 by Robert Barwick

The end of an industrial era

BHP, the "Big Australian" steelmaker, is being reshaped in the image of resource giant Rio Tinto.

A major chapter in Australia's industrial history closed on Sept. 30, when the symbol of Australian heavy industry, the Newcastle steelworks in New South Wales (N.S.W.), was shut down by BHP after 85 years of operation, wiping out 2,500 jobs. At its peak in 1978, the Newcastle steelworks employed 11,555 workers, a number which has now been reduced to just 1,100 workers in rod, bar, and wire mills, processing steel supplied by BHP's Whyalla works in South Australia. Citing collapsing steel prices (which have hit 20-year lows in the past year), BHP Managing Director Paul Anderson announced that the company, until recently Australia's largest, would instead focus on its minerals and petroleum operations. To this end, the company has announced the sell-off of half its remaining steel assets in Australia, putting the 13,000 BHP steelworkers in the country on notice that their jobs are at risk.

BHP has long been the backbone of Australian heavy industry, and its story could be called the "Rise and Fall of Industrial Australia." Started as the Broken Hill Proprietary Ltd. Co. in 1885 to mine the Broken Hill lead, silver, and zinc deposits in southwest N.S.W., it began producing steel in 1915, responding to the impetus created by World War I. Newcastle was chosen as the site of the steelworks because it was the port closest to Australia's busiest coalfields in the Hunter Valley, and BHP decided to ship iron ore more than a thousand miles around the coast from its iron ore mine at Iron Knob, South Australia.

After World War I, the mineral resources at Broken Hill began to run out, and the firm moved more and more into steel, finally consolidating the shift in the decade and a half prior to World War II under the direction of General Manager Essington Lewis. Lewis was legendary for his tough, autocratic management style, and with him at the helm, BHP became Australia's biggest company, and by 1939, it was the world's most efficient producer of steel.

Under Lewis, BHP played the pivotal role in Australia's mobilization for World War II. At the outbreak of war in 1939, Australia's steel industry was the only industry prepared for the demands of war—the firm was producing more steel than the country needed, thanks to Lewis's foresight; as early as 1932, he had been warning of the Japanese threat, warnings which had been ignored.

BHP started an Australian aircraft industry in 1936, and, in 1940, Lewis was placed in charge of Australia's Department of Munitions and given absolute authority to organize the wartime economic mobilization. Over the next five years, Lewis worked an economic miracle: He created a machine-tool industry which functioned so impressively that machine tools went from being Australia's worst wartime weakness to its greatest strength. In turn, this drove the establishment of a myriad of other industries that had never been considered for Australia before the war.

In the decades under Lewis and immediately after, BHP became so dominant as a steelmaker that the fortunes of Australia's industrial sector rose and fell on its performance. Its decline has paralleled the collapse of Australian industry over the past 20 years under the "post-industrial" policies of free trade, cost-cutting, and privatization. In 1997, for the first time in decades, BHP's share price dropped to a point that its mantle as Australia's biggest company (which it held unchallenged for decades) was lost to the National Australia Bank. Finance, not industry, had become Australia's dominant economic sector.

In 1997, after suffering record losses, BHP announced that it would close Newcastle—a symbolic surrender to the forces of "market capitalism." The following year, it dumped its long-serving CEO, John Prescott, who had endeavored to again position BHP as one of the world's biggest steelmakers, and replaced him with Paul Anderson, an American. However, a more significant addition to the board in 1998 was John Ralph, the former chairman and CEO of BHP's biggest competitor in the resource sector, Rio Tinto, the leading company in the British Crown's raw materials cartel. The addition of Ralph to the board has resulted in a virtual takeover of BHP by Rio Tinto, and BHP is becoming more and more structured on the model of Rio Tinto: a multinational resource company, with little or no interest in the type of nation-building that once defined it as the "Big Australian" steelmaker.

Under its new controllers, BHP has also begun to adopt Rio Tinto's union-busting tactics. Known as one of Australia's "union-friendly" companies, and even accused of being run by trade unions, on Oct. 27 BHP signalled a much tougher stance, when its vice-president of human resources, Steven Keogh, told an Industrial Relations Society conference that BHP is "changing the employment relationship," and that it now has no "philosophical or ideological preference" for dealing with unions.