13

PORTFOLIO REVIEW 1975–1981

The decade of the 1970s presented a range of external influences, mostly negative, for Consolidated Gold Fields Australia (CGFA) and its main investments. Global economic challenges associated with the first oil shock and the global economic recession that followed between 1973 and 1975 had an adverse impact on the demand for minerals. In Australia, a Commonwealth Labor Government adopted a nationalistic approach to resource ownership. Inflation was rampant, costs increased and interest rates rose. Domestic and market pressures for the Australian group were overlaid by challenges for the British parent, which had a combative shareholder on its register from the early 1980s that would manifest in an acrimonious takeover attempt in the late 1980s. Quite apart from the external pressures, it was evident that the CGFA portfolio had various inherent structural deficiencies.

CGFA's financial position highlighted concerns about the structure of the portfolio, most notably the extent to which CGFA as the majority shareholder in other companies could influence its investments and, in turn, its own cash flow and balance sheet characteristics. The initial model of investing in a range of companies had the advantage of enabling CGFA to establish a rapid presence in Australia by spreading its investments over a number of mining companies and minerals and, in some cases, manufacturing. This spread was thought to provide a degree of protection from a downturn in the commodity price in any one. The lack of total ownership of subsidiaries also enabled CGFA to maintain 'something of an Australian appearance'.[1] Since 1973, however, it had become apparent that this business model had inherent deficiencies. The triggers for a review related, in part, to the decline in the financial contribution from Mount Goldsworthy, compounded by depressed prices for copper, mineral sands and tin that led to budgetary forecasts in 1975 and 1976 for 'zero profit for CGFA for two years and, possibly, no dividend for those years'.[2]

In 1976, earnings declined by 62 per cent to $2.8 million before a $4.2 million loss was recorded in 1977 (see Chart 4). CGFA dividends halved from 12 cents in 1975 to six cents in 1976 and remained at this level in each of the subsequent two years. Mount Goldsworthy, Mount Lyell and Gunpowder were loss-making, while market conditions adversely affected the performance of Associated Minerals Consolidated (AMC) and Western Titanium. The manufacturing investments of Zip Holdings and Lawrenson Alumasc Holdings were not material to the group's earnings or cash flow, while other ventures, in the case of Colinas, Lion Properties and North-West Acid, were financial disappointments. Bellambi, which, like iron ore, had wider issues to contend with and was circumscribed in terms of its access to new deposits and challenged by regulatory and financial burdens, made a useful financial contribution, with the exception of 1975. Renison remained the one solid contributor to CGFA's financial performance, making an operating profit after tax of $4 million in 1975 and $3.3 million in 1976.

The 'declining profit picture' was compounded by other financial constraints, including the limited ability to borrow, an absence of control over the cash flow of subsidiaries and no 'unarguable right' to direct capital expenditure or the dividend policies of the companies in which it was invested.[3] There were inefficiencies in terms of board representation on what were eight operating company boards, two joint ventures and 13 lesser subsidiary companies. The work of directors was onerous and some assumed quasi-managerial roles.

1 Consolidated Gold Fields Australia Limited, 'October 1975 Review and Proposal, October 10, 1975', p. 1, Renison Goldfields Consolidated Archives (RGCA), Box 12301, RGC 9287/04.
2 ibid., p. 18.
3 ibid., p. 9.

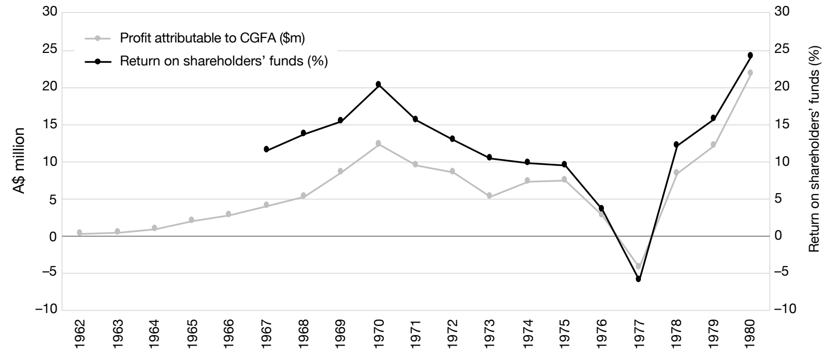

Chart 4. Consolidated Gold Fields Australia financial performance, 1962–1980.

This chart shows attributable profit, after tax and extraordinary items, for CGFA. Return on shareholders' funds is shown for 1967–1980 (data for 1962–1966 was not available). CGFA commenced operations in 1960 and in 1966 gained Australian shareholding. The chart shows the decline in profitability and return on shareholders' funds during the 1970s, before a recovery in the late 1970s. See Appendix 4 for more information.

Sources: Consolidated Gold Fields Australia Limited, 'Prospectus', 1974 (University of Melbourne Archives (UMA), 1974.0092); CGFA annual reports, 1967 to 1980; Renison Goldfields Consolidated, *Report on the 1981 Financial Year*.

Furthermore, while CGFA sought the application of standard procedures within its subsidiary companies, no meaningful benefits were able to be achieved through the adoption of common procurement or contracting procedures. In areas such as marketing, personnel training, specialised engineering, insurance and finance, efficiencies and shared capabilities were also unable to be achieved. CGFA's 68 per cent foreign ownership at a time of increasing resource nationalisation was also emerging as an impediment to the company's ambitions. It created constraints on its expansionary plans, especially in the context of opportunities for joint venture arrangements, diminishing CGFA's level of involvement in new projects and limiting its funding ability. CGFA's borrowing capacity was also limited based on its major assets being shares in partly owned subsidiaries.

Brian Massy-Greene believed that while the group structure 'had served [CGFA] well in the past' there were clear reasons for a review, associated with diminishing returns from iron ore and Gunpowder Copper, the scale of investment required for new projects, and the inability to deploy surplus funds from subsidiaries or to 'adjust dividend flows' or apply 'capital rationing'; quite apart from the attitude of both the Commonwealth and state governments to a majority foreign owned company.[4] The consequence was that CGFA's position to fund projects, either by equity or debt, was 'extremely limited', inhibiting growth opportunities, with an inability to utilise the tax benefits of losses from one subsidiary against profits from another and a limitation on paying dividends to the level expected from overall profits.[5] Conflicts of interest were also evident between the multiple companies, some of which operated in the same industry. This was most markedly the case in mineral sands. CGFA's two main mineral sands investments, AMC and Western Titanium, often acted at cross purposes. An internal CGFA document noted:

> The conflict of interest is seen at its worst … where the two companies independently vie with one another in the market. Not unexpectedly one attempts to achieve sales at the expense of the other … The … situation is worsened by the inhibitions that prevent the free interchange of technical expertise—the optimization of the use of resources, processes and people.[6]

Furthermore, both companies were seeking to develop a technology to beneficiate ilmenite; a process that Western Titanium was more advanced in than AMC.

A 1975 company report determined: 'The nature of the constraints is such that they will intensify rather than recede with time. The conclusion must be that as presently constructed, CGFA's visible potential for further growth is severely restricted'.[7] In the context of these considerations, the position of Mount Lyell was viewed as 'extremely critical', with adverse movements in the copper price necessitating a survival plan—the Prince Lyell Extended Plan—as well as government financial support for the continuation of the operation. For mineral sands, the financial challenges associated with sector cyclicality and debt levels were also apparent.

The capital requirements of parts of the portfolio were also a cause for concern. As early as 1971, with an estimated requirement of $40 million of expenditure over five years, the challenges were serious enough for Massy-Greene to hold a meeting with the prime minister to seek a relaxation of Reserve Bank guidelines for additional borrowing. The company had recently acquired a 70 per cent interest in the Gunpowder mining

4 ibid., p. 1.
5 ibid., p. 2.
6 ibid., p. 17.
7 ibid., p. 15.

complex from its liquidators for $6 million. This expenditure, associated with falling metal prices, lower demand and the Australian currency crisis, had placed 'a strain on C.G.F.A.'s funds'.[8] CGFA was required to obtain a standby financial facility of $5 million in 1972 to meet its immediate financing requirements. All of these factors generated a need for fundamental reassessment of the portfolio structure and business model, of which the major issue was holding majority, as opposed to outright control, of subsidiaries.

In 1976, the group profit in the United Kingdom declined by 34 per cent. Of the decline in total revenues by GB£9 million, mining revenues declined by over GB£8 million. The Australian arm of the group was a major contributor to this decline and 'a cause for concern' to the parent to the extent that the Australian company 'being rationalised' was considered warranted.[9]

While CGFA's strategic considerations were informed by a management analysis in 1975 of the inherent inefficiencies of the business model that had evolved from the early 1960s, the potential solutions to such inefficiencies were multifaceted. Underlying a range of considerations was a view of 'divisionalisation': that control of 100 per cent of the cash flow, management and operations of its subsidiaries would be a more effective business model. However, CGFA was not a fully independent entity; the views of its major shareholder were influential and several courses of action proposed in Australia were not supported by the board in London. A proposal from London to increase its share ownership of CGFA entered the consideration at one stage, including a move back to 100 per cent ownership. Furthermore, the challenges facing the parent, not least associated with a combative major shareholder on its register, influenced the dynamics for the Australian company, as it would later, when Hanson acquired Consolidated Gold Fields in the late 1980s.

The proposal raised by an internal review of the CGFA structure was for the main operating subsidiaries of the company to become 100 per cent owned in a new structure, which would in turn result in Consolidated

8 Consolidated Gold Fields of Australia Limited, 'Minutes of Meeting of Directors', 22 December 1971, p. 1, RGCA, Box 12248, RGC 11576; Prime Minister's Department, 'Consolidated Gold Fields Australia Limited, Group Finance', 26 February 1972, p. 2, National Archives of Australia, 72/492.
9 Consolidated Gold Fields Limited, *89th Annual Report 1976*, p. 8.

Gold Fields' interest reduced. In correspondence with the chairman of Consolidated Gold Fields in the United Kingdom in 1975, Massy-Greene conveyed the situation as follows:

> The Australian Group has reached a critical decision point in its history … we see that we are now constrained to such an extent that the future of C.G.F.A. itself is bleak and the prospects for the subsidiaries are at best very slow growth, and at worst, say in the case of Mount Lyell, extinction.[10]

Massy-Greene was 'strongly of the view' that a restructuring remained necessary, with other directors supporting the concept although, according to one, it would first be necessary for CGFA to 'endeavour to get rid of the loss makers in the Group'.[11] According to Massy-Greene:

> The alternative, that is to continue on our present path of being vulnerable and constrained because of our financial weakness, government policy and intra group conflict, could lead to a gradual contraction of the Group with C.G.F.A. itself becoming a rather uninspiring holding company for a generally rather unexciting group of subsidiaries … I regard the question of the inadequacy of the Group structure and our proposal to overcome the problem as the most important matter to have arisen since your original Australian investment decision.[12]

The Australian management and directors were diligent in their consideration of the options available to the company. A rationalisation of investments occurred: the sale of Mount Goldsworthy, the merger of AMC and Western Titanium, the sale of Mount Lyell's shareholding in Renison, the divestiture of Zip Holdings, the sale of the interest in OT Lempriere and the willingness to pursue the divestment of Colinas and Lawrenson Alumasc Holdings. A sale process for Bellambi Coal took place and the sale of most direct share investments occurred between 1975 and 1976. More fundamental structural changes were contemplated, including whether to retain an interest in mineral sands, while work commenced in 1975 on what was referred to as a 'special project'.

10 Consolidated Gold Fields Australia Limited, Correspondence from JB Massy-Greene to JD McCall, Chairman, Consolidated Gold Fields Limited, 22 October 1975, p. 2, RGCA, Box 12301.

11 ibid.

12 ibid.

Despite these measures, the London group's financial challenges and its disquiet at the capital allocation skills of its Australian subsidiary became manifest in a lack of confidence in and subsequent actions to replace Massy-Greene as managing director. What was seen as Massy-Greene's level of independence and desire to support the interests of Australian shareholders, relative to the London parent, did not aid his standing. At an Australian board meeting in March 1976, a Consolidated Gold Fields director, Gerald Mortimer, to become group chief executive from July 1976, was asked to state the position of the London board. The board minutes recorded:

> Mr. Mortimer stated that the critical point had come about a year ago when it became increasingly clear to CGF that CGFA was headed for a severe downturn … Mr. Mortimer stated that the problem as London sees it is, fairly simply stated, that they no longer have confidence in the leadership of the management here in Australia … [with] no alternative but to ask for a change of management.[13]

It was proposed that Bart Ryan, an Australian although then a London director and deputy chairman, take up the role of CGFA's managing director, with Massy-Greene to continue as chairman.[14] As Lord Denman, a Consolidated Gold Fields London director conveyed, the situation was that the loss of confidence in Massy-Greene was 'only [in] the management function of the Chairman' and not in his role as chairman.[15]

Massy-Greene refuted the position taken by the Consolidated Gold Fields London board. The board minutes record that:

> [Massy-Greene] felt very strongly that the management of CGFA must be, and must be seen to be, in the hands of the Australian Board and if there is to be a change in management, the initiative for that has to come from Australia. There is no way in which CGF London can properly take a decision and simply hand it to the CGFA Board as a fait accompli and on a no debate basis.[16]

13 Consolidated Gold Fields Australia Limited, 'Minutes of Meeting of Directors', 24 March 1976, pp. 2 and 4, RGCA, Box 12246, RGC 11588.

14 ibid., p. 4.

15 ibid.

16 ibid., p. 5.

A spirited board-level discussion ensued. Each of the other directors of CGFA expressed their concerns with the approach of the London board, as well as the professional slight to their Australian colleague, although one, at least, appreciated the consequences of a lack of confidence in Australian management. Sid Segal expressed the following sentiments, as recorded in the board minutes:

> He agreed with Sir Ian Potter that life in Australia had been very difficult for a considerable period of time and referred to the attitude of the previous Government; the fact that CGFA was a so-called 'foreign company'; the difficult situation in the metal markets overseas and the extraordinary escalation of costs. All in all, it had been a very tough row to hoe. Whilst those are the facts and whilst they are exculpatory, if confidence has been lost, this is a fact of life and one must look for a remedy. Mr. Segal said that he was appalled as a member of the team which had built a company of such high reputation that things should have come to this pass but he expressed the hope that the Board could find some way of overcoming the problem, hopefully under the Chairmanship of Sir Brian.[17]

Massy-Greene's interpretation of events, after listening to the views of his fellow Australian directors, was recorded as follows:

> The Chairman then stated that the London Directors would have seen from the foregoing discussion that the London proposal would not be carried by the CGFA Board if that Board decided to test the matter. If that decision were taken, there would be a very serious situation.[18]

A serious impasse between the two boards of directors was avoided when Massy-Greene stipulated he would relinquish the managing directorship but only if terms acceptable to him were reflected in an amendment to his contract. Terms were agreed. Massy-Greene received a retirement allowance of $400,000, a car with garaging facilities, an office and a private secretary in addition to his ongoing director fees. Given the magnitude of this payment, relative to the salary package of the incoming managing director of $50,000, there were director concerns about whether this arrangement might require notification to the stock exchange.

17 ibid., p. 6
18 ibid., p. 7.

The payment, to be referred to as an 'emolument', was paid in part by CGFA and in part by the British parent. *The Bulletin* commented on the 'unusually heavy "golden handshake" ', which represented 22 per cent of the total dividend payout of $1.6 million paid by the company in that year.[19]

Ryan was appointed managing director. Initially, it was a strained environment within Gold Fields House. The relationship between Massy-Greene and Ryan had already been tense with Ryan directed by his London colleagues to take a role in reviewing some of the problem investments in the portfolio, including by assuming the directorship of Mount Lyell. At a retirement function for a long-serving executive, Douglas Ainge, tensions came to the surface. With wives of the executive group present, the normal practice was not to commence smoking until after the Royal toast had been made. At the suggestion of one of the wives, who was keen to light a cigarette, Ryan stood up and proposed the Royal toast. Massy-Greene did not stand and was visibly annoyed at what he considered the usurping of his role. Massy-Greene stood, saying that Mr Ryan did not understand it was his role as chairman to propose the toast, which he duly did and then left the function. Massy-Greene had to be coaxed back to the function by his colleagues, with Ryan agreeing to leave.

Massy-Greene did not stand for re-election as a director at the annual general meeting in 1976 and Segal, the long-serving executive and director, and a man described as 'unreserved … with a ready-wit and a quick mind' assumed the role as chairman.[20] Changes in board representation and management also occurred in London. Donald McCall retired as chairman and chief executive officer in London in 1976 and Mortimer assumed the role of group chief executive.

19 *The Bulletin*, 6 November 1976.
20 *The Australian*, 5 June 1977.

Figure 42. London Board of Directors of Consolidated Gold Fields, 1977, after a change in management in both London and Australia; Rudolph Agnew third on left, Bart Ryan fifth on left.

Source: Image courtesy of Jillian Segal.

…

There followed a comprehensive review of the strategic options available to the Australian company. A range of portfolio restructuring alternatives were considered, some with the input of external management consultants. These considerations related both to the efficacy of the diversified business model and some of the individual major investments. In relation to the former, while there was no change in the group's philosophical support for a diversified business model, there was at one stage a willingness to contemplate the abandonment of this model, even if only temporarily. The more fundamental issue was how the current portfolio of diversified interests was owned and managed and the utility of the approach in having majority interests, as opposed to outright ownership of subsidiary companies. There were concerns with individual assets—as has been described—the most notable of which were Mount Goldsworthy, Mount Lyell and the company's mineral sands investments, although Gunpowder and Bellambi also had specific issues. The considerations related to the maturity and cost-competitiveness of some investments, the level of capital employed or required to be deployed, the ability of the group to fund this investment, the implications for the balance sheet and the likelihood of generating adequate returns.

One view as to how the portfolio might be restructured included the radical concept known as the 'Renison scheme'. This, in effect, contemplated disposing of all assets except Renison. Board minutes in 1978 described the proposal as follows:

> The concept was being examined of implementing the Renison proposal; selling the Company's interests in Bellambi, AMC, Pancontinental and the poplar project [Colinas], the result of all of which would be that CGFA's assets would comprise [a] 52% direct … interest in Renison, plus about $60 million in cash. This would make CGFA a very attractive vehicle for a merger into an Australian company and would provide a strong base from which to grow.[21]

The approach, undertaken either individually by CGFA or through a merger with Renison—which at one stage was contemplated to involve Utah Mining Australia—was believed to provide the potential to control the cash flow of the best asset in the portfolio. The associated cash proceeds from the sale of other investments were seen as sufficient to allow the company to start over again as a mining company or contemplate a merger with another minerals company in Australia.

In this regard, given prior considerations and the parent's shareholding in the company, North Broken Hill was a prime contender. Michael Beckett, a London executive director who had joined the Australian board, confirmed Consolidated Gold Fields' acceptance in principle to a dilution to 30 to 35 per cent in the parent's interest in any such joint venture. The reverse takeover of Renison was investigated and involved discussions with the Tasmanian Government in terms of stamp duty relief associated with such a transaction. Eventually, the concept of a reverse merger of Renison with CGFA was thought to have a low likelihood of success. In its place, a joint venture with Utah to establish majority ownership in Renison came under consideration. On 9 August 1979 a special meeting of CGFA directors was convened. The original purpose of the meeting was to consider a merger with Utah. While the prospect of this merger had

21 Consolidated Gold Fields Australia Limited, 'Minutes of Meeting of Directors', 17 May 1978, p. 10, RGCA, Box 12246, RGC 11590.

receded by the time of the board meeting, the two companies remained in contact in relation to a takeover of Renison. Advice was provided to the board on the likelihood and practicability of this course of action and, based on this advice, the reverse takeover concept was shelved.[22]

Apart from the Renison scheme, there was consideration as to how individual parts of the portfolio may change. Many of the options pursued—the Renison scheme, the merger with Utah, the aggregation of minerals sands interests with other companies, and the divestments of smaller assets and investments—came up against market reality. Contemplated transactions proved impracticable, other parties were not willing to become involved in the CGFA strategy, and investments that were loss-making or had other inherent deficiencies could not readily be sold. In mineral sands, it proved more practicable for CGFA to adopt the role of 'aggregator', as a means to effect greater efficiency in the industry, rather than this role being played by others as CGFA had sought to encourage. Further, as a cyclical business, market conditions improved; this was the case for mineral sands as well as Mount Lyell, which paid its first dividend since 1975 in 1980. In fact, CGFA declined an acquisition offer for Mount Lyell on the basis of 'the fact that Mount Lyell had been in dire straits was no reason to jettison it now when the company had clearly become much more viable'.[23]

With market recovery came a rekindled confidence that a leaner business could now display more attractive financial characteristics. Furthermore, new interests had been secured. While the period from 1976 to 1980 was one of the most quiescent in terms of new investments by CGFA, a one-third interest in the large Porgera gold deposit in Papua New Guinea and the acquisition of a mineral sands dredge-mining operation in Florida provided new sources of cash flow.

The board considered multiple strategic options, which included the acquisition of the minority interests in AMC and in Mount Lyell. Reflecting the multifaceted nature of the board's strategic considerations over the decade, a board paper in July 1979 recommended the abandonment of 'efforts to find a single solution to all the Group's structural problems' and instead pursue a series of individual steps with the expectation

22 Consolidated Gold Fields Australia Limited, 'Discussion Draft, Board Papers—September 1979, Review of Group Strategy', p. 4, RGCA, Box 12272.

23 Consolidated Gold Fields Australia Limited, 'Minutes of Meeting of Directors', 22 February 1978, RGCA, Box 12246, RGC 11590.

of a similar outcome.[24] The options considered by the board had led to asset divestments, but solutions related to its main investments, including AMC, were no closer to resolution. The acquisition of minority interests now appeared the favoured course of action. A plan for a scheme of arrangement would be progressed that would facilitate a naturalisation process for the subsidiaries of CGFA.[25]

However, it became apparent that the potential use of CGFA's scrip to acquire minority interests would result in a consequential reduction in the holding of its parent company. This was not viewed favourably by Consolidated Gold Fields in London. At a discussion by the CGFA board in November 1979, the chairman stated that the company had been looking at 'divisionalisation' but that the concept had run up against the parent's 'dilution problem'.[26]

The views of the London board were communicated without ambiguity. Two London directors, including Rudolph Agnew, submitted a paper to the Australian directors. The content of the paper recognised the constraints imposed by the minority shareholdings on management actions and that advancement of the CGFA business had been 'locked into a circumstance of stalemate'. Furthermore, while it acknowledged there was no 'lack of imaginative efforts … to disentangle this putative structural flaw', the authors of the paper, on behalf of the London board, could not support a dilution of its 70 per cent shareholding.[27]

Agnew's paper recorded:

> CGF has been reluctant to endorse proposals which would have the effect of reducing its interest … below the present 70 per cent level. This was not because of pig-headed determination to hang onto 'control' for its own sake, but because CGF felt no assurance that CGFA had developed concrete long term plans which would lead to secure, successful and growing business …

24 Consolidated Gold Fields Australia Limited, 'Minutes of Meeting of Directors', 26 September 1979, p. 5, RGCA, Box 12272.
25 Consolidated Gold Fields Australia Limited, 'Minutes of Meeting of Directors', 23 April 1980, RGCA, Box 12260, RGC 11517.
26 Consolidated Gold Fields Australia Limited, 'Minutes of Meeting of Directors', 21 November 1979, p. 2, RGCA, Box 12272.
27 Consolidated Gold Fields Australia Limited, 'Mr Agnew and Mr Wood to the Directors, The Shareholding Structure of the CGFA Group' in 'Board Papers—November 1979', p. 1, RGCA, Box 12272.

> While convinced that it is essential to resolve, as soon as possible, the identity crisis which is demoralising CGFA and fragmenting its directors, it is our belief that there is little wrong with CGFA's basic shareholding structure.[28]

Instead, the paper went on to propose that the British shareholding be maintained at 70 per cent, if not increased to 75 per cent. The novel proposal was that if the interests in subsidiaries were reduced to 52 per cent and if the Australian Government would be prepared to consider them 'naturalised' under foreign investment guidelines, then the British parent's ownership would, as a result, not exceed 40 per cent. Under this arrangement: 'should FIRB [Foreign Investment Review Board] … so rule, we could commit that future CGFA operations would be similarly naturalised once the development stage had been passed', and if this was not forthcoming, Agnew suggested that the shareholding could be reduced in subsidiaries to 49 per cent. The exception was Renison, which would be maintained at 52 per cent, to enable all options to be kept open 'on this most important source of earnings and cash flow'.[29]

The proposal created consternation, if not confusion, among the Australian directors. Consideration of the ownership structure of CGFA was occurring at a stage when Consolidated Gold Fields had come under a share ownership threat from the Anglo American–affiliated company, Minorco. Alluding to the challenges that the British company was experiencing with Anglo American as a shareholder and potential acquirer, Segal suspected:

> That there was much more to the proposal than appeared. That would tie in with what C.G.F. was trying to do with its own shareholders whose support it was trying to enlist as the best method of repelling 'the Hun at the gate'.[30]

The legal firm Schroder Darling on behalf of Consolidated Gold Fields, had made a submission to the Foreign Investment Review Board (FIRB) in early 1980 undertaking that CGFA's three main listed subsidiaries—Renison, Mount Lyell and AMC—would be naturalised, or at least owned

28 ibid., p. 2.

29 ibid.

30 Consolidated Gold Fields Australia Limited, 'Minutes of Meeting of Directors', 21 November 1979, p. 5, RGCA, Box 12272. Segal was referring to the Minorco shareholding in Consolidated Gold Fields and the uneasy relationship with this Anglo American–owned company.

51 per cent by Australian shareholders within three years.[31] Astonishingly, the approach by Consolidated Gold Fields to the FIRB had not been advised beforehand to the CGFA board. The board on 23 April 1980 recorded the following:

> A very long discussion ensued during which some Directors queried the advisability of C.G.F. moving in the proposed direction and expressed the view that if such a move were to be made a share offer by C.G.F. would probably be easier to recommend than cash. Mr. Beckett [a Consolidated Gold Fields director and group managing director] said that having regard to recent events in London this now seemed to be less likely to be possible but that [Consolidated Gold Fields'] attitude was not fixed and the Board was of the view that this alternative could be explored.[32]

Given the potential for a higher share ownership of CGFA by Consolidated Gold Fields, an independent adviser—Capel Court—was appointed to determine a fair value for the CGFA shares. Within three months it was apparent that Consolidated Gold Fields was now envisaging moving to 100 per cent ownership of CGFA. Again, direct soundings had been taken with the FIRB, much to the chagrin of the Australian directors. While the FIRB appeared willing to entertain the original proposal of 75 per cent ownership of CGFA by Consolidated Gold Fields, its potential move to 100 per cent ownership elicited the view that Australianisation 'was a rare privilege and one which it was inappropriate to confer in this instance'.[33] The directors of CGFA were appraised that if there were to be a move to 100 per cent ownership it was likely that the FIRB would seek CGFA's shareholding in the three main subsidiary companies to be diluted, such that the 'minimum acceptable level of dilution so far as F.I.R.B. was concerned would be such as would ensure that foreign ownership of the subsidiaries did not exceed what it would have been had C.G.F. owned 75% of C.G.F.A'.[34]

The London parent was experiencing considerable disquiet about the direction and possible independence of the Australian directors and management. It rankled London directors that a majority owned

31 Consolidated Gold Fields Australia Limited, 'Minutes of Meeting of Directors', 23 April 1980, p. 2, RGCA, Box 12260, RGC 11517.

32 ibid.

33 Consolidated Gold Fields Australia Limited, 'Minutes of Meeting of Directors', 25 June 1980, p. 4, RGCA, Box 12260, RGC 11517.

34 ibid., p. 3.

subsidiary displayed a degree of independence that may not accord with their perspective. Likewise, London was concerned with the performance of some of CGFA's underlying subsidiaries, most notably AMC, which Agnew stressed had to be placed on a 'sound basis' for the future.[35] Also, as Segal intimated, London saw a value in having a higher shareholding in, if not outright ownership of, CGFA to prevent any possibility of Minorco or Anglo American acquiring a significant shareholding in CGFA, thereby frustrating their overall attempt to acquire control of Consolidated Gold Fields.

The cross directorships between CGFA and Consolidated Gold Fields created an interesting situation for some directors. Ryan, as managing director of CGFA, was also a director of the London board. He informed his fellow directors in Australia that he had advised the FIRB that Consolidated Gold Fields would not be prepared to see its interest in the subsidiaries reduced to below 49 per cent. This elicited the response from one of the other CGFA directors that Ryan should make it clear in his dealings with the FIRB that he is 'acting for C.G.F. and not C.G.F.A.' and that he 'had no authority from the C.G.F.A Board on the matter'.[36] Ryan expressed his own view that the British parent should not proceed with its approaches for increased ownership of CGFA. In his view, it ran the risk of a rejection that would damage CGFA's relationships with the Australian Government. The following month Ryan could advise on 'a weakening of London's insistence that it would not wish to see its stake in the Company reduced'.[37]

Agnew planned to travel to Australia to attend a board meeting to discuss the situation with the Australian directors in early 1980. However, events in London intervened. A minority stake had been acquired in Consolidated Gold Fields by various nominee companies of De Beers, part of Harry Oppenheimer's controlled Anglo American group. Then on 12 February 1980 the holding increased a further 15 per cent, bringing Anglo American's total holding in Consolidated Gold Fields to over 25 per cent. Given these events, Agnew's planned discussion with the Australian directors remained in abeyance.

35 Letter from RIJ Agnew to SL Segal and BC Ryan, 12 December 1979, RGCA.

36 Consolidated Gold Fields Australia Limited, 'Minutes of Meeting of Directors', 25 June 1980, p. 4, RGCA, Box 12260, RGC 11517.

37 Consolidated Gold Fields Australia Limited, 'Minutes of Meeting of Directors', 23 July 1980, pp. 2–3, RGCA, Box 12260, RGC 11517.

In the context of the share ownership challenges of Consolidated Gold Fields and varying views of the structure and ownership of CGFA's direct investments, a change in the board and management structure of CGFA occurred in 1980. At the meeting of directors in July 1980, Max Roberts was appointed deputy chairman of CGFA at the directive of group chief executive, Agnew. Roberts, an Australian, had turned 60 and reached the statutory retirement age at Burmah Oil in the United Kingdom. He was well known to a number of the Consolidated Gold Fields' directors and was recognised as having overseen a complex process of portfolio reconfiguration at Burmah Oil. He was viewed as the man to oversee the next stage of CGFA's evolution. Roberts's role at CGFA entailed executive responsibilities before his planned move to the role of chairman and interim chief executive.

Ryan had effectively been replaced and he indicated his intention to resign as managing director at the end of the year. Ryan had been a rising star in Gold Fields, serving as general manager of both Renison and Mount Goldsworthy before moving to London to serve as an executive director and joint deputy chairman from December 1972 to May 1976. He and Agnew were contenders for the role of chief executive officer and chairman of Consolidated Gold Fields. While Ryan stepped down as Australian managing director, he remained a director of CGFA until 1982, and was retained as a consultant to Consolidated Gold Fields.[38] Segal also indicated his intention to step down as chairman and did so at the October 1980 board meeting, becoming deputy chairman to allow Roberts to assume the chairmanship.

In December 1980 Roberts reported to his CGFA colleagues on discussions in London where agreement in principle had been achieved to the concept of Australianisation, whereby majority shareholding would be provided to Australian investors. Consolidated Gold Fields' interest would reduce to about 46 per cent. Consolidated Gold Fields expressed its desire to maintain its direct investment in North Broken Hill and Mount Goldsworthy, separate to the new Australian-listed entity. Roberts indicated there was now 'an acceptance by C.G.F. that if Australianisation did not occur, the Australian Group had nowhere to go'.[39]

38 At the RGC board meeting of 26 August 1982, it was recorded: 'Mr. Ryan responded by expressing his regret that he was departing from the Company while it was experiencing difficult trading conditions and wished the Company well for the future' (Renison Consolidated Goldfields Limited, 'Minutes of Meeting of Directors', 26 August 1982, p. 12, RGCA, Box 11328, BRD 38).

39 Consolidated Gold Fields Australia Limited, 'Chairman's Address, Annual General Meeting', 17 December, 1980, p. 2, RGCA, Box 12260, RGC 11517.

Figure 43. Max Roberts, executive chairman and then chairman of Renison Goldfields Consolidated from 1980 to 1994.

Source: Quentin Jones, *Sydney Morning Herald*, Nine Publishing.

With Roberts's appointment, the various strands that had been explored during the 1970s in relation to the structure of the group in Australia were drawn together in an approach that saw the formation of four wholly owned operating divisions of a company with majority Australian ownership structure.[40]

The initial plan for the reorganisation of CGFA entailed it becoming a fully owned subsidiary of Renison and that Mount Lyell and AMC would in turn become wholly owned subsidiaries of CGFA.[41] This approach

40 In 1981, CGFA was 69.8 per cent owned by Consolidated Gold Fields. In turn, CGFA had an ownership of Renison Limited (53.7 per cent), The Mount Lyell Mining and Railway Company Limited (56.1 per cent) and Associated Minerals Consolidated Limited (63.1 per cent), as well as a range of other direct interests, including the Glendell coal deposit (50 per cent), the Porgera gold deposit (33.3 per cent), the Gunpowder copper project (70 per cent), a 9.9 per cent shareholding in Pancontinental Mining Limited, an 11.11 per cent interest in the McCamey iron ore deposit in Western Australia and an exploration interest in a steaming coal deposit at Eneabba. Consolidated Gold Fields held a 4.8 per cent interest in Renison ('Joint Announcement on the Proposed Merger of Consolidated Golds Fields Australia Limited, Renison Limited, Associated Minerals Consolidated Limited, The Mount Lyell Mining and Railway Company Limited, 10th March 1981 and Scheme of Arrangement between Associated Minerals Consolidated Limited and its Members', UMA, Stock Exchange of Melbourne, 1990.0080, Box 29).

41 The Mount Lyell Mining and Railway Company Limited, 'Minutes of Meeting of Directors', 25 February 1981 and 10 March 1981, National Archives of Australia, Tasmania, NS3924, Items 238–245. The previously listed companies of Mount Lyell, AMC and Renison ceased trading on 24 July 1981.

was changed in March 1980, with the intention to establish a newly incorporated company, Renison Goldfields Consolidated Limited, which would fully own Mount Lyell, Renison, AMC and CGFA. Renison Goldfields Consolidated was duly established on 24 July 1981 as a majority Australian owned, diversified mining company with 100 per cent owned subsidiaries and listed on 27 July. It was a complex process with innumerable challenges. Its formation was through a merger, via scheme of arrangement, of CGFA with its four subsidiaries. It was the largest such merger in Australian corporate history, requiring separate voting by the shareholders of the main investments over the same day. Consolidated Gold Fields retained 49 per cent ownership. The company took its position as one of a number of substantial Australian mining companies listed on the Australian Stock Exchange. In 1980 resource companies constituted 55 per cent of the market capitalisation and 17 of the top 25 companies were mining companies.[42]

The granting of naturalised status meant Renison Goldfields Consolidated became an Australian company in terms of foreign investment guidelines, allowing it to develop new mining ventures in its own right without the need to seek Australian partners. It would also have access to the resources and cash flows of each business to deploy as appropriate for further growth, while efficiencies in borrowing, in taxation arrangements and in operational costs could be achieved. As it transpired, the financial interests of the group had also begun to turn. After dreadful financial performances in 1976 and 1977, a group profit tax of $12.3 million was reported in 1979. In 1980 profit increased by over 77 per cent and was one of the strongest financial years that CGFA had experienced since establishing in Australia. By this stage, however, the nature of the business model had evolved and the asset base had changed. The company entered its third and final phase in Australia, as a majority Australian owned, naturalised company, named Renison Goldfields Consolidated.

42 The companies, apart from Renison Goldfields Consolidated, were BHP, CRA, Mount Isa Mines, CSR, Western Mining Corporation, Woodside Petroleum, Comalco, Hamersley Holdings, Bougainville Copper, Santos, Southern Petroleum, North Broken Hill, Central Pacific Minerals, Peko-Wallsend, Utah Mining and Moonie Oil. A decade later, six resource and energy companies were in the top 25 listed companies on the Australian Stock Exchange by market capitalisation.

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