

Port Kembla's Uncertain Industrial Beginnings.

by Erik Eklund

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In 1900 the Public Works Department began work on the eastern breakwater at Port Kembla. Under the Port Kembla Harbour Act of 1898 a deepwater harbour was planned for Port Kembla which would greatly aid the local coal industry, handicapped as it was by the lack of a safe all-weather harbour servicing the southern coalfields. It was also hoped by the State Government, Illawarra politicians and local commercial interests that the harbour would attract new industries to Port Kembla. However, in the first fifteen years of this century the industrial future of the port was far from certain, as new concerns either barely survived or failed altogether.

The large-scale Government works at Port Kembla brought immediate results in terms of attracting private investment. The Mt Lyell Mining and Railway Company opened a cokeworks at Port Kembla in late 1899, utilising coal from the Mt Kembla mine. The Mt Lyell company, a Tasmanian-based mine and smelter, had 50 ovens operating at Port Kembla by November 1899, and a further twelve were added in September the following year. In its first year of operation the works produced more than the Mt Lyell's requirements and coke was sold to 'outside sources'.¹

Despite this reasonably successful beginning, the company endured a number of setbacks in the 1900s. The tragic Mt Kembla mine disaster of July 1902 closed the mine and forced the cokeworks to find other sources of coal. Also, water shortages at Port Kembla placed great strain on equipment, especially when salt water had to be used instead of fresh water.² These setbacks occurred in the context of decreasing demand for coke from Mt Lyell in Tasmania, where new smelting techniques adopted in late 1902 reduced coke consumption in the company's furnaces by over 50%.³ The works survived until 1925, employing between 50 to 100 men.⁴

In 1907 the Dapto-based smelter, Australian Smelting Corporation Ltd, purchased twenty-six hectares of land at Port Kembla from the State

Government, and began relocating their works to the port.⁵ This smelter, sometimes overlooked or confused with the more well known Electrolytic Refining and Smelting Company of Australia Ltd (ER&S), had high hopes that their move to Port Kembla would lead to a new era of profitability for the company.

The smelter was originally established at Dapto in 1895 for the smelting of lead, silver, gold and copper by the Smelting Company of Australia Ltd. After various changes in management and ownership, the works abruptly closed in March 1905. The Dapto company's failure related to its poor access to a seaport,⁶ an expensive sulphuric acid plant constructed in 1903 (which the *South Coast Times* called a 'veritable white elephant'), and increasing competition from German firms.⁷

In 1907 a re-capitalised company with a new Board of Directors began moving the Dapto works to their new Port Kembla site. Many of the Dapto employees transferred with the works, and itinerant labourers were also attracted to the area, so that by March 1907 the company employed 150 men and had thirty drays engaged in construction work. 'Hundreds of people are camped here' reported the *Illawarra Mercury*, and later that month noted that, 'the place was a hive of activity and new arrivals are daily reported.'⁸ In charge of the move was manager A.E. Savage, who had previously worked at the Cockle Creek Smelter near Newcastle. However, a lack of capital and a drop in world base metal prices led to a sudden halt in October 1907, and the Australian Smelting Corporation went into liquidation in January 1908.⁹ As late as November 1908 there was still hope of reforming the company, and its agents searched Queensland mines looking for suitable ores.

The failure of the Australian Smelting Corporation had a severe impact on the labour market at Port Kembla. Scores of men were left waiting for work as rumours and reports suggested that the company would re-form or find the necessary capital. But the men waited in vain and production never began.¹⁰ The only visible reminders of the Dapto smelter's attempt to relocate to Port Kembla was a caretaker's hut, the foundations of a furnace and a cleared and levelled factory site.

The unemployment and dislocation caused by the sudden closure of the Australian Smelting Corporation in 1907 was alleviated by the establishment of a new copper smelter at Port Kembla, ER&S (now Southern Copper). The company was registered on the Melbourne Stock Exchange in February 1907. ER&S was, as the *Illawarra Mercury* put it, 'practically a branch as it were of the wonderful Mt Morgan Company.'¹¹ Mt Morgan, in

partnership with the German firm, Aron Hirsch und Sohn, established ER&S to treat Australian copper- and gold-bearing ore in Australia rather than shipping it to the United States of America. Mt Morgan held two-thirds of the share capital of £150,000, while the rest was held by Aron Hirsch.

Despite the backing of powerful economic interests, ER&S also came close to failure. The Port Kembla site was formally announced in January 1908, and production began the following year employing around 300 to 350 men. By mid-1909 the Directors were considering closure 'till copper market recovery', but prospects for the company brightened in 1910 when a large contract to refine blister copper from the Mt Lyell Mining and Railway Company was secured. This helped ER&S through the early years, and led to the first small profit of £757 in 1912.¹²

The company barely survived its first five years of operation, and its future prosperity was only ensured by the war-time demand for copper, but before the benefits of war-time demand could be enjoyed the company had to deal with the delicate issue of severing its German links with Aron Hirsch und Sohn, something that it was slow to do because of the economic power of the large German cartel and its role as ER&S's sole overseas selling agent. To shorten a long and complicated story, in July 1915 Attorney General William Morris Hughes threatened to declare ER&S an enemy company. Consequently, in August changes were made to the company's Articles of Association to allow for the removal of a parcel of shares held by the estate of the late Siegfried Hirsch, a former principal of Aron Hirsch und Sohn.¹³

Once this issue was dealt with ER&S began to prosper. A profit of £10,742 was recorded for the period October 1914 to October 1915, a dividend was paid to shareholders and additions to the factory costing £45,000 were planned.¹⁴ By 1916 ER&S was the largest copper smelter in the British Empire and had the capacity to produce 30,000 tons of refined copper annually. The company's eventual success and durability ensured the expansion and consolidation of the industrial town, although as we have seen, this was a future that took a long time to secure and suffered numerous setbacks along the way.

Endnotes

1. See General Manager's Report, March 1900, 8, *Mt Lyell Mining and Railway Company Ltd, Half Yearly Reports and Balance Sheets*, Victorian State Library.

2. *Illawarra Mercury*, 8 May 1906.

3. Geoffrey Blainey, *The Peaks of Lyell* (third edition), Melbourne University Press, Carlton, 1967, 152.

4. *South Coast Times*, 11 September 1925.
5. Public Works Department, Annual Report for the year ended 30 June 1907, 58; *Illawarra Mercury*, 2 April 1907 and J.P. O'Malley, *The Old Dapto Smelting Works* (second edition), Illawarra Historical Society, Wollongong, 1968.
6. The Illawarra Harbour and Land Corporation planned a privately-built harbour at Lake Illawarra in the early 1890s which never eventuated. There is some debate as to whether the Corporation was seriously planning construction or whether talk of a harbour was a way of boosting land values in the area. This issue requires further historical investigation, though on my reading of the evidence it appears that the harbour for Lake Illawarra was never seriously considered.
7. See *South Coast Times*, 5 September 1903 for that paper's opinion of the sulphuric acid plant, and *South Coast Times*, 4 March 1905 for the report of increasing German competition.
8. *Illawarra Mercury*, 8 March and 22 March 1907.
9. *Illawarra Mercury*, 1 March 1907 and O'Malley, *The Old Dapto Smelting Works*, 6.
10. *Australian Mining Standard*, 11 November 1908, 524.
11. *Illawarra Mercury*, 19 March 1907.
12. Minutes of Directors' Meetings, ER&S Records, 14 May 1909. For the report on the Mt Lyell contract see Minutes of Directors' Meetings, ER&S Records, 5 September 1910 and *Australian Mining Standard*, 24 August 1910, 195-196. The profit figure for 1912 is from Directors' Sixth Annual Report for the Year ended 31 October 1912, ER&S Records, 31 October 1912. These company records were consulted on site at ER&S. They have since been transferred to the Melbourne University Archives.
13. Directors' Report for the Year ended 31 October 1915, ER&S Records, 29 December 1915.
14. *Ibid.*