THE BACKGROUND BEHIND THE FORMATION OF AUSTRALIAN IRON AND STEEL LTD. AND ITS EARLY HISTORY

Don Reynolds presented a paper at the June Meeting on this topic. He began by outlining the efforts of James Rutherford in establishing an Ironworks at Lithgow in 1876, then detailing how William Sandford produced the first steel in Australia in May, 1900.

Don’s paper then explored the manoeuvres involved in the Hoskins Family gaining control of the Lithgow works and the reasons for the family’s decision to remove operations at Lithgow to another site.

We reprint Don’s paper in full from the point where BHP establishes a Steelworks at Newcastle in competition with the Hoskins Lithgow Works.

BHP entered the iron and steel industry in competition with Hoskins when they opened their new steelworks at Newcastle. The BHP plant was new, it was well laid out, it was on a good coal field for producing metallurgical coke, it was on a tidewater location and it had ample reserves of good quality iron ore, even though the ore was in South Australia. Hoskins had a relatively old plant (much of it very old), the plant was poorly laid out and split between two sites at Lithgow, it had to rail its raw materials and products long distances, it’s reserves of iron ore were small and of low grade and the local coal made inferior metallurgical coke.

The Hoskins’ Family were finding the position anything but promising. In 1916 they purchased the leases of an undeveloped coal mine at Wongawilli and built a mine, coal washery and coke ovens at Wongawilli to supply coke to their Lithgow works. Freight costs were rising and profits were falling. Hoskins realised that if they wished to remain in business in the iron and steel industry they would have to leave Lithgow for a seaboard site.

In 1920 relationships between the Hoskins brothers and their families became strained. After family discussions it was agreed that Charles Hoskins and his family would buy out the interests of the George Hoskins family in G & C Hoskins Ltd. On 30th July, 1920 the name of the Company changed to Hoskins Iron & Steel Ltd. This placed a severe financial and managerial burden on the 69 year old Charles Hoskins. His surviving sons, Cecil and Sid, were being called upon to carry a much larger role in the running of the Company. They were relatively young men at 31 and 28 years old respectively.

In looking for a new site, Port Kembla must have been very attractive to Charles Hoskins. It had a reasonably good deepwater harbour, it was close to a good coal field, Hoskins had an excellent limestone deposit at Marulan and it was closer to the major markets of Sydney and Melbourne than Newcastle was. The only disadvantage was that Hoskins had no good iron ore deposits close by; in any case they would soon be in that position at Lithgow.

Hoskins concentrated on finding new iron ore deposits in Australia. They picked up a number of minor leases in NSW but none were really significant. They acquired a lease of good iron ore deposit in Tasmania but this was going to be expensive to develop. Hoskins stepped up the agitation that numerous people had been doing for many years for the building of a cross country railway from Moss Vale to Unanderra. This would considerably shorten the rail haulage distance for limestone to Port Kembla and for product to the markets in country Victoria.

Charles Hoskins began to look for land at Port Kembla in 1920 and in March 1921 he purchased 162 hectares (400 acres) from the Wentworth estate. That parcel of land forms the present No 1 steelworks and the Steelhaven service shops area. In December 1924 the State Parliament passed legislation authorising the cross country rail line signalling Hoskins to start in earnest planning their new Port Kembla steelworks.
In early 1925, after years of very heavy financial and mental strain the 74 year old Charles Hoskins and his wife, Emily, left on an overseas holiday. Before leaving Charles stepped down as managing director of Hoskins Iron & Steel and his surviving sons Cecil and Sid became joint managing directors and Cecil became chairman.

Charles and Emily returned home late in 1925 and on 14th February, 1926 Charles Hoskins passed away.

In May, 1926 a delegation consisting of Sid Hoskins, Fred Merrett (chief engineer) and Allan Price (chief Draughtsman) left for America to inspect blast furnaces and to select a blast furnace design. At that time North America was recognised as being the world leader in iron and steel making technology. They arrived back home with a blast furnace design and set about laying out a new blast furnace plant complete with ore and products jetty, raw materials plant, power house, pig casting and storage plant, workshops and stores and railways. For many years Hoskins had been laying out possible plans for the new steelworks and were determined that this new plant would not grow like Topsy as the plant they had inherited at Lithgow had.

Unfortunately Hoskins Iron & Steel did not have the cash nor the financial backing to build a new and modern integrated steelworks at Port Kembla. However they did start to build a modern blast furnace plant at Port Kembla; in fact the proposed blast furnace was to be the largest in the British Commonwealth and in the southern hemisphere. Hoskins acquired the sole rights to manufacture and sell spun pipes manufactured by the De Lavaund process in Australia and New Zealand and decided to build a spun pipe plant at Port Kembla.

In 1927 Hoskins Iron & Steel acquired the Yampi Sound iron ore leases in Western Australia that the Queensland Government had obtained about 1920 to supply iron ore to a proposed state owned steelworks at Bowen. That idea was later dropped. Hoskins elected to defer the development of these leases until a later date as a means of minimising capital outlay.

Preliminary work started on the Port Kembla site in mid January, 1926 and in early January, 1927 construction work began in earnest. Hoskins Iron & Steel was still looking for means by which they could convert the new iron making plant into an integrated steel plant. Cecil Hoskins visited the UK in search of support and found two interested partners.

Work was progressing well on the new plant and by early May, 1928 the blast furnace and associated raw materials handling plant, jetty, and power house were in the advanced stages of construction. On 17th May, 1928 the prospectus for a new company to be known as Australian Iron & Steel Ltd was issued with the principal ordinary shareholders being:-

- Hoskins Iron & Steel Ltd, who contributed all their Port Kembla, Lithgow and Sydney plants and their numerous leaseholds, mines and quarries.
- Baldwins Ltd of the UK, who contributed the heavy rolling mills installed in their Margam Works at Port Talbot, Wales. This plant had hardly been used
- Dorman Long Ltd of the UK, who contributed their extensive workshop facilities in Sydney and Melbourne. The Sydney Harbour Bridge Contract was excluded from this agreement.
- Howard Smith Ltd of Australia, who would contribute cash and would act as shipping and interstate selling agents for the company.

Cecil and Sid Hoskins were joint managing directors of AIS and Cecil was its chairman. With the capital and much of the plant secured Hoskins pressed on with the designs of the integrated steelworks in parallel with the completion
of the blast furnace plant.

On 29th August, 1928 the new Port Kembla blast furnace was blown-in by Mrs. Emily Hoskins, Charles Hoskins’ widow.

By mid November, 1928 both Lithgow blast furnaces were shut down and were being dismantled for their scrap value. The markets were looking good and the Hoskins group must have been feeling settled with the first stage of the transfer from Lithgow completed.

The new spun pipe plant was commissioned on 26th June, 1929. This was a real money spinner for Hoskins as the new plant made better quality and longer pipes at lower costs than was possible at their Sydney sand cast pipe plants.

Essington Lewis, the managing director of BHP was viewing the developments at Port Kembla with interest as BHP was in direct competition with AIS for the Australian iron and steel business. He sought permission from Cecil Hoskins to visit Port Kembla and after the visit he invited Cecil and Sid Hoskins to visit Newcastle, which they did. Essington Lewis and the Hoskins brothers thereafter maintained good relations between each other but continued to fight for the available market. There appears to have been some mutually agreed form of rationalisation of products in many areas. In fact AIS had previously signed a ten year contract for BHP to supply Port Kembla’s iron ore requirements from the BHP Iron Monarch deposits in South Australia.

Unfortunately for AIS the Great Depression of 1929 to 1933 had started to depress the demand for iron and steel and the additional funds needed to complete the steel making and rolling plants were not being generated from the predicted sales. The blast furnace was operated on an intermittent basis as demand for products required. Men were laid off during the closures and key operators left contact addresses so that they could be called back when needed. This not only happened at Port Kembla; it was also happening at Lithgow and Sydney. This did not impress the workers and the Hoskins name was not enhanced. Things were not much better at Newcastle but BHP, with it’s much greater financial backing was better able to weather the storm.

Hoskins had major problems. The split between ironmaking operations at Port Kembla and steelmaking and rolling operations at Lithgow was a major operating cost impost. However, they lacked the funds needed to complete the transfer to Port Kembla in the manner initially planned.

Construction of the remaining plant continued but at a reduced rate and in fact it ceased completely for a short period. In order to minimise costs Hoskins, were forced to make many compromises; the most significant being a much greater use of second hand plant from Lithgow instead of new plant as initialy planned. This occurred mostly in the small or merchant mills sections of the plant.

Eventually AIS reached the stage when they could transfer their remaining operations from Lithgow to Port Kembla and they did this swiftly on a shoe string budget. On 8 November, 1931 the first heat of steel was tapped from the Port Kembla open hearth furnace. During the week ended 20 November, 1931 that steel was rolled through the Port Kembla bloom and 36” mills into billets for Lithgow. These billets were rolled in the Lithgow mills on 13 December, 1931. The last rolling of steel at Lithgow took place on the afternoon shift of 18 December, 1931 and on the following night shift a start was made to remove the mill for relocation at Port Kembla.

That was the end of the Hoskins/AIS operations at Lithgow with the exception of the Steelworks Colliery which continued to supply coal to the general steaming coal market. Everything that could be used at Port Kembla was transferred there, the rest was sold or cut up for scrap. Lithgow was devastated by the move; even though it was known for years that it was going to happen. The multiplying effect
of the loss of jobs at the steelworks meant that many business and service people were also laid off. Unemployment was wide and property values fell drastically. Charles Hoskins had for some years been concerned of what effect a complete move of the Company from Lithgow would have on the area. From reading documents and newspapers of the 1920s it seems that Charles somehow hoped that some of the Lithgow activities might remain. The younger Cecil and Sid now had to make the decisions. Signs of an impending recession were evident which possibly hastened the initial move and when the move began the Depression deepened to such an extent that there was no room for sentiment. The people of Lithgow deeply resented Hoskins desertion of them, the second generation of those affected were still bitter. In recent years there is still some signs at Lithgow of the animosity. With the recent start to establish an historical park on the old blast furnace site attitudes are beginning to change. That site some five years ago was a blot on the Lithgow landscape and a reminder of bad times; it is now reasonably tidy and is being restored into something Lithgow can be proud of.

Key Lithgow workers were asked to get themselves to Port Kembla if they wanted work. There was no work in Lithgow and many went on the dole or humped their bluey. Others went elsewhere looking for work but during the Great Depression work was difficult to find. In later months or even years some of them were informed that there was work for them at Port Kembla as more plant was commissioned.

The steam supply system at Port Kembla was not adequate and in the rolling mills many production delays resulted. The rolling plant imported from Margam was much better than the Lithgow plant and not as arduous to operate but the Lithgow mills transferred to Port Kembla were no better to operate than they were at Lithgow.

Times were hard, working conditions were anything but safe or pleasant but the old employees say that serious accidents were infrequent. Bathrooms were not even heard of and toilets were anything but hygienic. Lunch rooms were non existant and at times the men were lucky to even have time to eat their crib. Only senior management could afford to own motor cars to travel to work; public transport was abysmal with only one train at the start and end of each shift and if you had to work back to complete a job you missed public transport. Push bikes were the most favoured means of transport with "shanks pony" the only alternative. Humpies were established near the works by those too poor to rent a home or pay board.

Dave Smith was the all powerful and determined watchman. Dave lived in a cottage on works property near the site of the Cringila clock office. Near Dave’s cottage and on a hill where the present Traffic office stands there was an office where an employment officer would come out most mornings and look over the assembled multitude looking for work. He would pick out a few good workers he remembered or some strong looking chaps and engage them for a few days work if any job were available. The others wandered back to their humpies or home. That was the infamous "hill" the old timers talk about.

These old people speak of these years as "the good old days"; there was good comradeship and they generally respected the bosses; even though they were hard, they were mostly fair.
The Great Depression continued to restrict Hoskins ability to make the Port Kembla Works an efficient plant. In 1933 they managed to scrape some finance together and authorise the building of two new sections of plant. One was the 10/13" mill that was later known as No 1 merchant mill and the other was the sheet mill that was to make black sheet steel and galvanised iron. The sheet mill was to be the first step towards the building of the first tin plate production facility in Australia.

The 10/13" mill was to consist of new mechanical equipment imported from the USA but they made do with second hand electrical equipment scrounged from a variety of locations. If need be, the electrical equipment could be readily replaced at a later date. This new mill went into service on 8th January, 1934 and settled down to reliable operations reasonably quickly.

The sheet mill was a major expansion and a delegation of Bill Mortlock and Fred Merrett went to America to investigate sheet mills and select the major items of equipment.

Not long after the decision was made to build these two new sections of plant signs began to appear of an easing of the Great Depression. The Company began seriously looking at what they should do to make the Port Kembla plant a viable and commercially economic steelworks. A shopping list of projects that should be started as funds became available was drawn up. The Works was very short of spare parts and stand-by equipment. If something broke down a whole section of the works would stop. Sometimes the whole works would shut down because of the failure of a single component. A solution to this problem was high on the list of projects. Throughout the Depression the Company was able to make a profit, albeit small. However, they deferred payment of dividends to their preference shareholders in order to accumulate funds to carry out additional capital work.

The plant continued to give problems when operations began and extensive delays occurred while attempts were made to fix problems. Ultimately about mid June, 1935 a decision was made to cease all work on the sheet mill. This project had proved to be a major drain on the finances of AIS and prevented their speedy return to economic operations.

In April, 1933 a very prominent English steelworks executive was in Australia for discussions with BHP on a proposed project. Before leaving for the UK he had discussions with Hoskins and casually floated the idea that as the Australian market was so small it might be advantageous if AIS and BHP were to merge. Hoskins were not upset about the idea and off-the cuff comments from them indicated that if a suitable arrangement were presented to them they would have to seriously consider it. This was passed on to Essington Lewis by the visitor but nothing further was done. However, the seeds were sown.

Cecil and Sid Hoskins were very proud men, proud of the industry that their father had built at Lithgow and of the visions he had for Port Kembla. Certainly they were battling to establish their Port Kembla plant in competition with the wealthy BHP organisation at Newcastle. They continued to hang on hoping that the improving economic climate might bring them, and the Company they had strived to build, the relief they so desperately needed.

The cross country railway was also another problem that was plaguing Hoskins. It was the subject of a contract between the State Government and Hoskins that both parties had failed to honour. In both cases the Great Depression was to blame Hoskins had failed by far to carry the tonnages over the line that they had contrac-
The sheet mill project was no doubt the straw that broke the camel's back. If that project had gone as hoped, things may have been very different today.

Notwithstanding their proud family ambitions Cecil and Sid Hoskins were realists. The time had come to do something strong but no doubt unpalatable. They realised that the only chance of survival for the Port Kembla Works was to merge with BHP. About mid 1935 Hoskins raised the subject of a merger with their old friend, Essington Lewis.

During a visit to Newcastle Essington Lewis sent a letter dated 5 July, 1935 to Cecil Hoskins inviting Cecil and Sid Hoskins to meet him at Central Railway Station, Sydney on the evening of 27 July. Essington Lewis was changing trains there on his way back to Melbourne and would like to discuss certain matters with Cecil and Sid. Alternatively they may like to visit Newcastle a few days earlier and have the discussions there. To date I have been unable to find evidence as to where that discussion took place but it certainly changed the face of the Australian iron and steel industry. Things moved very quickly from there; the negotiations were very low key and were carried out in a very amiable manner. On 11 November an agreement was signed covering the terms of the merger. The ordinary shareholders in AIS surrendered their shares in exchange for BHP shares on an agreed basis. No offer was made for the preference shares and AIS continued to remain a separate entity. The Port Kembla Works became known as the "Hoskins Kembla Works".

Harold Darling and Essington Lewis were chairman and managing directors respectively of BHP and AIS. Cecil and Sid Hoskins were still directors of AIS. In effect the policy and financial control of AIS was transferred to Melbourne while the day running of the plant rested with Hoskins.

Senior BHP engineers from Newcastle immediately visited Port Kembla and inspected the plant to determine it's potential and to rationalise product mix. The ensuing report was complimentary of the Port Kembla blast Furnace, steelmaking plant and the bloom and 36" mills but was most critical of the others areas. The lack of inbuilt standby capacity and the lack of spares was high on the list of faults. Also was the lack of university trained engineers and metallurgists employed by Hoskins.

BHP reacted quickly. They authorised the expenditure of some 325,000 pounds in late November, 1935 to complete many of the jobs on the shopping list mentioned earlier plus some others arising from their report. That was a large sum of money in those days.
Professional staff were quickly engaged including Frank Mathews, who later became chief engineer, Gus Parrish, who was a foundation member of this Society and later became general manager of AIS.

In March, 1936 an agreement was reached by BHP with John Lysaght Ltd., who were operating a sheet mill and galvanising works at Newcastle, to build a new sheet mill and galvanising works at Port Kembla with twice the capacity of the AIS sheet mill. Lysaghts were also to operate the AIS sheet mill until their new plant was in service. Lysaghts sent key engineers and operators from Newcastle and after minor modifications started to operate the AIS plant on a satisfactory basis. Most of the major items of the AIS sheet mill were transferred to the new Lysaghts Springhill Road plant which started full operations on 9 January, 1939.

Another major step taken soon after the merger was the acquisition of additional land from the State Government. This is the land now occupied by No.2 steelworks, the flat products plant, the Lysaghts plant and all that land bounded by Springhill Road, Five Islands Road and the South Coast railway. Included in the land acquired was the area previously set aside for a State owned steelworks. The steelworks land holding increased from 160 to 800 hectares (400 to 2000 acres).

A major expansion programme for the Port Kembla Works was soon put in place. This consisted of a new blast furnace, a new set of by-product coke ovens, expanded steelmaking facilities, a new rolling mill and major services facilities.

The new coke ovens plant was lit on 9 October, 1937 and pushed it’s first coke in January, 1938.

The new blast furnace was blown in on 14 May, 1938.

Other new plant and uprating programs were quickly completed.

No sooner was the merger completed and the fruits of it’s labour harvested than World War 2 upset the normal commercial and industrial activities of the country. The steel industry was quickly mobilised to supply iron and steel to the emerging Australian munitions industry.

Essington Lewis was appointed by the Commonwealth Government to the powerful and important position of Director General of Munitions and he in turn appointed Fred Merrett as his chief engineering advisor. To cater for the demands of war an electric steel plant was built at Port Kembla and the old sheet mill building was converted into a heavy forge shop. The Port Kembla workshops built machine tools, marine engines and many other munition related projects.

If Hoskins had attempted to build that Port Kembla works today they would not have got even got to first base. They chopped down trees, scarred the hill where the blast furnace was built, polluted the atmosphere with dust from the furnaces and boilers, polluted Allans Creek with the dust washed from the blast furnace gas and rubbish flushed down the works drains and they made a terrible din. But Hoskins were not alone in that regard; industry in general in that era did similar things all over the country, in fact all over the world; it was par for the course.

The amenities for workers everywhere were basically non existent in those days except for very rudimentary toilets. Transport to country industries was very poor; you progressed from walking to a push bike, to a horse but for mere workers, never a car.
Today we take things for granted far too often. It does us good to look back at what our forebears did and had to put up with before we start grumbling.

John Devitt of Bulli and a former long serving rolling mill operator at the Steelworks, has written a fascinating history of the Port Kembla works and the rolling mills in particular. Jack's story is largely about people who worked on the plant and the hardships they incurred. It is an excellent story and it is expected that it will be published in the near future.

The history of the Port Kembla Steelworks is complex but interesting. It is good to know that the Company has an excellent photographic record of the Works growth. At the BHP Archives in Melbourne a large collection of correspondence, records and reports has been gathered and collated covering the total BHP operations, including the Lithgow and Port Kembla Works. There is considerable activity within the Company and others such as the National Trust to see that the history the Port Kembla Steelworks and it's employees is conveniently recorded for all to see.

I appreciate the encouragement given me by the management of the Port Kembla Steelworks and the National Trust in researching this history. I also wish to thank Jack Southern, John Devitt, Matt Hogan, Ern Falkener and BHP Archives for the assistance given in obtaining the background information for this talk.

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