskins iron and steel works at Port Kembla.⁸¹

(d) The Advent of More Complex Manufacturing

Although manufacturing in NSW had advanced, with the opening of the BHP steelworks, even this type of manufacturing was of a relatively straightforward kind. More complex manufacturing processes emerged in the state with the electrification of the suburban railways in Sydney and the expansion of the car industry.

In England the London Underground trains began to be electrically operated in 1890. A year after the war broke out in Europe, the chief engineer for railway construction in NSW, John Bradfield, produced a report, which was presented to the state parliament, on proposed electric railways for Sydney. Subsequently the ALP state government, of which Holman had become premier in 1913, obtained passage through parliament of the *City and Suburban Electric Railways Act 1915*.⁸² During the 1920s, English companies set up subsidiaries in Sydney to supply equipment for the electrification of the railways, and gain contracts for the expanded use of electric power in general. Colin Forster has written that,

the English company of Ferguson, Palin Ltd. . . established their Australian works at Marrickville. . . in 1921 as a 'modest assembly shop'. But the firm soon extended

⁷⁸ Graham Freudenberg, *Cause for Power: The Official History of the New South Wales Branch of the Australian Labor Party* (Pluto Press, Sydney, 1991), pp.96-98; Helen Hughes, *The Australian Iron and Steel Industry 1848-1962* (Melbourne University Press, Melbourne, 1964), p.70.

⁷⁹ Colin Forster, "Australian Manufacturing and the War of 1914-1918" in the *Economic Record*, November 1953, p.224.

⁸⁰ Hughes, op.cit., pp.73,84.

⁸¹ P.N. Richards, "Manufacturing Industry" in *Technology in Australia 1788-1988*, p.879.

⁸² John Gunn, *Along Parallel Lines: A History of the Railways of New South Wales* (Melbourne University Press, Melbourne, 1989), pp.278,282,302.

into local manufacture specialising in heavy switch gear, and in 1930 about two hundred [people] were employed. . .The manufacture of alternating current motors was begun in Australia by Parkinson (Australia) Ltd at Five Dock. The firm was sponsored by F.A. Parkinson of Leeds and Noyes Bros of Sydney and Melbourne. . .Between 1922 and 1932 the firm produced approximately 25,000 motors. . . Another large English firm to open up an Australian branch was Babcock and Wilcox, which established a factor on a 20 acre site at Regents Park. . .in 1922. It was announced that the range of manufactures would include water tube boilers, mechanical stokers, pumps and feed water heaters, economisers, steam piping, structural steel work, steel chimneys, electric cranes, water softeners, suction ash plants and general power house accessories. The company obtained considerable business from the growth of electric power stations in Australia and, by May 1928, it was giving employment to about five hundred workers. The most important Australian manufacturer of heavy electrical equipment was Standard-Waygood Ltd. . . .In 1924 the managing director considered his company to be ‘the largest manufacturer of steam turbines, electric generating equipment, traction motors, transformers and lift machinery within the Commonwealth’. The company employed between four hundred and four hundred and fifty. . .To assist development in this new field a close connection was established with the English Electric Co. . .in 1921. . .large works were constructed at Clyde.⁸³

In car production, Henry Ford had established his Ford Motor Company in the USA, in 1903. Five years later, in 1908, General Motors (GM) was formed. In 1914 the total number of cars produced in that year reached 370,000 of which 275,000 were Model T Fords.⁸⁴ Car assembly in Australia (rather than production) was inaugurated via the Hughes government’s 1917 wartime measure of placing a ban on the import of motor car bodies (considered non-essential items). Sydney Cheney - who had already established the Cheney Motor Company in Adelaide (in 1915) in order to import Dodge motor vehicles (Dodge being a part of the GM group) – then proceeded to join with the Adelaide coach building company Holden and Frost to build bodies for Dodge chassis (the chassis remaining free from import restrictions). Between 1917 and 1918, Holden’s car body operation produced 5,000 car bodies.⁸⁵

In 1925 the Ford Motor Company established assembly plants in all states. Chassis and engines would be imported but the bodies were to be added locally. Ford’s assembly operation in Sydney was set up in a former freezing works at Granville.⁸⁶ In 1926 the General Motors company acted likewise: GM’s Sydney assembly plant being established

⁸³ Colin Forster, *Industrial Development in Australia 1920-1930* (Australian National University Press, Canberra, 1964), pp.119-121.

⁸⁴ S.A. Cheney, *From Horse to Horsepower* (Rigby, Adelaide, 1965), pp.88,114,169.

⁸⁵ *Ibid.*, pp.101,137-158,

⁸⁶ Geoff Easdown, *A History of the Ford Motor Company in Australia* (Golden Press, Sydney, 1987), p.34.

at Marrickville.⁸⁷ The output of the Ford and GM factories in Sydney – combined with the output of the Ford and GM operations in other states – led to the beginning of mass use of cars and trucks in Australia, as the following figures illustrate:

Car and Truck Registrations in Australia: 1922/23 to 1928/29

	Cars	Commercial Vehicles
1922-1923	116,658	13,438
1928-1929	474,359	71,851 ⁸⁸

After the revival of conditions – following the crash of the early 1930s – Ford decided to expand its assembly plant operations in Sydney: opening its Homebush operation in 1936.⁸⁹ General Motors also decided to expand its operations in Sydney. Brian Carroll has written that, eight years after GM's 1931 takeover of Holden's, "In 1939, GMH began planning a modern assembly plant in Sydney to replace its outdated Marrickville plant. It bought thirteen hectares of government land at Pagewood and by January 1940 had built a new administrative building and assembly plant there."⁹⁰

(e) The Apex of Manufacturing: The Pacific War, the Car Industries and the Multinational Companies in the 1960s and 1970s

The outbreak of the second great war in Europe in 1939 – but more particularly the onset of the war in the Pacific in late 1941 – acted as a stimulus to the expansion of manufacturing in Australia. Brian Carroll has observed that "In 1914, the year that the First World War started, Australia had 320,000 people in manufacturing. In 1939, when the Second World War started, that figure had risen to 565,000. By 1945, when that war ended, it was 751,000."⁹¹

Production increased in both the more straightforward, and the more complex, forms of manufacturing. By 1940, BHP was producing around 1 million tonnes of ingot steel per year.⁹² In the more advanced areas of production, some examples of the stimulus provided by the Pacific War are as follows:

⁸⁷ Norm Dixon, *The History of Holden since 1917* (E.L. Ford Publications, Newstead, Victoria, 1983), pp.3-4.

⁸⁸ Forster, *Industrial Development in Australia*, p.30.

⁸⁹ *Ford's History at a Glance* (Ford Motor Company, Melbourne).

⁹⁰ Carroll, op.cit., p.22.

⁹¹ Ibid., p.32.

⁹² Ibid., p.30.

Army Production

Bradford and Kendall's, of Alexandria, made hulls, turrets, front axle housings, front turret plates, gun mantles and final drive covers for the Australian Cruiser Tank. Sonnerdales, in Sydney, made the tanks' gear boxes. According to Carroll, "The final assembly shop was at Chullora railway workshops, where more than 2,000 components for each tank were brought together from forty-seven contractors."⁹³

Airforce Production

The Commonwealth Aircraft Corporation - a private company established in 1936 by a consortium that included BHP, GMH and ICI - had established its principal works at Fishermens Bend, in Melbourne. Following the start of the Pacific War, however, CAC built a factory at Lidcombe to make engines for the British designed Bristol Beaufort bomber. Front fuselages, stern frames, undercarriages and engine outer casings - for the same bombers - were also made at the government railway workshops in Chullora. By 1944, 700 Bristol Beauforts had been built via production contributions from all over Australia.⁹⁴ Jenny Stewart has written that, "The Australian aircraft industry at the end of the war employed. . .40,000 people."⁹⁵

Naval Production

According to Carroll, during the 1920s and 1930s, "Cockatoo Docks, in Sydney. . .had been kept at work building small ships for the Royal Australian Navy [RAN], and in 1939 was Australia's only large ship-building and marine engineering works. . .The water tube boilers for all corvettes made in Australia [during 1942-1945 for the RAN] were built by Cockatoo Docks". Carroll has added that, "Towards the end of 1942, Australia's ship-building industry moved on to building frigates, which were much larger than corvettes. Cockatoo Docks built two, Mort's four". Naval shipbuilding was also undertaken in provincial NSW. Carroll recorded that, "At Newcastle, the shipbuilding industry started in the First World War, was revived at a new site with the formation early in 1942 [by the McKell government] of the New South Wales State Dockyard, at Dyke End. By the end of 1942, work had started there on the corvette *Strahan*."⁹⁶

After the war - following the privations of the 1930s trade depression and the spending restrictions caused by the Second World War - the car industry expanded. This occurred

⁹³ *ibid.*, p.42.

⁹⁴ *ibid.*, pp.43,45.

⁹⁵ Jenny Stewart, *The Lie of the Level Playing Field: Industry Policy and Australia's Future*(Text Publishing Company, Melbourne, 1994), p.101 citing *The Future of the Aerospace Industry*, report prepared by the Combined Unions Shop Committee of the Aerospace Industry and presented to the Minister for Defence Support, 1983.

⁹⁶ Carroll, *op.cit.*, pp.56-57.

both as a result of householders gradually gaining increased purchasing power, and the experiences of production, during the war, convincing manufacturers that car engines, as well as bodies, could be made in Australia (leading to General Motors embarking on full-scale car production, in Melbourne, in 1948). The surge in car ownership is shown by the following figures for motor vehicle registrations during the late 1940s, the 1950s and the 1960s:

Car and Truck Registrations in Australia: late 1940s to the late 1960s

1948	1,007,149
1958	2,410,809
1968	4,163,168 ⁹⁷

The expansion in car production not only provided for increased output at the GM and Ford assembly plants in Sydney, but stimulated the growth of component manufacturing. A 1974 Industries Assistance Commission report, into car production in Australia, noted that “The 50 specialist component manufacturers which gave evidence [to the inquiry] operate 73 plants. . . of which. . . [25 were located in] Sydney”.⁹⁸

On a general level, the overall growth of manufacturing production, in New South Wales, also contributed to the expansion of BHP’s steel production, as evidenced by the following output statistics:

BHP Raw Steel Output: late 1940s to mid-1970s

1947-1956 total	7,491,000 tonnes	annual average: 749,100 tonnes
1957-1966 total	24,157,000 tonnes	annual average: 2,415,700 tonnes
1967-1976 total	39,178,000 tonnes	annual average: 3,917,800 tonnes ⁹⁹

A further significant element in the expansion of production in New South Wales, and in Australia generally, was the increased presence, and activity of multinational companies in a number of areas of manufacturing, not just in car building. In 1974 the Whitlam government had asked Gordon Jackson, general manager of CSR, to chair a committee to advise on policies on manufacturing. In 1976, the first year of the Fraser government, the committee produced volume three of its report, in which it dealt with the increased presence of multinational companies in Australia. The committee provided a list of the areas of manufacturing where such concerns were most prominent:

⁹⁷ Peter Stubbs, *The Australian Motor Industry: A Study in Protection and Growth* (Cheshire, Melbourne, 1972), p.23.

⁹⁸ Industries Assistance Commission, *Passenger Motor Vehicles* (Government Printer of Australia, Canberra, 1974), p.50.

⁹⁹ P.N. Richards, *op.cit.*, p.880.

*Prominent Multinational Companies in Australian Manufacturing: 1970s*¹⁰⁰

Primary Metals	Consumer Durables	General Industrial Products	Telecommunication, Electrical Products, Electronic Products	Petroleum. Chemicals and Rubber	Textiles, Paper and Information Systems	General Consumer Products
Alcan (Canada)	Chrysler (USA)	Borg Warner (USA)	EMI (UK)	Amoco (USA)	Bonds, Coates and Patons (UK)	Amatil (UK)
Alcoa (USA)	Ford (USA)	Caterpillar (USA)	GEC (UK)	Portland Cement (UK)	Bowater (UK)	Avon (USA)
BHAS (UK)	General Electric-Kirby (USA)	Monier (UK)	Lucas (UK)	BP (UK)	Control Data (USA)	Borthwick (UK)
Comalco (USA-UK)	GMH (USA)	Containers (USA-UK)	Ericsson (Sweden)	Caltex (USA)	Courtaulds (UK)	Bunge (Neths)
CRA (UK)	Hoover (UK)	GKN (UK)	Noyes Bros (UK)	CIG (UK)	IBM (USA)	Bushells (UK)
MIM (USA)	Malleys (USA)	International Harvester (USA)	Philips (Neths)	Dow Chemical (Swiss)	Kodak (USA)	Cadbury-Schweppes (UK)
Nabalco (Swiss)	Renault (Fr)	John Lysaght (UK)	Plessey (UK)	Esso (USA)	3M (USA)	Colgate (USA)
Qld Alumina (USA-Fr)	Sunbeam (USA)	Massey Ferguson (Canada)	Pye (UK)	Firestone (USA)	NCR (USA)	Heinz (USA)
Sulphide Corp (UK)		Metal Manufacturers (UK)	Siemens (Germany)	Goodrich (USA)	Rank (UK)	Kimberley Clark (USA)
		Sperry Rand (USA)	STC (USA)	Goodyear (USA)	Xerox (USA)	Kraft (USA)
		Tubemakers (UK)		Hoechst (Germany)		Nabisco (USA)

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Committee to Advise on Policies for Manufacturing Industry, *Policies for the Development of Australian Manufacturing Industry*, vol.III (Australian Government Publishing Service, Canberra, 1976), pp.121-122.

		Vickers (UK)		ICI (UK)		Nestle (Swiss)
				Mobil (USA)		Phillip Morris (USA)
				Monsanto (USA)		Reckitt and Colman (UK)
				Shell (UK)		Rothmans (UK)
				Taubmans (UK)		Unilever (UK- Neths)
				Union Carbide (USA)		Westons (UK)
				Uniroyal (USA)		

By the 1970s, multinational companies (principally British and American companies) had a considerable presence in Australia. However some economists were beginning to pose questions about the activities of multinational companies, also known as transnational companies (TNCs). Two of such queries were presented by Ted Wheelwright and Greg Crough in 1981, as follows:

Once TNCs dominate key sectors of an economy. . .key economic decisions are made in boardrooms in New York, Tokyo, London, Frankfurt, etc. This means that it is impossible to plan or develop an economy according to local needs or requirements. . .On taxation, there is clear evidence in a number of countries, including Australia, of a significant erosion of the tax base; big transnationals now pay less tax. . .A major reason for this tax evasion is the widespread practice of transfer pricing, by means of which a transnational company can manipulate its internal pricing system so as to shift the profit to a tax haven. . .¹⁰¹

Total employment in manufacturing, in New South Wales, reached a peak, in 1974, of about 27% of the workforce. There were then around 516,000 people employed in manufacturing in the state: 239,000 being employed in the metal trades.¹⁰²

¹⁰¹ Ted Wheelwright and Greg Crough, "Introduction" in Len Fox, *Multinationals Take Over Australia* (Alternative Publishing Co-operative Limited, Sydney, 1981), pp.xii-xiii.

¹⁰² Graeme Snooks, "Manufacturing" in Vamplew, op.cit., p.293. See also NSW Government, *Official Year Book of New South Wales 1976* (NSW Government, Sydney, 1978), pp.533,788.

(f) The Decline of Manufacturing

During 1974-1975 there was an international recession, triggered by the USA's support for Israel in its October 1973 war with its Arab neighbours, and by those same Arab nations, in retaliation, increasing the pricing of oil, temporarily, from \$6 a barrel to \$23 a barrel. As Michael Niemira and Philip Klein observed, this development led to the "1973-1975 recession" in the USA.¹⁰³

This development had corresponding repercussions in Australia. From a low of around 2% in 1974, unemployment rose to 5% in 1975.¹⁰⁴ A slowdown in car manufacturing, and in manufacturing associated with car production, became apparent. In 1974 the one non-American car producer in Sydney, British Leyland, announced that it would dismiss 1,000 of its workers.¹⁰⁵ Dunlop Australia tyre company announced that it would cut its workforce by up to 4,000 workers.¹⁰⁶

By 1977 manufacturing had not recovered, with unemployment actually increasing to 5½%. A year later, BHP began to reduce the scale of its operations, nationally, by closing its shipbuilding and engineering works at Whyalla, in South Australia.¹⁰⁷

Another recession in global production then occurred between 1980 and 1982, following the overthrow of the Shah of Iran in 1979 and the new revolutionary government's raising the price of oil to around \$34 a barrel. As described by Niemira and Klein, "this caused major disruptions to the US economy."¹⁰⁸ Chrysler Corporation, for instance, nearly went bankrupt in 1979 and in 1980 sold off its operations in Europe and Australia (essentially those in Adelaide).¹⁰⁹

During 1980, as a result of the global slump in business conditions, General Motors began to reduce the scale of its operations worldwide. As Frank Crowley has written, "GMH announced in July 1980 that it would close its Pagewood assembly plant in Sydney".¹¹⁰

¹⁰³ Michael Niemira and Philip Klein, *Forecasting Financial and Economic Cycles* (John Wiley and Sons, New York, 1994), p.291.

¹⁰⁴ Frank Crowley, *Tough Times: Australia in the Seventies* (William Heinemann, Melbourne, 1985), p.143.

¹⁰⁵ Alf Rattigan, *Industry Assistance: The Inside Story* (Melbourne University Press, Melbourne, 1986), p.208.

¹⁰⁶ "100 Years of Dunlop", insert, in *The Australian*, 4 November 1993, p.2.

¹⁰⁷ Crowley, op.cit., p.385.

¹⁰⁸ Niemira and Klein, op.cit., p.292.

¹⁰⁹ Jonathan Hughes, *American Economic History*, third edition (Scott Foresman and Company, Glenview, Illinois, 1990), p.566; Ron Hammerton, "TKM Deal hints at Chrysler Comeback" in *The Australian*, 5 September 1991, p.21.

¹¹⁰ Crowley, op.cit., p.398.

BHP also began to experience difficulties. Jenney Stewart has recalled that, “Unemployment in the industry spread rapidly in Newcastle and Port Kembla. Three thousand jobs were shed between June 1981 and May 1982, and a further 2,700 between May and September 1982.”¹¹¹ By 1983 unemployment, Australia-wide, had risen to 9% of the workforce.¹¹²

After the end of the 1980-1982 recession, nevertheless, manufacturing revived somewhat. Robert Hadler wrote in *The Australian*, in June 1988, that according to figures from the Australian Bureau of Statistics, “Profits in the manufacturing sector increased by . . . 45 per cent over the first five months of the financial year [1987-1988]. . . The greatest increase in profits within the manufacturing sector. . . was within the basic metal products industry.”¹¹³ Unemployment, correspondingly, declined gradually: falling to 7.2% of the workforce in 1988.¹¹⁴

Once more, however, there was another end-of-decade global recession: this time an outcome of the 1987 investment crash in the USA. In 1991, General Motors made a loss of \$4.5 billion and Ford Motor Company recorded a loss of \$2.3 billion. A year later, in 1992, Ford made a loss of \$7.4 billion.¹¹⁵

Manufacturing concerns, in Australia, once again began to suffer corresponding falls in profit. BHP reported a 50% decline in profit during the second half of 1991 (from \$828 million down to \$407 million). It subsequently announced that it would be reviewing its operations at Newcastle.¹¹⁶ Ford of Australia made a loss, during 1991, of \$114 million.¹¹⁷ Unemployment, in 1991, rose to 8.7%. Then, in 1992, it increased to 11%. According to Laura Tingle, throughout Australia, between 1990 and 1992, “Around 120,000 jobs were lost in manufacturing”.¹¹⁸

All this decline in manufacturing had a noticeable effect on New South Wales. In 1992 the Australian Bureau of Statistics (ABS) reported the following figures for manufacturing’s

¹¹¹ Stewart, *op.cit.*, p.142.

¹¹² Peter Ewer, Ian Hampson, Chris Lloyd, John Rainford, Stephen Rix and Meg Smith, *Politics and the Accord* (Pluto Press, Sydney, 1991), p.24.

¹¹³ Robert Hadler, “Profits Rise by 45pc in 9 Months” in *The Australian*, 15 June 1988, p.1.

¹¹⁴ Ewer et.al., *ibid.*

¹¹⁵ John Durie, “GM Posts Record US Loss” in *The Australian*, 26 February 1992, p.27; “one-Off Costs Give Ford Record Loss” in the *Sydney Morning Herald*, 12 February 1993, p.21.

¹¹⁶ Graeme James, “BHP Slumps 51pc to \$407m” in *The Australian*, 21 December 1991, p.33; Mark Skulley, “Shock \$515m BHP Result” in the *Sydney Morning Herald*, 27 June 1992, p.30.

¹¹⁷ Richard Gluyas, “Ford Looking to Break Even after \$114m Loss” in *The Australian*, 27 March 1992, p.15.

¹¹⁸ Laura Tingle, *Chasing the Future: Recession, Recovery and the New Politics in Australia* (William Heinemann, Melbourne, 1994), p.122, 176,300.

contribution to the state's gross state product:

Manufacturing as a %age of NSW Gross State Product: early 1980s to early 1990s

1981	21%
1991	15% ¹¹⁹

The ABS observed that the fall in manufacturing's contribution to NSW gross state product, during this period, "was the largest fall of any industry."¹²⁰

Despite the fact that, during 1993, large international companies began to make profits once more – and despite the fact that, in 1994, Ford Australia made a profit of \$207 million¹²¹ – Ford, globally, continued to focus on rationalising its operations and, in September 1994, closed down its plant at Homebush (the last remaining car building concern in Sydney).¹²²

BHP initially recovered well after the 1990-1992 recession: in financial year 1992-1993 the company made a profit of around \$1.2 billion and, in late 1993 the company was reporting its highest level of raw steel production in 11 years.¹²³ In financial year 1994-1995, BHP made another profit of \$1.6 billion.¹²⁴ Then between 1998 and 1999 the company made a loss of \$2.3 billion.¹²⁵ Finally, in October 1999, BHP closed down its steel works at Newcastle: focusing the remainder, of its NSW production, at its Port Kembla plant.¹²⁶

6 THE ARENA OF FINANCE

(a) Insurance

¹¹⁹ Australian Bureau of Statistics, *Australian National Accounts: State Accounts 1991-92*, catalogue no.5220.0, p.5.

¹²⁰ Ibid.

¹²¹ Phil Scott, "\$700m Falcon Keeps Ford in Australia" in the *Sydney Morning Herald*, 13 July 1995, p.1.

¹²² Peter McKay, "Homebush Quiet after a Million Vehicles" in *ibid.*, 3 September 1994, p.8.

¹²³ Marke Furness, "Miners and Banks Star in Earnings and Payout Lists" in *The Australian*, 22 September 1993, p.32; Bruce Hextall, "Steel at Peak, but BHP Still Cautious" in the *Sydney Morning Herald*, 20 October 1993, p.37.

¹²⁴ Mark Westfield, "Prescott Faces up to Harsh Realities" in *The Australian*, 1 July 1999, p.25.

¹²⁵ Jane Counsel, "BHP Reconsiders Industrial Minerals" in the *Sydney Morning Herald*, 20 December 1999, p.32.

¹²⁶ Brad Norrington, "BHP's Big Steel Sell-Off" in *ibid.*, 6 October 1999, p.1.

As mentioned above, in section 2 of this paper, the AMP Society was formed in 1849. The society's progress was slow, at the beginning, but, by the 1860s, business began to surge forward. Its annual sales of life assurance policies exceeded 1,000 (for the first time) in 1863: the first year that AMP began operations in Melbourne. Then, as Geoffrey Blainey has described,

Between 1862 and 1869 the value of new insurance policies signed up in Australia and New Zealand. . .doubled, but in the following seven years it was multiplied by four. . .The AMP Society. . .grew so rapidly that in 1881 it issued more policies than in its initial fifteen years. In that year the total sum of assurance on its books . . .exceeded the entire public debt of the colony of New South Wales.¹²⁷

The AMP, as Blainey has also pointed out, “was long forbidden by its [1857] Act of Incorporation to buy shares. . .[so] its funds. . .[often] went into loans to the government and public instrumentalities.” It was for this reason that, according to Blainey, “the society's stake in . . .government and municipal securities. . .[reached] 8 per cent of. . .total investments in 1891.”¹²⁸

AMP was politically well connected. Thomas Holt who, as Blainey has written, was “the most influential director”, won a seat in the NSW colonial parliament in 1856: a year before the AMP gained its own legislation. Forty years later, at the 1897 meeting of the constitutional convention – at the session at which insurance was discussed – 7, of the 50 members present, were directors of the AMP. One was Alfred Deakin: prime minister of Australia in 1903, and again from 1905-1908 and 1909-1910. Even when he was prime minister, Deakin remained a member of the Victorian board of the AMP.¹²⁹

Even though the crash in business conditions, in the 1890s, temporarily slowed the society's business, by the early 1900s its activities had revived. By this time, AMP had become the outright leader in insurance, in Australia, as the following figures illustrate:

Value of Current Life Policies on Issue in Australia: 1905

AMP	£55 million
National Mututal	£16 million
Colonial Mututal Life	£11 million
Mututal Life Association	£6 million ¹³⁰

¹²⁷ Blainey, op.cit., pp.42,49,71,94.

¹²⁸ Ibid., pp.262-264. In 1857 the AMP Society succeeded in inducing the NSW parliament to pass special legislation solely covering its own particular activities as an insurance company (there being other, smaller concerns in the colony). The legislation was entitled “An Act to Incorporate the Australian Mututal Provident Society”. See *ibid.*, p.22.

¹²⁹ Ibid., pp.21,144-145..

¹³⁰ Blainey, op.cit., p.148.

Soon the AMP began to expand overseas and, in 1908, the society opened up a branch office in London.¹³¹ Five years later, in 1913, the society completed a new headquarters building in Sydney: opened by the governor of NSW, Lord Chelmsford.¹³²

With the onset of the Great War of 1914-1918, the AMP increased its purchases of government bonds. As Henry Gullett recalled, “Up 30 June 1919, war loans to a total value of £188,465,000 had been raised” domestically by the Fisher and Hughes governments.¹³³ Blainey wrote that, “By November 1918 the [AMP] Society had subscribed a total of £11 million to the . . . war loans. . . no other institution in Australia had subscribed so much from its own funds.” As a result of this, by 1921 the AMP’s stake in government and municipal securities had increased to 59% of its total investments.¹³⁴

During 1920s, with a return to prosperity, the society’s business increased yet again, as shown by the following figures:

Value of Current Life Policies on Issue in Australia: 1929

AMP	£64 million
National Mututal	£29 million
MLC (previously the Mututal Life Association)	£14 million
Colonial Mutual	£9 million
Transport and General (T&G)	£6 million ¹³⁵

During the 1930s a crash in business occurred again. But conditions revived in the late 1930s. By then the total number of life policies, on the society’s books, numbered 1.5 million.¹³⁶

Again, the onset of another war in Europe, and the 1941-1945 war in the Pacific, caused the federal government (led by Curtin) to engage in heavy fund-raising to finance Australia’s involvement. As the *House of Were* commented, “at 30th June, 1945. . . Of the total Commonwealth debt of £1,729 million, all except £115.5 million had been incurred for war purposes.”¹³⁷

¹³¹ Ibid., p.152.

¹³² Ibid., p.165.

¹³³ Henry Gullett, “Australia in the World War (I) Military” in Ernest Scott (ed.), *The Cambridge History of the British Empire*, vol.VII, part I, *Australia* (Cambridge University Press, London, 1933), p.568.

¹³⁴ Blainey, op.cit., p.177,264.

¹³⁵ Ibid., p.184.

¹³⁶ Ibid., p.226.

¹³⁷ *House of Were*, p.408.

AMP, once again, subscribed substantially to the government's war loans: purchasing £64 million in war bonds. By 1946, according to Blainey, "the society held 71 per cent of its funds in government loans."¹³⁸

In the meantime, in early 1941, the Mair UAP government, in New South Wales, enabled a fundamental change to the AMP's activities when it obtained the passage of the *Australian Mutual Provident Society (Amendment) Act 1941*. Whereas, under the society's 1857 legislation, it had been forbidden from investing in shares, the Mair government, in Blainey's words, allowed the AMP to invest "for the first time in ordinary and preference shares."¹³⁹

After the end of the war, having secured the wartime co-operation of the NSW government to allow it to invest in companies, the AMP rapidly became one of the largest investors in the nation. This coincided with the society's involvement in superannuation. Blainey has described how,

The society's interest in shares was accentuated by the public's increasing interest in superannuation. Super funds would not grow at a high rate unless part of their assets were in shares and property – assets which exploited capital gains. So arose in the 1950s the 'managed funds' – then known as Deposit Administration Contracts. Qantas, the largest superannuation scheme under the society's management, became in effect a managed fund rather than a traditional scheme in about 1954. The same course was followed by other major schemes such as those designed for Caltex, Mt Isa Mines, Woolworths and Ansett.¹⁴⁰

By the early 1960s, AMP had become a major investor in a number of Australia's most important companies. Blainey wrote that,

The [society's] rule in January 1961 was that. . .[it] should not hold more than 5 per cent of the capital of any one company. Of the 120 or so public companies in which the New South Wales branch held shares, 69 had already reached that ceiling. . . Here and there the ceiling was quietly exceeded. Thus in January 1961 the society held 7.9 per cent of the big retailer Woolworths Limited. . .¹⁴¹

Momentarily, the AMP's investing activities were restrained by the Menzies government. In 1960 there was a sudden contraction in business conditions and, in response, Menzies placed controls on finance. Blainey recalled that,

¹³⁸ Blainey, op.cit., pp.234,264.

¹³⁹ Ibid., p.262.

¹⁴⁰ Ibid., p.264.

¹⁴¹ Ibid., p.263.

One of his responses in March 1961 was to [have his treasurer] introduce a bill which in effect compelled life offices to hold in their total portfolio at least 20 per cent in commonwealth government securities and a total of at least 30 per cent in combined commonwealth, state and municipal securities. . .the rule came into force in the middle of the year. The '30-20' rule, as it was called, persisted for a quarter of a century and was to give to the Australian governments cheaper loans than they would otherwise have obtained.¹⁴²

Despite this constraint, the AMP's activity surged forward. In 1962 it commenced activities in a new 25 floor headquarters at Circular Quay (officially opened by Sir Robert Menzies).

The society continued to invest in major business concerns. It invested heavily in the Mount Newman iron ore undertaking, during the mid-1960s. Then, in the mid-1970s, the American mining company, Utah, invited AMP to become involved in its coal mining operations in Queensland. According to Blainey, "The society's investment in these huge mines was massive and soon exceeded \$100 million. Coal was to become Australia's main export". By the end of the 1970s, as Blainey has added, "the society held close to 5 per cent of the total capital of all the leading companies in Australia."¹⁴³

Of all the society's investments in the mid-1970s, however, the greatest part went into property. Between 1970 and 1973, 25% of the AMP's investable funds were placed in property: making the AMP the largest private property holder in Australia.¹⁴⁴

During the 1980s, the AMP dramatically expanded its investments overseas. Blainey explained how,

It was [Alan] Coates who helped steer the society into massive investments outside Australia and New Zealand. In 1979, just when he was appointed as chief executive, he became a member of the [Fraser government's] Campbell Committee of Inquiry into the Australian financial system. . .the committee was in favour of. . .breaking down the [regulatory] walls. While Malcolm Fraser. . . did not accept the [committee's] recommendation, the Hawke government did. As a result the society could begin to invest heavily in foreign companies. At the end of 1981 the AMP held a mere \$11 million in overseas investments, and at the end of 1983 it held the big sum of \$265 million. Two years later the total was \$1,099 million of which \$560 million was invested in the United States and \$278 million in the United Kingdom and Japan.¹⁴⁵

¹⁴² Ibid., p.265.

¹⁴³ Ibid., pp.265,287.

¹⁴⁴ Ibid., p.267.

¹⁴⁵ Ibid., p.288.

The Hawke government's reduction of controls on the financial sector was undertaken in order to enable the AMP (and other financial concerns) to become instrumental in a new strategy for business - devised by Hawke, and his treasurer Paul Keating, as a solution to the downturn in manufacturing during the 1980s: expanding what would now be termed the *services* sector. John Edwards, economic adviser to Paul Keating (as Prime Minister) during 1994-1996, has written that,

The biggest change in Australia over the fifteen years to the end of the 1990s was the very rapid growth of business services and finance. . . Farming and mining account for a large part of exports and pay for about half of imports of manufactures. But it is the service industries which account for the overwhelming share of Australian employment and output.¹⁴⁶

By 1993 the Bureau of Industry Economics stated that, "Services investment accounts for more than half of all business investment in Australia"¹⁴⁷

In the 1990s the AMP expanded even further. At the beginning of the decade, in 1990, AMP acquired the Pearl life insurance company, in Britain. As Blainey has remarked, "The completed takeover proved to be the largest in the history of life insurance in the United Kingdom." A year later, as Blainey added, "The society was again growing at twice the pace of the National Mutual, and at the end of that year its total assets of \$70.3 billion were far ahead of its rival's assets of \$31.6 billion."¹⁴⁸

By the mid-1990s the AMP had become more like a large investment concern - rather than a life assurance company. The directors of the society decided to act on this, and change the nature of the organisation. In Blainey's words, "By the close of 1995 the principal board was virtually persuaded that the AMP should be converted into a public company. In 1997 the Carr government in the New South Wales parliament introduced a special bill so that the AMP could make the conversion."¹⁴⁹

AMP directors decided that the emergence of the new company, from the former life assurance society, would be effected by inducing the former members, of the life assurance society, to become instead shareholders in a new publicly listed AMP Limited. At general meeting of members, in November 1997 - and on the basis of an affirmative vote amongst the policy holders - the change was made. AMP Limited began operations at the beginning of 1998. By this time, according to Anne Hyland, writing in the *Sydney Morning Herald*,

¹⁴⁶ John Edwards, *Australia's Economic Revolution* (University of NSW Press, Sydney, 2000), pp.32,35.

¹⁴⁷ Laura Tingle, *Chasing the Future: Recession, Recovery and the New Politics in Australia* (William Heinemann, Melbourne, 1994), p.241.

¹⁴⁸ *Ibid.*, pp.303,307.

¹⁴⁹ *Ibid.*, p.329. The legislation, passed in parliament, was the *Australian Mutual Provident Society (Demutualisation and Reconstruction) Act 1997*.

“AMP’s total assets under management [had risen to] \$122 billion”.¹⁵⁰

Towards the end of 1998, AMP acquired the British investment company Henderson PLC. Henderson, at the time of its acquisition, held funds amounting to \$35 billion. This then gave AMP a total of \$150 billion in assets.¹⁵¹ A year later, in 1999, AMP gained control of GIO insurance company. Despite the losses that AMP seemed to occur, the acquisition of GIO, according to Tim Blue writing in *The Australian*, now gave AMP total assets of \$225 billion. By this time, however, as Blue also pointed out, there has been a fundamental shift in the locus of AMP’s investment: “All except \$60 billion of the AMP’s assets are invested outside Australia”.¹⁵²

While, however, AMP’s assets are considerable, its prominence as a funds manager is not as predominant as it once was. Bryan Frith observed recently in *The Australian* that, “The [forthcoming] CBA-Colonial merger will make it the largest fund manager with \$78 billion under management compared with AMP’s \$71 billion. NAB’s [forthcoming] purchase of MLC will lift it to number three, boosting its funds under management from \$22 billion to \$52 billion.”¹⁵³

Nevertheless, as Mark Westfield has commented in *The Australian*, AMP’s significance is that it is “Australia’s largest investor and arguably most important investment institution.”¹⁵⁴

(b) Banking

As explained above, Westpac was originally founded as the Bank of New South Wales (BNSW) and emerged very early in the history of British settlement: in 1817. As Reginald Holder recounted, in his history of the bank, in its early years, “The goodwill and encouragement of Macquarie had given the. . . bank a favoured position in the benevolent autocracy which he established in the colony.”¹⁵⁵

¹⁵⁰ Ibid., pp.330-332. Anne Hyland, “Pearl Adds the Lustre to AMP” in the *Sydney Morning Herald*, 26 February 1998, p.25.

¹⁵¹ Blainey, op.cit., p.324; Hyland, ibid.

¹⁵² Tim Blue, “AMP Globalises \$225bn Portfolio” in *The Australian*, 30 July 1999, p.21; Morgan Mellish, “GIO to Put AMP in Red” in the *Sydney Morning Herald*, 18 August 1999, p.25; Samantha Magnusson, “GIO Sues Former Boss for \$9.4m” in *The Australian*, 5 February 2000, p.31.

¹⁵³ Bryan Frith, “How Burgess’s Rebuff Steered Cicutto to Lend Lease” in *The Australian*, 11 April 2000, p.22. AMP has a range of assets of many kinds. In March this year, for instance, AMP acquired a 20% interest in Impulse Airlines. See Geoffrey Thomas, “Fares Cut as Impulse Prepares to Take Off” in the *Sydney Morning Herald*, 10 April 2000, p.5.

¹⁵⁴ Mark Westfield, “First GIO, now Batchelor Feels the UK Squeeze” in *The Australian*, 4 February 2000, p.19.

¹⁵⁵ Holder, op.cit., p.161.

From the beginning of its foundation, the BNSW constantly increased its holdings of deposits, as the following figures illustrate:

Bank of New South Wales: Deposits – 1830 to 1950

1830	£17,000
1851	£382,561
1861	£2,777,759
1880	£8,185,000
1893	£18,313,837
1914	£36,000,000
1921	£43,400,000
1928	£55,500,000
1945	£167,000,000
1950	£295,000,000 ¹⁵⁶

The bank was regarded as the mercantile bank and many of the leading merchants and shippers were its customers. The most important part of its early activities was the transaction of bills of exchange (for a fee) for merchants. Apart from discounting bills, the other principal, but much smaller, form of bank activity was that of lending by mortgage.¹⁵⁷

By the time that the Bank of New South Wales was established, a huge amount of business in Britain was being conducted on the basis of bills of exchange. William Lawson noted, in his history of banking, that “the late Mr. Leatham, a banker at Wakefield, estimated that the amount of bills of exchange circulated in England in the year 1839 to be £528,493,824”.¹⁵⁸

As Holder explained, during the 1820s and 1830s, “the bank’s borrowing customers were much more representative of the urban and commercial interests than of the pastoral industries.” The bank itself was not, at this stage, heavily involved in the developing wool industry.¹⁵⁹

The crash of the 1840s, that seemed to inevitably accompany the 1830s boom, saw the bank lose a substantial sum of money. In 1844 the bank estimated its losses at £61,658.¹⁶⁰

The 1840s depression, however, had an inadvertent effect of innovation on the way the Bank of New South Wales did business. New strategies, undertaken by the bank, were

¹⁵⁶ Ibid., vol.I, pp.103-110, 224,281,482,570; vol.II, 1894-1970, pp.631,901.

¹⁵⁷ Ibid., vol.I, pp.45,47.

¹⁵⁸ William Lawson, *A History of Banking* (Richard Bentley, London, 1850), p.42.

¹⁵⁹ Holder, op.cit., vol.I, pp.103-105,109-111.

¹⁶⁰ Ibid., pp.122,127,

described by Holder as follows:

The biggest innovation for the Bank of New South Wales was its entry into the foreign exchange business. . .[firstly however] Government finance also began to play a larger part in its affairs as the Commissariat had occasion to borrow to cover short-term needs. Thus the bank offered a loan of £60,000 at the end of December 1844. . .a profitable avenue for the investment of capital funds when other sound lending opportunities were few. . .The. . .move into foreign exchange was made in 1845. . .A special meeting of proprietors was called on 10 February 1845 to approve a resolution. . .empowering the directors to open an account with a London bank . . .The directors went ahead and wrote to. . .the London Joint Stock Bank seeking their terms for keeping an account ‘for the purpose of collecting bills drawn against wool. . .and other produce’. . .[in] October [1847]. . .Contracts were exchanged with the London Joint Stock Bank. . .the bank. . .[also expanded] from its one office establishment into branch representation in Australia, and agency arrangements in Great Britain or British territories.¹⁶¹

The last part of the bank’s strategy was facilitated by the banks’ directors instituting a new deed of incorporation and, in late 1850, obtaining a legislative basis for the deed by obtaining an act of incorporation from the NSW Legislative Council.¹⁶² Like the Australian Mutual Provident society, the Bank of NSW had representatives in the colonial parliament and the colonial government. J.B. Darvall and Charles Nicholson, who were members of the committee that drafted the 1850 deed, were also members of the Legislative Council. Daniel Cooper, who became the speaker in the first NSW Legislative Assembly (formed in 1856), was also president of the Bank of NSW.¹⁶³

Another outcome of the 1840s recession, on the bank, was the inauguration of its association with Allen, Allen and Hemsley. As Holder outlined, “The responsibilities of the bank’s solicitor had greatly increased and required more time than the existing solicitor, C.H. Chambers, could give. . .on 30 October 1843 the board appointed George Allen whom they has used occasionally to prepare documents for them. Thus began the continuing association with. . .Allen, Allen and Hemsley”.¹⁶⁴

By the beginning of the 1850s, business conditions had revived and the bank opened branches in what would become colonies formed out of New South Wales: Victoria (1853) and Queensland (1859). In 1850, as part of its expansion of branch representation, the bank opened a branch, at Ipswich, in the new developing northern settlement at Moreton Bay. Gradually the Bank of NSW became the pioneer bank in what would become, in 1859, the

¹⁶¹ Ibid., pp.130-133,140-144, 151.

¹⁶² See W.W. Tarleton, *A Collection of the Private Acts of Practical Utility in Force in New South Wales* (NSW Government Printer, Sydney, 1886), p.143.

¹⁶³ Holder, op.cit., pp.135,150,164.

¹⁶⁴ Ibid., p.125.

new colony of Queensland. In 1851, the BNSW opened a branch in Melbourne.¹⁶⁵

As the trade of the British settlers expanded into Asia, the bank moved to become involved in the export trade to the region. Holder noted that, during the 1850s, “the board also resolved to appoint various merchant firms [as] the bank’s agents at certain Asian ports. Thus Jardine, Matheson and Co became agents at Hong Kong and Shanghai. . .Russell and Sturgess were appointed at Manila; Ker, Rawson and Co. at Singapore; Mclaine, Watson and Co. at Batavia [Jakarta]; and Frazer, Eaton and Co. at Surabaya.”¹⁶⁶

What assisted the expansion of the bank’s activities, as has been well described, was the gold rush of the 1850s. The bank made good profits at the onset of the gold rush, as Holder explained: “The bank was prepared to advance to. . . [merchant firms that bought gold from the diggers] against the security of the gold shipped to London for sale. . .the effect of [this was that]. . .the rate of. . .discount. . .reached 12% in . . .1852 - a merchant’s bill drawn on London against gold would be bought by a bank for £88”¹⁶⁷ Eventually the BNSW abandoned this practice and, with the surge of gold-digging at Bendigo, ordered its Melbourne branch to begin buying gold direct. According to Holder, “By the end of the year [1852] gold to the extent of at least 60,000 [ounces] had been shipped from Sydney alone, and by March 1853 ‘upwards of 300,000 [ounces]’ had been sent to London.”¹⁶⁸

A final outcome, of the bank’s plunge into gold trading, was its decision to open a branch in London, in 1853. The largest business, and the basis of the success of the London branch, was gold dealing.¹⁶⁹

According to Holder, “From 1851 until 1861. . . [the bank’s] capital increased sixfold, its deposits ninefold, and its lending sixteen times.”¹⁷⁰

Following the gold rush of the 1850s, the BSNW reverted to its major source of making money: lending money for trade. This time, the money was lent to participants in the wool trade which, as described above, was entering a second period of boom: wool production in NSW surging from 21 million kilograms in 1870, to 123 million kilograms in 1890. The bank’s involvement in the wool boom, also caused the bank to change the direction of its lending strategy. Holder observed that,

By 1870 for the bank as a whole, bill discounting was about to give way to cash credits and the overdraft system as the largest means of advancing. By 1880

¹⁶⁵ *Ibid.*, pp.165-172.

¹⁶⁶ *Ibid.*, p.169.

¹⁶⁷ *Ibid.*, p.179.

¹⁶⁸ *Ibid.*, p.180,185.

¹⁶⁹ *Ibid.*, p.201.

¹⁷⁰ *Ibid.*, p.177.

discounts had sunk absolutely. . . [this change] was principally associated with the spread of squatting advances and lending to the larger pastoral firms and merchant houses.”¹⁷¹

It was on the basis of the profits that it made during the 1850s gold rush, and the profits that it made through lending in the approaching wool boom, that, in Holder’s words,

between 1865 and 1870. . . [the Bank of New South Wales] established itself as the largest bank in Australasia”.¹⁷²

The presence of the BNSW, in the colonies in Australia (and in New Zealand), was indicated by the growth in the number of bank branches:

Bank of New South Wales: Branch and Agency Numbers 1860-1880

1860	23
1870	61
1880	143 ¹⁷³

As well as lending to business people in the wool boom, the bank also lent to businessmen involved in the coal boom. A number of mining companies mortgaged plant and property to obtain loans from the BNSW. These included J. and A. Brown (which, a century later, became part of Coal and Allied Industries in 1960), the Newcastle Coal and Copper Company and the the Bulli Coal Company.¹⁷⁴

By the the time that the 1890s depression struck, the bank had dramatically increased its deposits and, because of the bank’s size and financial strength, it was able to withstand the business crash, and the folding up of many banks, in the 1890s: following the collapse of the Barings bank in Britain (in 1890) and the crash in the Melbourne land boom (which had developed during the 1880s). Holder recalled that,

using an arbitrary definition of a bank as an institution using that name, and soliciting deposits from the public. . . there were at least 64 banks [in the Australian colonies] in mid-1891. By mid-1893, 54 of them had closed their doors, 34 permanently. Of 36 land or mortgage banks only one survived, and of 28 banks in a more conventional sense, only nine remained continuously open, three of them being the Wales, the Australasia and the Union. . .¹⁷⁵

¹⁷¹ Ibid., p.365.

¹⁷² Ibid., p.267,281.

¹⁷³ Ibid., p.267.

¹⁷⁴ Ibid., p.369,375; Jay, op.cit., p.173.

¹⁷⁵ Holder, *ibid.*, p.443.

A further example of the bank's strength was indicated by the fact that, at the beginning of the 1900s, it actually increased the number of its branches, as the figures show:

Bank of New South Wales: Branch Numbers 1880s to 1900s

1883	143
1900	198 ¹⁷⁶

Despite the commercial crash of the 1890s, production generally recovered by 1905 and, as mentioned in section 3, wool production in New South Wales increased to 182 million kilograms in 1910. For this reason, the main part of the BNSW's lending continued to be to those in the wool industry. In 1912, lending to the wool industry, and the wool trade, amounted to 36% of the bank's loans.¹⁷⁷

Competition to the BNSW's prominence, over the long run, began to emerge on the urgings of the labour movement. At a triennial conference in 1905, it adopted the platform for the creation of a "Commonwealth bank of deposit".¹⁷⁸ However, even when an institution of this nature was finally established, the Bank of NSW had a notable input. The bill providing for the establishment of the Commonwealth Bank, was introduced into the new federal parliament, in 1911, by the Fisher ALP government. The legislation, according to Holder, contained "a plan for a trading bank armed also with savings bank functions. . .set up to compete with existing banks." After its passage, the Fisher government appeared to give reassuring signals to the banks by announcing that the governor of the new bank would be Denison Miller, metropolitan inspector of the Bank of New South Wales.¹⁷⁹

After the end of the war, prosperity returned during the 1920s, and the bank's deposits increased even more: reaching £55,500,000 in 1928. As before, the focus of the BNSW's lending focus continued to be on the wool industry. This is illustrated by the figures for lending in 1939:

Bank of New South Wales: Lending by Sector in 1939

Primary Producers	50.6%
Commercial and Trading	16%
Industrial	8% ¹⁸⁰

As in the case of the 1890s crash, the Bank of New South Wales emerged even stronger at the end of the 1930s depression (1935): remaining the pre-eminent bank in Australia.

¹⁷⁶ Ibid., vol.I, p.267; *ibid.*, vol.II, 1894-1970, p.508.

¹⁷⁷ Ibid., vol.II, pp.547,570.

¹⁷⁸ Ibid., p.555.

¹⁷⁹ Ibid., pp.556-557.

¹⁸⁰ Ibid., p.866.

Between 1936 and 1937 the bank opened another 21 new branches.¹⁸¹

In 1936 a compilation of the balance sheet assets of the nine major banks in Australia - compiled by the Lyons government's royal commission into banking - showed the Bank of New South Wales continuing in its outstanding position:

*Major Australian Trading Banks: Balance-Sheet Assets in 1936*¹⁸²

Bank of New South Wales	£111,557,000
Commercial Banking Company (of Sydney)	£60,204,000
Bank of Australasia	£50,846,000
National Bank of Australia	£47,497,000
Union Bank of Australia	£44,733,000
English, Scottish and Australian Bank	£43,536,000
Commonwealth Bank of Australia	£33,760,000
Queensland National Bank	£14,411,000
Bank of Adelaide	£9,189,000

A major intervention, into the way that the BNSW (and the other banks) operated, was introduced by the Curtin government (with Chifley as treasurer) via the National Security (Wartime Banking Control) Regulations, gazetted on 26 November 1941. As described by Holder, under these regulations,

the banks were to be required to lodge in a special account with the Commonwealth Bank such proportion of their surplus investible funds as the central bank determined. . .The introduction of the Regulations. . .gave the Commonwealth Bank power to direct the banking system as a unit. . .The predominant movements [induced by this policy] were an accelerating rise in deposits and steady fall in advances, and increased holdings of government securities. . .¹⁸³

The special account system embodied Chifley's view, formed during his term as member of the 1936 royal commission into banking, that a cause of that slump was overlending by the banks during the 1920s: followed by a pronounced contraction of lending as the crash developed. Chifley - in his minority report on the 1936 banking commission's investigations - declared that "The evidence convinces me that the banks, during some years before the depression, encouraged unhealthy economic conditions by unsound advancing. During a depression. . .the banks. . .adopt a policy of contraction which

¹⁸¹ Ibid., p.825.

¹⁸² Commonwealth of Australia, *Royal Commission into the Monetary and Banking Systems at Present in Operation in Australia* (Commonwealth Government Publishing Service, Canberra, 1937), p.372. The BNSW's deposits in 1934 amounted to £83 million. See Holder, op.cit., p.841.

¹⁸³ Ibid., pp.854,864.

intensifies the evil.”¹⁸⁴

Under the special account system, the banks had to lodge, with the Commonwealth Bank, a significant amount of the funds that they normally held for lending. Put simply, in boom conditions, the Commonwealth Bank could make it difficult for the banks to access these funds (ensuring that they could not lend too much). In times of recession, the Commonwealth Bank would give the banks greater access to these funds: ensuring more available credit to sustain businesses and employment.

BNSW (and the other banks) had to further contend with Chifley’s constraints, after the war, since – even before the war finished – Chifley made it clear that he wanted his policy to be made permanent. He did this by introducing the Commonwealth Bank Bill, and the Banking Bill, into the House of Representative in March 1945. Holder observed that,

The banks regarded these central bank powers in peacetime as an extremely drastic imposition. . . Once the bills were introduced they gave assistance to opposition speakers in the debates. . . the bulk of the work [in doing this] fell on the [Bank of New South] Wales and on the National. . . But the debate in parliament proceeded on. . . the broad issue of government control of the economy. . . and the two Acts came into force. . . on 21 August 1945. . . Almost immediately the special wartime deposit account of each bank, was converted to the special account in terms of the *Banking Act 1945*. . .¹⁸⁵

Once the Menzies government was elected at the end of 1949, however, the BNSW, along with the other banks, vigorously lobbied for a reduction in the powers of the Commonwealth Bank. Initially the Menzies government responded to this by obtaining passage of the *Commonwealth Bank Act 1953* and the *Banking Act 1953* under which the (by now) considerable trading bank functions of the Commonwealth Bank were separated, and a new Commonwealth Trading Bank was established operating under the same controls as now affected the other trading banks.¹⁸⁶ Six years later, as a result of further lobbying by the banks, Menzies obtained passage of the *Reserve Bank 1959*, the *Commonwealth Bank Act 1959* and the *Banking Act 1959*. According to Holder, apart from converting the central banking division of the Commonwealth Bank into a reserve bank (essentially without trading functions), and gathering the trading activities of the Commonwealth Bank into a tripartite organisation called the Commonwealth Banking Corporation (incorporating a Commonwealth Trading Bank, a Commonwealth Savings Bank and Commonwealth Development Bank),

[one of] The main purposes of the Banking Bill which directly affected the trading banks. . . [was that] the bill substituted a simple system of statutory reserve deposits

¹⁸⁴ *Royal Commission into the Monetary and Banking Systems at Present in Operation in Australia*, p.263.

¹⁸⁵ Holder, op.cit., vol.II, pp.881-882.

¹⁸⁶ *Ibid.*, p.891.

for the . . . far-reaching special account power. . . The statutory reserve deposit which a bank could be obliged to hold with the central bank was not normally to exceed 25 per cent of its total deposits, but provision was made for the central bank to require a higher proportion upon giving notice. Such emergency provision was intended to strengthen the central bank's power to meet the impact of a rapid monetary expansion which could arise. . . as in the Korean War wool boom of 1950/51.¹⁸⁷

Despite the new constraints on its lending, the BNSW's loans expanded: with new developments influencing the bank's lending considerations. This is demonstrated by figures for the bank's advances in the 1950s:

Bank of New South Wales: Lending by Sector in the 1950s

Primary Producers	25%
Manufacturers	20%
Wholesale and Retail Trade	17%
Housing (Building Societies and Individuals)	9% ¹⁸⁸

In 1957, with the expansion of car ownership in Australia, the BNSW entered the hire-purchase field, when it promoted Australian Guarantee Corporation (AGC): with itself as the largest shareholder.¹⁸⁹

The BNSW continued to prosper during the 1960s and, in 1971, opened a new headquarters in a 27 storey building in the corner of Martin Place. Once again, it withstood the oil price-induced slump of the mid-1970s.

During the late 1960s and the 1970s, particularly with the decline in prices for wool, the major banks' lending strategy altered, as demonstrated by the figures for their combined advances:

Major Trading Banks in Australia: Combined Lending, late 1960s to late 1970s

	1968	1978
Primary Production	25%	11.5%
Manufacturing	17.6%	13%
Commerce	16.6%	11.2% ¹⁹⁰

¹⁸⁷ Ibid., p.893.

¹⁸⁸ Ibid., pp.881-882.

¹⁸⁹ Ibid., p.918.

¹⁹⁰ Committee of Inquiry into the Australian Financial System, *Interim Report of the Committee of Inquiry* (Australian Government Publishing Service, Canberra, 1980), p.116

In the meantime, the BNSW (as it then was) and the other banks maintained their pressure on the federal government to reduce the reserve bank's control over their activities. In 1979 the Fraser government established the Campbell Committee to investigate such a possibility. Bob White, chief executive of Westpac during the 1980s, wrote that "In our draft submissions to the Campbell committee we strongly criticised the Reserve Bank. . . The main thrust of the Bank's submission to the Campbell Committee was to the effect that control over banks should be relaxed".¹⁹¹ As mentioned in the sub-section above, Fraser did not act on the committee's report – which recommended "de-regulation".

In 1982 the BNSW took over the Commercial Bank of Australia (then the fifth largest bank in Australia). As a result of this merger, the bank emerged with \$30 billion in assets and continued to be the pre-eminent bank in the nation. Accompanying the merger, the bank decided on a new name: Westpac.¹⁹²

In 1983 the incoming Hawke government, with Paul Keating as treasurer, established another committee under Vic Martin (former manager of the Commercial Banking Company of Sydney) to review the Campbell committee's findings. In 1984, Martin recommended the general removal of restrictions.¹⁹³ In 1988 the Hawke government, as Edna Carew has written, "announced the abolition of the SRD [Statutory Reserve Deposit] requirement for trading banks".¹⁹⁴ With regulations, for directing overall bank lending, now removed, remaining government controls simply focused on ensuring the viability of an individual bank. According to Ross Milbourne, in 1990 the Reserve Bank "imposed capital adequacy ratios on banks. . . related to the belief that sufficient bank capital (that is equity of shareholders) can be used in the last resort as a means to finance substantial bank losses . . . Currently, banks are required to hold a minimum level of bank capital which is 8 per cent of risk-weighted assets."¹⁹⁵

Freeing of the banks from what they had perceived as, the shackles of the Reserve Bank's policy, afforded the new Westpac a temporary departure from its traditional lending policy – particularly as its traditional focus for lending, primarily production, was starting to decline – and its also enabled Westpac, like AMP, to become instrumental in the Hawke government's strategy for expanding the financial services sector.

During the 1980s, Westpac continued to be the pre-eminent bank in Australia. According to Edna Carew, "In June 1988, Westpac was ranked 54th [among the international banks] by market capitalisation, the highest of the Australian banks, in a survey by *International*

¹⁹¹ Bob White and Cecilia Clarke, *Cheques and Balances: Memoirs of a Banker* (Viking, Melbourne, 1997), p.154.

¹⁹² Edna Carew, *Westpac: The Bank that Broke the Bank* (Doubleday, Sydney, 1997), pp.16-19.

¹⁹³ *Ibid.*, p.155.

¹⁹⁴ Edna Carew, *Fast Money 4* (Allen and Unwin, Sydney, 1998), p.20.

¹⁹⁵ Ross Milbourne, "Money and Monetary Policy" in Peter Kriesler (ed.), *The Australian Economy* (Allen and Unwin, Sydney, 1995), pp.121-122.

Business Week.” It also increased its assets even further: between 1987 and 1990, Westpac’s assets grew from \$70 billion to \$118 billion. The following table shows Westpac’s assets, at the end of the 1980s, compared to two of its major competitors:

*Australian Banks’ Assets at the end of the 1980s*¹⁹⁶

Westpac	\$118 billion
ANZ	\$99 billion
National Australia Bank	\$93 billion

Lending by the banks, generally, to the business sector surged dramatically as, on an overall level, the capitalisation of stocks, traded on the Australian Stock Exchange, rose from \$60 billion in 1984 to \$208 billion in 1987.¹⁹⁷ That same increased volume of lending, however, found its way into more risky areas of investment. Hugo Armstrong and Dick Gross wrote that,

bank loans to the business sector. . .exploded from 16.3 per cent between 1981 and 1984, to 29.6 per cent in the financial boom years between 1985 and 1988. . .The explosion of borrowed money was used to purchase assets and that demand in turn fuelled the terrific rise in asset prices.¹⁹⁸

Westpac became significantly involved in property investment: its AGC arm becoming involved in the huge Como joint venture, and the Southgate project, both in Victoria. By 1989, Westpac had a total exposure of \$11.2 billion to commercial construction and property.¹⁹⁹

While the October 1987 crash, on the American stock market, soon brought a corresponding slump in Australia, property prices continued to rise until 1989 when prime office space in Sydney peaked at \$850 a square metre.²⁰⁰ In 1988, Westpac made an operating profit of \$1.1 billion; and in 1989, it made a pre-tax profit of \$1.083 billion.²⁰¹

¹⁹⁶ Carew, *Westpac*, pp.160,220,223.

¹⁹⁷ Adam Courtenay, “Analyst Forecasts Imminent Market Plunge” in the *Sydney Morning Herald*, 5 September 1987, p.34.

¹⁹⁸ Hugo Armstrong and Dick Gross, *Tricontinental: The Rise and Fall of a Merchant Bank* (Melbourne University Press, Melbourne, 1995), pp.12-13. An indicator of the rise in general property prices was the fact that, between 1987 and 1989, as Alan Wood noted in *The Australian*, “the average Sydney house price rose from \$90,000 to \$182, 000 – a rise of over 100 per cent.” See Alan Wood, “House Prices: Why There Won’t Be a Boom” in *The Australian*, 13 June 1992, p.19.

¹⁹⁹ Carew, *Westpac*, pp.69,75,208.

²⁰⁰ Andrea Dixon, “Property Values Still Heading Down” in the *Sydney Morning Herald*, 20 October 1993, p.39.

²⁰¹ Carew, *ibid.*, p.238.

By the beginning of the 1990s, however, the property boom began collapse. In 1990, Westpac's pre-tax profit fell to \$589 million. Finally, in 1992, Westpac announced a loss, for the half-year October 1991-March 1992, of \$1.6 billion.²⁰² Westpac's charges for bad and doubtful debts amounted to \$6.9 billion by 1993.²⁰³

Despite this setback, Westpac rapidly returned to making profits, from 1993, as the following figures show:

*Westpac: Profits in the 1990s in Selected Years*²⁰⁴

1993	\$402 million
1994	\$702 million
Sept 1995 – Sept 1996	\$1.1 billion
1998	\$1.3 billion

In 1997, Westpac took over the Bank of Melbourne.²⁰⁵ Westpac also managed to retain its share of overall bank lending for housing (at around 18%), as illustrated by the Reserve Bank's figures for late 1999:

Australian Banks' Lending for Housing: October 1999

All Banks' Total	Commonwealth Bank	Westpac	NAB	ANZ
\$157.7 billion	\$34.8 billion	\$28.1 billion	\$28 billion	\$22 billion ²⁰⁶

Nevertheless, despite its profit recovery in the mid-1990s, Westpac, for the first time, fell from its status as the foremost bank in Australia: the National Australia Bank taking over that position (with the Commonwealth Bank assuming second place), as indicated by the accompanying figures for bank assets in 1998:

*Australian Banks' Assets in 1998*²⁰⁷

National Australia Bank	\$110.6 billion
Commonwealth Bank	\$94.3 billion

²⁰² Carew, *ibid.*, pp.238,338.

²⁰³ Tingle, *op.cit.*, p.253.

²⁰⁴ Carew, *ibid.*, p.442; Tom Allard, "Westpac Soars as Banks Hit New Peak" in the *Sydney Morning Herald*, 13 November 1995, p.35; Morgan Mellish, "Banks Rule off Another Good Year" in the *Sydney Morning Herald*, 5 May 1999, p.35.

²⁰⁵ Carew, *ibid.*, p.446.

²⁰⁶ Reserve Bank of Australia, *Bulletin*, October 1999: table B.10, "Assets – Individual Banks".

²⁰⁷ Carew, *Fast Money 4*, p.105.

Westpac	\$91 billion
ANZ	\$79.8 billion

Although Westpac is consequently no longer the pre-eminent bank in Australia, it has been the most prominent state-based bank in NSW.

7 RETAILING, PROPERTY, TELECOMMUNICATIONS, TOURISM AND EDUCATION

(a) Retailing

Department store retailing in Sydney, as mentioned in section 2 above, had already begun in 1838 when the Welshman David Jones established his department store, in 1838, on the corner of George and Barrack streets. Nearly fifty years later, in 1887, David Jones and Company opened a 5 storey building on a site at 345-351 George Street. Then, during the boom years of the 1920s, David Jones decided to open their present day building (in Elizabeth Street) in 1927. After the Second World War, David Jones decided to expand their operations in provincial NSW and interstate: opening a department store in the city area of Brisbane in 1955: followed by stores in Newcastle (1957), Wollongong (1960), Canberra (1963), Mount Gravatt (in outer Brisbane, 1970). The company also opened more stores in Sydney: at Bankstown ((1966) and Bondi Junction (1976). In 1980 the Adelaide Steamship group acquired a 49% controlling interest in David Jones.²⁰⁸

Grace Brothers was established nearly fifty years after David Jones was inaugurated, when two Englishmen, J.N. and A.E. Grace, set up Grace Brothers, in 1887, at 203 George Street. In 1904 the Grace brothers opened their main department store on the corner of Broadway and Bay Street. Nearly twenty years later, in 1923, Grace Brothers completed the replacement of their original building with a 7 storey, three and a half acre, building on the same site. By this stage they employed 3,000 staff.²⁰⁹ In the mid-1930s, Grace Brothers opened two more shops, at Bondi Junction and Parramatta. Nearly thirty years later, in 1961, the company opened another shop at Chatswood. Then, in the mid-1960s, Grace Brothers opened stores at Roselands, Brookvale and Ryde. During the 1970s, more shops were opened, in the Sydney area, at Burwood and Hornsby. In provincial and country centres, the company had also established stores in Gosford, Newcastle, Orange, Bathurst, Dubbo and Tamworth. Finally, in 1983, Grace Brothers was taken over by Myer's. By that stage, Grace Brothers had 26 stores and around 11,000 employees. With the acquisition of Grace Brothers, Myer's total staff, in the mid-1980s, reached 45,000.²¹⁰

Chain store retailing in Australia, as in the case of manufacturing in Australia, similarly had

²⁰⁸ "David Jones" special commemorative supplement, in *The Australian*, 21 May 1988.

²⁰⁹ Nicholas Brash, *The Model Store: Grace Brothers 1885-1985* (Kevin Weldon, Sydney, 1985), pp.18,21,23,32.

²¹⁰ *Ibid.*, pp.37,47-50,55,57,193.

its origins overseas. This form of retailing was inaugurated in the USA, in 1859, when George Hartford established his Atlantic and Pacific chain. Twenty years later, in 1879, Frank Winfield opened his first Woolworth's "five and ten cent store". By the end of the Great War, in 1919, the F.W. Woolworth company was operating over 1,000 stores in the USA and Canada.²¹¹

Chain store retailing in Australia essentially began with the expansion of the urban areas in Sydney and Melbourne. Myer's was inaugurated when the Russian emigrant Sidney Myer established his drapery in Bendigo around 1900. Just over ten years later, around 1913, Myer bought another drapery in Melbourne and founded the first of his capital city Myer's stores. By 1926 the Myer's group, in Melbourne, already employed about 2,000 staff.²¹²

Coles was established in 1914 when George Coles established the first of his cut price shops in Melbourne (his slogan was "nothing over two shillings and sixpence"). In 1928 his brother, Arthur, began the establishment of the Coles chain in Sydney. By the mid-1930s, Coles had 86 shops throughout Australia.²¹³

Woolworths was founded in 1924 by Harold Christmas and Stanley Chatterton who, on discovering that the name "Woolworths" was not registered in New South Wales, registered the name themselves and opened a shop in Sydney, under the Woolworths name, in the Imperial Arcade, between Pitt and George Streets. Harold Christmas assumed the title of first managing director of Woolworths in Australia. Under Christmas, Woolworths soon began expanding and, between 1927 and 1929, opened five new stores in New South Wales, as well as stores in Brisbane and Perth. Then, in 1933, as prosperity was gradually returning after the depression, Woolworths opened a store in Melbourne (by then the total number of stores, that Woolworths had opened in Australia, had reached 31).²¹⁴ After the recovery in business conditions, in 1935, Woolworths embarked on further expansion in NSW: opening its 27th store in Taree, in 1940. Then, between 1940 and 1941 (just before the outbreak of the Pacific War), Woolworths opened another 25 stores in the state: bringing the total in the New South Wales to 52 (the last store to be opened in NSW, just before Japan's attack on Pearl Harbor, was at Lithgow).²¹⁵ Despite the war, Woolworths continued to make profits: as the figures for its profits, following recovery from the 1930s crash, indicate:

²¹¹ James Murray, *The Woolworths Way* (Focus Publishing, Sydney, 1999), p.17.

²¹² Max Hartwell and Jacqui Lane, *Champions of Enterprise: Australian Entrepreneurship 1788-1990* (Focus Books, Sydney, 1991), p.195.

²¹³ *ibid.*

²¹⁴ Murray, *op.cit.*, pp.10,14-15, 23,28,30,44. Christmas apparently notified F.W. Woolworth, in the USA, of his intention to trade under that name, and they seemingly replied informing him that they had no intention to open any business in Australia. See *ibid.*, p.14.

²¹⁵ *ibid.*, p.61.

Woolworths: Profits 1930 -1945

1930	£55,693
1935	£150,148
1939	£303,693
1941	£690,580
1945	£855,251 ²¹⁶

After the end of the war, Woolworths embarked on even further expansion. In 1949, Woolworths' profits passed £1,000,000 for the first time and, by 1956, Woolworths had expanded the number of its stores, in Australia, to 150. Then, in 1958, Woolworths effected a merger with the Brisbane Cash and Carry (BCC) chain: bringing another 32 stores into Woolworths operations. A year later, in 1959, Woolworths built its first supermarket: at Warrawong, near Port Kembla. In 1960 the company acquired the 56 shops operated by the Flemings chain, and the 57 shops operated by the McIlraths chain. By this time the company had over 200 shops in Australia; its annual profit had reached £1.5 million; and the number of its staff had reached 15,000.²¹⁷ The prominence of Woolworths in Australian commerce, in 1960, has been summarised by James Murray as follows:

The switch to food retailing was the key factor in this expansion, which had helped to make retailing Australia's second largest industry with 10.8 per cent of the nation's workforce. Woolworths was already Australia's biggest retailer of fresh fruit and vegetables; it had a team of 15 buyers operating at city and country markets, using a fleet of 75 trucks to transport produce; sales included 500,000 cases of oranges, 250,000 cases of apples and 25 million pounds of potatoes.²¹⁸

The degree of Woolworths' expansion is evidenced by its profit and staff figures in the early 1960s:

Woolworths: Profit and Staff Statistics, 1962

Profit	Employees
£3,037,719	30,000 ²¹⁹

During the mid-1960s, Woolworths expanded to an even greater degree. James Murray observed that, in 1964, "Woolworths opened 17 new stores in only eight days and announced plans to open a store a week for the rest of the year." In the same year, Woolworths opened the first of its BIG W complexes: on a 12 acre site in Newcastle. It also opened a new huge distribution centre at Silverwater: "the largest building of its kind in

²¹⁶ Ibid., pp.47,65.

²¹⁷ Ibid., pp.77,87,91,103-104,108,111,114.

²¹⁸ Ibid., p.114.

²¹⁹ Ibid., p.125.

Australia”, according to Murray, “the equivalent of 18 acres on three floors.” The capacity of this centre was shown, as Murray recounts, “when Woolworths bought 1,680,000 cans of fruit from the Leeton Cannery”.²²⁰

By the late 1960s, Woolworths began to become a huge chain, after buying the Cox Brothers-Mark Foy’s shops in Melbourne, and the Nancarrow’s chain of 26 shops throughout Victoria. In 1968, Woolworths opened two of its biggest stores: in Townsville, and on a site between Southport and Surfers Paradise. The overall total of Woolworths stores, in Australia, reached around 800.²²¹ Woolworths’ profits consistently rose, during the remainder of the 1960s and into the early 1970s, as demonstrated by the following figures:

*Woolworths: Sales and Profits, late 1960s to mid-1970s*²²²

	Sales	Profits
1967	\$350 million	\$8,334,604
1969	\$427.1 million	\$9,502,126
1974	\$825.7 million	\$21.5 million (before tax)

Myer’s takeover of Grace Brothers, in 1983, coincided with a major drive for expansion by the big retailers in Australia, during the 1970s and the 1980s, as the figures below illustrate:

Major Retailers in Australia: Total Value of Sales – late 1970s to early 1980s

	1975-1976	1981-1982
Coles	\$1.1 billion	\$4 billion
Woolworths	\$1 billion	\$2.6 billion
Myer’s	\$968 million	\$1.7 billion ²²³

This drive for expansion is also demonstrated by the figures for the major retailers’ increases in fixed assets, and investments, during the same period:

Major Retailers in Australia: Increases in Fixed Assets and Investments, 1970s to 1980s

	1977	1982
Myer’s	\$28.2 million	\$135.4 million

²²⁰ Ibid., pp.130-131,135.

²²¹ Ibid., pp.147,149-150,196.

²²² Ibid., pp.137,150,166.

²²³ Stuart Rosewarne, “The Political Economy of Retailing into the Eighties”, part I, in the *Journal of Australian Political Economy*, no.15, September 1983, p.24. Woolworths’ profit for 1980 amounted to \$39.8 million; in 1982 it amounted to \$50.2 million. See Murray, op.cit., pp.182,191.

Coles	\$23.8 million	\$123.4 million
Woolworths	\$16.4 million	\$44 million ²²⁴

Woolworths, in particular, expanded even further during the late 1970s. James Murray recorded that “The prototype BIG W Discount Store was opened at West Tamworth, New South Wales in 1976 and, within two years, 13 Big W Discount Stores were operating across all states”.²²⁵

A major contributor, to the financing of this expansion of retailing, was the AMP Society. Stuart Rosewarne wrote in 1984 that,

The AMP, in particular, is a significant shareholder [in these companies] being the largest shareholder in Woolworth’s and Coles, with 12 and 7 per cent of the respective companies share capital, and it is the second largest shareholder in both Myer’s and David Jones with some 6 per cent of the share capital in each company.”²²⁶

After the end of the 1980-1982 recession, Woolworths increased its sales: reaching \$3.2 billion in sales, in 1983, and recording a profit of nearly \$57 million.²²⁷

A further outcome, of this period of expansion, was Coles’ acquisition of the Myer group, in 1985. Woolworths, in turn, acquired the 120 shops operated by Australian Safeway Limited. Woolworths’ sales, for 1985, amounted to \$4.8 billion and profit reached \$63.2 million.²²⁸

Woolworths, during the late 1980s, began to encounter difficulties. Its prices began to be undercut by rivals and, in 1986, Industrial Equity Limited (IEL), controlled by Ronald Brierley, acquired 20% of Woolworths’ shares. Woolworths profits for the year dropped to \$9.3 million. Three years later, in 1989, Woolworths became a wholly owned subsidiary of IEL.²²⁹ Only a year later, however, in Murray’s words, there was a “share shift involving the linkage of IEL with Dextran, a company owned by the conglomerate Adsteam Group of companies, controlled by John Spalvins” which already controlled David Jones. In 1991, Woolworths sales totalled \$8.2 billion and its profit amounted to \$209.5 million. However, in March 1991, the Adsteam Group declared a net loss, for July-December 1990, of \$3.7 billion and announced that it had accumulated debts of around \$6 billion.²³⁰

²²⁴ Ibid., p.27.

²²⁵ Ibid., p.169.

²²⁶ Stuart Rosewarne, “Retailing into the Eighties”, part II, in *ibid*, no.16, March 1984, p.83.

²²⁷ Murray, *op.cit.*, p.193.

²²⁸ Ibid., p.192-193.

²²⁹ Ibid., p.208-209,215.

²³⁰ Ibid., pp.220,223.

In 1993, Woolworths' board decided on a public float of the company. According to Murray, "Existing shareholders of Adsteam. . .and David Jones were given priority rights to acquire a total of 48.92 per cent of the Woolworths shares on a pro rata basis for shares held in Adsteam and David Jones. Woolworths, it can be suggested, had come to the rescue of shareholders in these companies. IEL gained \$2,450 million from the refloat".²³¹ James Murray's description of the state of the company, at that time, indicated its profile in Australian retailing:

For the year ending June 1993, annual sales surpassed \$10 billion for the first time. Profits exceeded \$280 million. Woolworths' staff numbers. . .[had grown] to 72,000 . . .Woolworths was Australia's largest food retailer. . .It had a 29.3 per cent share of the local branded grocery market. . .[it had] 904 outlets in Australia. . .²³²

By the mid-1990s, retailing had become the largest private sector employer of personnel. Tony Featherstone and Robyn Willis noted in the *Sun-Herald*, in 1994, that

Retailing is [now] the nation's largest private sector employer, providing 1.2 million jobs nationally with 400,000 jobs in NSW alone.²³³

Coles-Myer's, and Woolworth's, predominance in this area is illustrated by their turnover in the first half of the 1990s:

Coles-Myer and Woolworths: Sales Figures in 1993-1994

Coles-Myer	\$15.9 billion
Woolworths	\$11.5 billion ²³⁴

Further indication of the prominence of these two companies is provided by the figures by the number of supermarkets operated by them in the mid-1990s:

Coles-Myer and Woolworths: Supermarkets Operated in 1995

Coles-Myer	507
Woolworths	500 ²³⁵

²³¹ Ibid., p.231.

²³² Ibid., p.229.

²³³ Tony Featherstone and Robyn Willis, "100,000 New Jobs Forecast" in the *Sun-Herald*, 2 January 1994, p.5.

²³⁴ Bernard Salt, *Australian Retailing* (Cooper's and Lybrand, Sydney, 1995).

²³⁵ Ibid.

The profits of Coles-Myer and Woolworths have risen significantly during the remainder of the 1990s:

Coles Myer and Woolworths: Profits for Financial Year 1998-1999

Coles Myer	\$405 million
Woolworths	\$257 million ²³⁶

Currently the retail sector continues to be the largest private sector employer in Australia. This has recently been acknowledged by the federal parliament's joint select committee on the retailing sector. In a report produced in 1999, the committee noted that,

Woolworths is Australia's largest grocery retailer and the second largest private sector employer with 1,460 Australia-wide stores staffed by over 110,000 employees. Its supermarkets account for 81% of its employees. . .Coles. . .forms the grocery division of Coles Myer, which is Australia's largest private sector employer with 150,000 staff. Coles has 410 stores and employs 53,500. . .²³⁷

(b) Property Investment

Commercial involvement in property has been a significant feature of business activity from the first arrival of British settlers. Initially, property activity focused on residential housing. Professor Noel Butlin wrote that, during the 1800s,

Housing represented. . .a powerful stimulus to industrial, commercial and financial growth. Residential investment. . .was the leading field of investment during the second half of the nineteenth century, rivalled only by pastoral. . .industry. . .²³⁸

Booms in property were common: often followed by the almost inevitable collapses. During the first half of the 1880s, land along the railway suburbs – Stanmore, Petersham, Summer Hill, Ashfield and Burwood – reached £800 (compared to the average Sydney house price of £630).²³⁹ Despite this particular boom ending in the general crash of the 1890s, another developed after business conditions recovered. Not only did land values in Vaucluse, for instance, rise 300% between 1908 and 1913; but, with the completion of the suburban railway line from Belmore to Bankstown in 1909, land in that area subsequently rose from

²³⁶ *Business Review Weekly* (BRW), 12 November 1999, p.110.

²³⁷ Joint Select Committee on the Retailing Sector, *Fair Market or Market Failure? – A Review of Australia's Retailing Sector* (Parliament of the Commonwealth of Australia, Canberra, 1999), p.13.

²³⁸ Noel Butlin, *Investment in Australian Economic Development 1861-1900* (Cambridge University Press, London, 1964), p.211.

²³⁹ Maurice Daly, *Sydney Boom Sydney Bust: The City and its Property Market 1850-1981* (George Allen and Unwin, Sydney, 1982), p.156.

£370 per hectare in 1910 to £421 by 1913.²⁴⁰ This second boom was, however, cut short by the outbreak of the Great War in Europe.

After the First World War, nevertheless, another property boom developed: this time as part of the general boom in business during the 1920s. Maurice Daly wrote that “Areas of the eastern suburbs dominated the rises. . . Prices of £2,000 per lot were common in Point Piper and Darling Point, and in Vaucluse several sales of blocks for more than £10,000 were recorded.”²⁴¹ Again, this boom was once more halted by a general crash in business conditions: this time the great depression of the early 1930s.

A new feature of property development after the Second World War was the emergence of investment in office building: principally led by British concerns. Insurance companies such as Royal-Globe, Prudential, Legal and General, Royal Exchange, Guardian and Sun-Alliance began to invest in office building, in Sydney, during the 1950s.²⁴² Other British companies, purely concerned with property development, also began to establish operations in Australia. These included Hammerson’s, Arndale, Town and Country, City of London Real Property, London County Freeholds, MEPC, Artagen and Brixton Estates.²⁴³

By 1970 another surge in residential property prices had developed. Cambridge Credit, a company prominent in this boom, had developed around 4,000 blocks of land a year, between 1970 and 1974. In 1974 this boom similarly ended: again collapsing in the midst of another slump (the oil-price rise induced recession of 1974-1975). In late 1974, Cambridge Credit collapsed. Other companies involved in the boom similarly suffered, though not so drastically: shares in Lend Lease, for instance, dropped from \$4.70 to \$1.²⁴⁴

Despite the collapse of the less substantial property concerns, it was during the 1970s that the AMP Society (as mentioned above) began to markedly increase its investment in property. Leonie Sandercock has estimated that, between 1970 and 1976, AMP increased its property assets from \$148 million to \$708 million.²⁴⁵

Despite a revival in business conditions in the late 1970s, onset of the recession of 1980-1982 pre-empted a property boom from re-emerging between 1975 and 1979. Once conditions revived, however, another boom developed in the mid-1980s. Apart from the

²⁴⁰ Ibid., p.162.

²⁴¹ Ibid., p.168.

²⁴² Daly, op.cit., p.43.

²⁴³ Rod Reader, “The Poms Who Came, Saw and Conquered”, interview with John Robinson (founder of the first Jones, Lang and Wootten office in Sydney, in 1958) in *The Australian*, 15 July 1989, p.54.

²⁴⁴ Trevor Sykes, *Two Centuries of Panic: A History of Corporate Collapses in Australia* (Allen and Unwin, Sydney, 1988), pp.467-468.

²⁴⁵ Leonie Sandercock, *The Land Racket: The Real Costs of Property Speculation* (Silverfish Books, Melbourne, 1978), p.104.

major involvement of Australian banks, another feature of this boom was the involvement of Japanese property concerns. Tim Graham reported in the *Sydney Morning Herald* that,

The Sydney market had its heyday with the Japanese in 1987-1989, with more than \$1 billion being spent on acquiring commercial buildings, hotels, retail centres and development sites. At the end of 1989 the *Sydney Morning Herald* listed some of the more significant Japanese property purchases. This included the sale of the Renaissance Hotel to Kyo-ya Oceanic for almost \$320 million, and Nisshen Kisen Kaisha reportedly paying \$270 million for the Regent Hotel. C. Itoh, Nomura Real Estate Development Company, Toyo Real Estate, the Yamamoto Group and Kumigai Gumi were also listed as active in property acquisition and development in the Sydney CBD.²⁴⁶

Yet again, this boom collapsed in the general recession of 1990-1992. However, the extent of investment in property, in the 1980s boom, indicated its rising prominence in overall business activity in New South Wales and the nation as a whole. Christopher Kent and Patricia Scott observed that,

over the 1985/86 to 1988/89 investment boom. . . just over one quarter of the growth in real non-farm capital expenditure was in the real estate and property development industry.²⁴⁷

NSW continues to remain the main location in Australia for companies involved in property investment. Of the 16 companies, identified by *Australian Landlord*, as having assets of over \$1 billion, 11 are based in Sydney. They are as follows:

Sydney-Based Property Investment Companies with Assets over \$1 Billion: 1997

Company Name	Assets
AMP Investments Australia Limited	\$6 billion
Lend Lease Corporation	\$5.9 billion
Westfield Management Limited	\$3.6 billion
Axiom Funds Management Limited	\$2.8 billion
BT Funds Management Limited	\$2.2 billion
Schroders Australia Property Management Limited	\$1.8 billion
Kumagai Limited	\$1.4 billion
Mercantile Mutual Holdings Limited	\$1.1 billion
Westpac Banking Corporation	\$1 billion

²⁴⁶ Tim Graham, "Property Investors to be More Selective" in the *Sydney Morning Herald*, Japan-Australia Business Report, 20 June 1991, p.10s.

²⁴⁷ Christopher Kent and Patricia Scott, *The Direction of Australian Investment from 1985/86 to 1988/89*, research discussion paper no.9106 (Economic Research Department, Reserve Bank of Australia, Sydney, 1991), p.25.

Mirvac Limited	\$1 billion
MID Sydney Proprietary Limited	\$1 billion ²⁴⁸

(c) Telecommunications

Development of telecommunications in Australia - as in the case of the development of manufacturing – took place as an outcome of innovations which had occurred in Britain and the USA: the first phase of telecommunications being manifested in the development of the telegraph. In 1837 the British physicist, Professor Charles Wheatstone, took out a patent on a telegraph system which effected transmission using deflection by magnetic needles (where signals caused needles to point to letters of the alphabet). This system was soon adopted by the rapidly emerging British railway companies. However it was the telegraph system invented by the American Professor Samuel Morse– which conveyed a code of letters tapped out by a keyboard – which gained international acceptance: after it was successfully trialled, in 1844, across 40 miles of telegraph line between Washington and Baltimore.²⁴⁹

Ten years after Morse inaugurated his telegraph system in the USA, the first telegraph line in Australia was introduced, in the new colony of Victoria: carrying messages between the city of Melbourne and Port Melbourne. Nearly four years later, towards the end of 1857, the first telegraph line in NSW was opened: running from Sydney to Liverpool. By 1858 the colonial government of Victoria had completed a line from Melbourne to Albury and, in late 1858, the NSW colonial government completed a line from Sydney to Albury. Brisbane, the capital of the newly created colony of Queensland, was connected to this line after the Queensland colonial government completed a line to the border via Stanthorpe – and NSW completed a line to the border via Tenterfield – in 1861.²⁵⁰

Overseas telegraph links – between the British colonies in Australia, and London – again occurred in the context of developments overseas: this time in the area of international telegraph communications. During the late 1850s, and early 1860s, the American businessman Cyrus Field, and the British physicist William Thomson (later Lord Kelvin), combined to focus on the possibility of laying a submarine telegraph cable between Britain and the USA. The American Civil War temporarily interrupted this venture. However in 1866 these two men, backed by a consortium of businessmen in London and New York (the Anglo-American Telegraph Company) completed the project.²⁵¹ Additional overseas telegraph links – in Australia’s case, between the British colonies on the Australian

²⁴⁸ Property Investment Research, *Australian Landlord* (Property Investment Research, Melbourne, 1997), p.8.

²⁴⁹ Ann Moyal, *Clear Across Australia: A History of Telecommunications* (Nelson, Melbourne, 1984), p.16.

²⁵⁰ *Ibid.*, p.23.

²⁵¹ Donald Cardwell, *The Fontana History of Technology* (Fontana Press, London, 1994), p.329.

continent, and London - were begun soon after the completion of the Atlantic cable. Charles Todd, an English astronomer who had arrived in Adelaide in 1855 as South Australia's new Superintendent of Telegraphs, oversaw the completion of a telegraph line between Adelaide and Sydney, in 1868. Todd then began work on a project that he had promoted himself: the building of a line to Britain via Adelaide, Darwin, the Dutch East Indies (Indonesia) and India. Work on the line began in 1870, and the first messages were successfully transmitted in 1872. Sydney was connected to the line in November 1872 with the governor of NSW declaring that "The earth has been girdled. . . with a magic chain."²⁵² News of events in Britain, and elsewhere in the world, could now be obtained in 48 hours.

By the time that the British colonies in Australia joined together, in 1901, there were 43,000 miles of telegraph line amongst them and nearly 6 million telegrams were being sent annually.²⁵³

Nearly 40 years after the inauguration of telegram communication, a Scottish inventor living in the USA (Alexander Graham Bell) introduced the first commercial telephone operation, in 1878. Again, it was Victoria, amongst the British colonies in Australia, which moved first to adopt new communications technology: a telephone exchange being opened in Melbourne in 1880. Two years later an exchange was opened in Sydney and, by 1883, all the other colonies (except Western Australia) had exchanges in their capitals.²⁵⁴

Federation, via the new national constitution, enabled the federal government to take over the administration of telecommunications through the inauguration of the Postmaster General's Department (PMG). The newly created body was, instantaneously, a sizeable institution, as illustrated by figures for its assets and staff:

Postmaster General's Department: 1901

Value of Assets	Number of Staff
£6 million	16,000 (90% of federal government manpower) ²⁵⁵

Telephones, through the twentieth century, soon overtook telegrams as a means of communication. In 1912 the first public automatic telephone exchange was installed in Geelong and, two years later, three suburban exchanges were opened in Sydney: in Newtown, Balmain and Glebe.²⁵⁶ Expansion of telephony was slowed by the outbreak of the Great War but recommenced during the 1920s. Despite the crash of the early 1930s, by 1935, according to Ann Moyal, the annual turnover of the PMG "exceeded £147 million; its capital investment in fixed assets and plant was £54.5 million per year; [and] it was one

²⁵² Moyal, op.cit., pp.43,53,56.

²⁵³ *ibid.*, p.85.

²⁵⁴ *ibid.*, pp.76,78.

²⁵⁵ *ibid.*, p.88.

²⁵⁶ *ibid.*, p.103.

of the largest business undertakings in Australia and continued to be one of the greatest employers of labour.”²⁵⁷

War again interrupted expansion - after the outbreak of the second war in Europe and the war in the Pacific – but continued during the 1950s, 1960s and 1970s. During the late 1950s, subscriber trunk dialling (STD) was introduced in small areas of Melbourne and Sydney. By 1977, nearly 73% of Australian households had a telephone and, by the early 1980s, most households could dial direct, anywhere in Australia, using STD.²⁵⁸

By 1991, Telecom (as it had become under the Whitlam government) was able to claim that the entire amount of its investment in Australia had now reached \$40 billion.²⁵⁹ During the remainder of the decade many of Telstra’s operations have centred around the provision of mobile telecommunications and internet services. Between 1996 and 1999, Telstra has invested just over \$4 billion in New South Wales.²⁶⁰ Telstra employs around 20,000 staff in the state.²⁶¹

In 1992 the Keating government granted a licence to another company to provide telephone services in Australia: Optus (a company in which Cable and Wireless of Britain held a substantial interest). Optus is headquartered in Sydney and employs around 6,000 people nationally.²⁶²

(d) Travel and Tourism

Overseas air transport in Australia was inaugurated eighty years ago, in 1920, when the Queensland and Northern Territory Aerial Services (Qantas) was incorporated in Brisbane to provide travel services to outback portions of Queensland and the Northern Territory where no train services existed. The company was initially based at Longreach, in Queensland and commenced operations in 1922. By 1927, Qantas had established 2 flying schools and had built 3 aircraft. In 1930 the company moved its head office to Brisbane. Four years later, in 1934, a joint venture between Qantas and Imperial Airways of England (Qantas Empire Airways Limited or QEA) was registered in Brisbane for the purpose of taking advantage of emerging international air mail services. A joint air route – the longest in the world – was inaugurated in 1935, with Imperial Airways covering a London to Karachi section; Indian Trans-Continental covering a Karachi to Singapore section; and

²⁵⁷ Ibid., p.146.

²⁵⁸ Ibid., p.353.

²⁵⁹ *The Australian*, 24 April 1991, p.5.

²⁶⁰ Information supplied by Telstra NSW.

²⁶¹ Telstra’s NSW operations form around 40% of Telstra’s national undertakings. In 1999 there were around 52,000 employees working for Telstra nationally. See Anne Davies and Mark Robinson, “Telstra’s Day of Reckoning” in the *Sydney Morning Herald*, 9 March 2000, p.1.

²⁶² Optus, annual report, 1999.

Qantas Empire Airways covering the final leg from Singapore to Brisbane. Three years later, in 1938, Qantas moved its company headquarters to Sydney to coincide with the opening of a Sydney-Singapore-Southampton flying boat route and the inauguration of an Empire Airmail Scheme. Australian crews operated the flights as far as Singapore, while British crews operated the remainder of the flight to England. In 1939, just before the outbreak of the second twentieth century war in Europe, Neville Chamberlain's Conservative Party government obtained passage of a bill providing for the inauguration of a government-owned airline in England: the British Overseas Airways Corporation (BOAC) - the forerunner of the present British Airways - which was to eventually take over all the obligations of the former (commercially owned) Imperial Airways. By 1939, Qantas Empire Airways had a staff of 285 and had completed its own workshops at Mascot.²⁶³

After the outbreak of the Pacific War, at the end of 1941, Qantas had greater calls on its services and, by 1944, the number of Qantas Empire Airways employees in Brisbane (where General MacArthur maintained his headquarters) rose to 928.²⁶⁴ A year earlier, in 1943, Qantas had undertaken its first Indian Ocean flight: from Perth to (the then) British-administered Ceylon (present-day Sri Lanka).²⁶⁵

A year after the end of the war, in 1946, QEA and BOAC renewed their agreement on partnership co-operation over the England to Australia route. In the same year, Qantas began its first purchases of large, American, passenger aircraft: the propellor driven Lockheed Constellations. At the end of 1946, the Chifley government obtained passage through parliament of a bill providing for the Australian government's purchase of BOAC's share in Qantas Empire Airways. By the beginning of 1947, however, Qantas still only had 11 aircraft. In March 1947 an American company, Pan American Airways, began services across the Pacific from San Francisco. Four months later, in July 1947, the Chifley government effected complete government ownership of Qantas when it purchased Qantas's 261,500 shares in Qantas Empire Airways.²⁶⁶

After Qantas became fully government owned, it laid the basis for a rapid programme of expansion. In December 1947, the company began a once a week service to Japan, as a means of assisting the Australian occupation troops in that country. By 1948 the company had 44 aircraft and had erected new hangars at Mascot. A year later, in 1949, Qantas began services to Hong Kong. Three years later, in 1952, the company decided to replace the name "Qantas Empire Airways", on its planes, with the single word QANTAS. In the same year, it began services to South Africa and, between 1952 and 1954, new runways were constructed at Mascot. Finally, in 1954, Qantas began services across the Pacific to the

²⁶³ John Gunn, *The Defeat of Distance: QANTAS 1919-1939* (University of Queensland Press, Brisbane, 1985), pp.23,68,76,98-99,123,183,189,237,325,328,330,340,347,356-358.

²⁶⁴ John Gunn, *Challenging Horizons: QANTAS 1939-1954* (University of Queensland Press, Brisbane, 1987), p.99.

²⁶⁵ *Ibid.*, p.108.

²⁶⁶ *Ibid.*, pp.184,196,203,207-208,214-221,236-237,257,261.

USA.²⁶⁷ By then, Qantas earned around £13 million a year. Two years afterwards, in 1956 – the year that the Olympic Games were staged in Melbourne – annual revenue reached £20 million and the number of aircraft operated rose to 34. The company then announced that it would purchase 7 Boeing 707 jet aircraft. These jets would reduce the flying time, from Sydney to London, from 61 hours to 37 hours. To accompany delivery of these aircraft, Qantas embarked on further building of new engine workshops, new catering facilities and new flight simulation training facilities: to be constructed at Mascot between 1956 and 1960. In July 1957 the Menzies government concluded an agreement with the Eisenhower Administration providing for Qantas to fly to the USA and then on to London (inaugurating this service in 1959, after the first delivery of its Boeing jet aircraft). In October 1957, Qantas opened a new company headquarters in Sydney. In January 1958 the company flew its first around-the-world service: which departed from Melbourne, thus marking the inauguration of Melbourne as a major terminal. By then, Qantas's revenue had reached £23.6 million. As John Gunn recorded, the company was, by now, "one of the largest business undertakings in Australia". A year later, in 1959, Qantas acquired an interest in Malayan Airways and completed the purchase of Fiji Airlines. By then the company's revenue had risen to £29.2 million and its profits had doubled from £419,097 (in 1958) to £853,963.²⁶⁸

In 1967 a new stage in Qantas's operations began when the company placed orders for the new Boeing 747 ("jumbo jet") aircraft: currently being built at the Boeing plant in Seattle. The company, in the same year, also officially changed its name from Qantas Empire Airways to Qantas Airways Limited. To accompany the arrival of the new jumbo jets (which flew their inaugural flight, for Qantas, in 1971) the company embarked on the construction of a new Qantas International Centre; it also acquired an additional 18 acres of land on the northern boundary of Mascot; and, according to Gunn, "Five underground floors. . .were. . . [prepared] to house Australia's largest computer centre".²⁶⁹

In the early 1990s a fundamental change occurred in the organisation of Qantas when the Keating government decided to reverse the Chifley government's policy of government ownership of the airline. In 1992, British Airways (the successor to BOAC) was allowed to purchase a 25% interest in Qantas. Two years later, the remaining 75% of the company was sold to investors via a share float.²⁷⁰ A renewed focus on Asian routes was also undertaken. John Stackhouse has commented that, during the first half of the 1990s,

Australia. . .bartered new rights with Asian carriers, which wanted to add extra Australian services. The Australian negotiators sought rights for Qantas to go

²⁶⁷ Ibid., pp.222, 233, 324, 377.

²⁶⁸ See also John Gunn, *High Corridors: QANTAS 1954-1970* (University of Queensland Press, Brisbane, 1988), pp.1, 68-71,76,100-110,137-138,156,167,281.

²⁶⁹ John Gunn, *Challenging Horizons*, p.238; John Gunn, *High Corridors*, pp.258, 281, 302, 332, 347, 389, 391, 394, 422,427,433.

²⁷⁰ John Stackhouse, *From the Dawn of Aviation: The Qantas Story 1920-1995* (Focus Publishing, Sydney, 1995), p.187.

beyond cities such as Singapore, Bangkok and Hong Kong. . .By 1995 Qantas was operating more than 140 flights a week linking Australia with 11 countries in North Asia and South East Asia. . .Asian holiday traffic became an important source of Qantas revenue, with flights from five Japanese cities. . .²⁷¹

All through the period from the 1950s to the 1990s, the number of passengers carried by the airline constantly increased, as the following figures show:

*Passengers Carried by Qantas: 1950s to the 1990s*²⁷²

1954	118,000
1956	161,000
1965	254,722
1970	504,341
1975	1,134,987
1980	1,825,793
1985	2,587,017
1990	4,142,502
1996-1997	18,600,000

The number of staff employed by Qantas has also steadily risen, as illustrated by the following statistics:

*Personnel Employed by Qantas: late 1940s to the 1990s*²⁷³

1948	3,018
1954	5,000
1958	6,073
1959	6,737
1964	7,405
1965	8,400
1967	10,150
1969	11,200
1970	12,206
1975	13,230

²⁷¹ Ibid., pp.184-185.

²⁷² John Gunn, *High Corridors*, pp.1,76; Christopher Findlay, *The Flying Kangaroo: An Endangered Species?* (Allen and Unwin, Sydney, 1985), p.98; Qantas, annual reports, 1985-1986, p.2 and 1990-1991, p.2; John Stackhouse, *The Longest Hop: Celebrating 50 Years of the QANTAS Kangaroo Route* (Focus Publishing, Sydney, 1997), p.142.

²⁷³ John Gunn, *High Corridors*, p.1,138,167,281,332,389,433. Qantas, annual reports, 1970-71; 1975-76; 1980-81; 1990-91. Steve Creedy, "Roo Ready to Rumble" in *The Australian*, 23 February 2000, p.36.

1980	13,500
1990	19,668
1999	30,000

Sydney still remains the most important hub of Qantas's operations. During 1999 more than 10 million Qantas passengers flew into Sydney and the company employs over 17,500 staff in New South Wales.²⁷⁴

Overseas tourism in New South Wales began, in a very small way, in 1905 when the state government established a Tourist Bureau. An emphasis on overseas tourists began in the late 1920s when, in 1929, the Australian National Travel Association (ANTA) – a non-government body – was formed with the aim of assisting in the attraction of tourists from overseas. After the end of the Pacific War, the McKell government established a Department of Tourist Activities. Nevertheless the number of overseas tourists coming to Australia, as a whole, at this time, remained small: only 61,000 overseas tourists came to Australia in 1958. Nearly ten years later, in 1967, to stimulate the development of the tourist industry, the Holt government established the Australian Tourist Commission (ATC).²⁷⁵ By the end of the 1970s, however, the majority of people undertaking tourist activities, in Australia, were domestic tourists: accounting, in 1978, for 88% of the total number of days spent on visits in Australia.²⁷⁶

International tourist visits to Australia were markedly encouraged, during the 1980s, by the Hawke government and the then Minister for Tourism (John Brown). In 1985, Brown launched the Tourism Overseas Promotional Scheme which was, according to Peter Walsh, “an entitlement scheme under which commercial operators soliciting tourists would, in accordance with issued guidelines, have their promotional spending subsidised.”²⁷⁷ Two years later, in 1987, the Hawke government obtained the passage of legislation changing the Australian Tourism Commission into a corporate entity: Tourism Australia. From the mid-1980s to the mid-1990s, there has been a marked increase in the number of visitors coming to Australia, as indicated by the following figures:

²⁷⁴ Information supplied by Qantas.

²⁷⁵ Christopher Gethin, *An Approach to Planning for Historic Places as Tourist Attractions* (MTCP Thesis, University of Sydney, 1969), pp.56-61.

²⁷⁶ Bureau of Industry Economics, research report no.4, *Economic Significance of Tourism in Australia* (Australian Government Publishing Service, Canberra, 1979), p.39.

²⁷⁷ Peter Walsh, *Confessions of a Failed Finance Minister* (Random House, Sydney, 1995), pp.184-185.

*Overseas Visitors to Australia: mid-1980s to the late 1990s*²⁷⁸

1985	1,143,000
1990	2,214,920
1996	4,164,827
1999	4,415,400

International tourism has become a significant contributor to the Australian economy. According to the federal Department of Industry, Science and Resources,

In 1998-99, international tourism to Australia generated export earnings of \$16.3 billion. . . This accounted for 14.5% of Australia's total export earnings. . . and 61.6% of services exports. . .²⁷⁹

NSW is the leading tourist destination, in Australia, for overseas visitors. In 1994, for example, 1,939,000 international tourists came to Sydney: 63% of the national intake of overseas visitors.²⁸⁰ Overseas tourism has created a significant number of jobs in the state, as evidenced in figures prepared, for the Bureau of Tourism Research, by Daniel O'Dea:

*Jobs Attributable to Overseas Visitors Expenditure, 1995-1996: New South Wales*²⁸¹

Restaurants, Hotels and Clubs	19,300
Education, Libraries	9,000
Retail Trade	8,200
Air Transport	6,200
Personal Services	3,100
Health	2,100
Road Transport	2,000
Services to Transport	1,800
Entertainment	1,200
Wholesale Trade	1,200
Clothing	1,200
Communication	600

²⁷⁸ John Richardson, *Travel and Tourism in Australia: The Economic Perspective* (Hospitality Press, Melbourne, 1995), p.28; "Australia's Inbound Travel 1996" in the *Australia-Japan Institute Economic Bulletin*, vol.5, no.8, p.9; Australian Bureau of Statistics, *Overseas Arrivals and Departures*, catalogue no.3401.0.

²⁷⁹ *Impact*, monthly publication of the Department of Industry, Science and Resources, February 2000.

²⁸⁰ Robert Stimson, Maurice Daly, Olivia Jenkins, Brian Roberts and Stuart Ross, *Tourism in Australia: An Overview of Trends, Issues and Prospects* (Bureau of Tourism Research, Canberra, 1996), p.82.

²⁸¹ Daniel O'Dea, *Tourism's Direct Contribution 1995-1996*, research paper no.3 (Bureau of Tourism Research, Canberra, 1997), p.19.

Rail Transport	400
Meat Products	400
Bread, Cakes and Biscuits	300
Mechanical Repairs	300
Publishing and Printing	300
Business Services	200
Household Appliances	200
Other Industries	1,100
TOTAL	59,400

(e) Education

During the second half of the 1980s, the Hawke government adopted a policy of changing certain areas of education activity into a commercially transactable commodity. As Meredith Baker, John Creedy and David Johnson has observed, this was done with the aim of transforming “Provision of higher education. . .to overseas students. . .[into] an important export for Australia.”²⁸² This was achieved by the introduction of provisions entitling tertiary institutions to compel students (in certain situations) to pay full fees for courses.

Between 1988, the year that the policy was introduced, and the mid-1990s, not only has there been an increase in the number of overseas students studying at Australian tertiary institutions, but there has also been an increase in the number of overseas students paying full fees for courses – to the point where it seems that nearly 90% of overseas students at Australian tertiary centres are now paying fees. This indicated by the following figures:

*Overseas Students, and Overseas Fee Paying Students in Australia: 1988-1995*²⁸³

	Overseas Students in Australia	Overseas Students in Australia Paying Fees
1988	18,208	3,595
1989	25,447	8,465
1990	28,993	16,805
1991	34,408	23,532
1992	39,490	30,296
1993	42,571	35,282
1994	46,441	40,548
1995	51,994	46,520

²⁸² Meredith Baker, John Creedy and David Johnson, *Financing and Effects of Internationalisation in Higher Education: An Australian Country Study* (Australian Government Publishing Service, Canberra, 1996), p.xiii.

²⁸³ Baker, Creedy and Johnson, pp.12,30.

By the late 1990s, New South Wales had become the state with the largest proportion of fee-paying overseas students. The manifestation of this in the NSW economy – compared to other states in the nation – is indicated by the figures for direct gross expenditure for international students in Australia:

Direct Gross Expenditure Estimates of International Students per State and Territory: 1997

New South Wales	\$1.2 billion
Victoria	\$823 million
Queensland	\$572 million
Western Australia	\$448 million
South Australia	\$150 million
Australian Capital Territory	\$67 million
Tasmania	\$40 million
Northern Territory	\$6 million ²⁸⁴

8 REGIONAL HEADQUARTERS

(a) Prior Presence of Multinational Companies

It is clear from the above outline that international companies have long had a presence in Australia. This is understandable, of course, given the overriding importance of overseas investment – fundamentally investment by Britain - in inaugurating production in its colonies in Australia. In the beginning, British investment – in the form of investment in companies – was manifested through investment in land companies and in banks: the Union Bank and the Bank of Australasia (which amalgamated, in 1951, to form the forerunner of the present day ANZ bank);²⁸⁵ the NZ Loan and Mercantile Agency; Dalgety's; Australian Estates; and the Australian Mercantile Land and Finance Company. Subsequently, just before the Great War in Europe, and during the 1920s, British investment began to appear in multinational manufacturing concerns, in Sydney. Some of these, such as Babcock and Wilcox and English Electric, have already been referred to in the earlier part of this paper. Other British multinationals – not referred to above – were also established around this time. In 1901, Lever Brothers, of England established the Sunlight Works, in Balmain, for the production of household soap (and later detergent and margarine). During the 1920s the works were substantially expanded as Lever Brothers merged with the giant Dutch concern, the Margarine Union, to form the multinational company Unilever. In 1902, the British pharmaceutical company Burroughs Wellcome established a works at Waterloo, in Sydney. Nearly 30 years later, at the end of the 1920s, the company considerably expanded its Sydney operations. In 1918, British Australian Lead Manufacturers (BALM) established a large works at Cabarita, in Sydney. Seven or eight years later, in the mid-1920s, BALM developed an association with Imperial Chemical Industries (ICI), of England, to produce

²⁸⁴ Australian International Education Foundation, *1997 Survey of International Students Studying in Australia*, p.107.

²⁸⁵ Holder, *op.cit.*, vol.II, p.898.

“Dulux” paints in Australia.²⁸⁶ Shell Oil commissioned its oil refinery, in Clyde, in 1926.

American companies were also beginning to become established in Australia. As detailed above, both Ford and General Motors established assembly operations in Sydney, during the 1920s. Goodyear Tyre and Rubber Company also came to Sydney in the same decade: establishing operations, in 1927, on a very large site at Granville.²⁸⁷

(b) Drive to Acquire Regional Headquarters

In 1993 the Keating government announced the inauguration of a Regional Headquarters (RHQ) Programme. The scheme is a joint Commonwealth-State initiative currently administered by the Invest Australia arm of the federal Department of Industry, Science and Resources (DISR). The operation of the programme has been outlined by the NSW parliament’s standing committee on state development, as follows: “The primary purpose of the campaign is to promote Australia as an Asia-Pacific location for the regional headquarters of major companies operating in the region.” The committee has subsequently described the initial outcomes of the programme as follows:

In September 1993 the RHQ marketing campaign began in earnest. More than 700 major European and North American companies, with a fully owned subsidiary in Australia and two other affiliates in the Asia Pacific region, were targeted by. . . [DISR] and Austrade. More than 66 of these companies had head offices in Sydney. Many RHQs co-locate with existing head offices which meant that NSW received the lion’s share of RHQ locations in Australia. . . In 1994, following the RHQ campaign launch, the Commonwealth government introduced specific tax and immigration assistance to boost Australia’s attractiveness as an RHQ investment location. These included. . . an income tax deduction for the set-up costs of an RHQ facility. . . a sales tax exemption for used computer related equipment imported by a company to establish data processing-type support services. . . a withholding tax exemption for certain foreign-sourced dividends passed through a resident company to a non-resident shareholder; and. . . an immigration fast tracking service by the Department of Immigration for expatriate management and specialist personnel employed by the RHQ.²⁸⁸

During the first three years of the scheme, according to the standing committee’s report, “More than 250 regional headquarters and/or regional support operations had located themselves in Australia by August 1996. . . On a comparative state basis, 170 RHQs or 67 per cent are located in New South Wales.”²⁸⁹ Currently the total number of companies with RHQs in Sydney appears to be approaching 200.

²⁸⁶ *The National Handbook of Australia’s Industries*, pp.153-4,193,199.

²⁸⁷ *Ibid.*, p.144.

²⁸⁸ NSW Legislative Council: Standing Committee on State Development, *Factors Influencing the Relocation of Regional Headquarters of Australian and Overseas Corporations to New South Wales*, report no.13 (Parliament of NSW, Sydney, 1996), pp.29-31.

²⁸⁹ *Ibid.*

CONCLUSION

A survey of production in New South Wales, observed through the arenas of activity outlined above, indicates some of the extent to which the nature of production has changed in the state over the last sixty-five years. In 1934 the state was still considered to be based, fundamentally, on commodity exports. Yet, even by then, new sectors of activity were already developing which were to overtake the pastoral sector as areas of activity. Finance, insurance, property development and telecommunications had already become established during the nineteenth century. Manufacturing had, likewise, begun to increase in scope, even before 1934.

If any development in production provides an indication of the path that production would take, in NSW, it is the establishment by Qantas of its headquarters, in Sydney, in 1938. The move to Sydney of a company that would later associate itself with some of the most up-to-date features of modern industry, provided an indication of the direction that production in the state might follow. Rather than continuing to concentrate around the pastoral and agricultural industries, production in New South Wales was already demonstrating a capacity to move towards a concentration around the more technically-based, and urbanised, areas of activity.

New South Wales's development, however, has always taken place within the international arena of industry and commerce, and it has been in the course of responding to changes within global production, since the early 1970s, that the present-day emphases in state production have developed. As manufacturing in Australia, in the second half of the twentieth century, both rose in prominence and then subsequently declined – as the fortunes of parent multinational companies foundered both during the early 1980s and later, in the early 1990s – governments in Australia searched for policies towards local production that could respond to the rationalisation of production, worldwide, that those same multinational companies subsequently carried out. In the words of John Edwards, cited above, "Farming and mining account for a large part of our exports and pay for about half of our imports of manufactures. But it is the service industries which account for the overwhelming share of Australian employment and output." During the 1980s, even as the overall area of the service sector was encouraged, there were particular sub-sectors which were able to demonstrate noticeable degrees of expansion. Finance and business services, tourism, and the retail trade showed growth of 7%, 5% and 4% respectively for the ten years from 1982 to 1992.²⁹⁰

Of particular interest is the growth of employment in retailing, which now appears to have become the largest private sector employer in Australia.

As the 21st Century approaches, there remains an imperative to orientate activity into newer areas of production. In a recent item in the press, the current government laid stress on its endeavours to position the State in a leading role in the development of information

²⁹⁰ NSW Premier's Department, *An Overview of the Australian Economy* (NSW Premier's Department, Sydney, 1993), p.8.

technology in Australia.²⁹¹ Associated with the RHQ programme, this may continue to, in turn, increase the profile of the state's production in the Asia-Pacific region.

²⁹¹ "Gates on the Way" in *The Australian*, 4 April 2000, p.23.