Australia’s wealthiest executives “back in the money”

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“A year after the havoc of the financial crisis, the nation’s elite managers are back in the money,” the *BRW* magazine reported last week. The total wealth on this year’s list of Australia’s 200 richest executives jumped by 72 percent to $35 billion. That sum is more than was spent by the federal, state and territory governments combined on public hospitals ($30 billion in 2007–08, according to the latest available statistics).

BRW’s list provides a limited picture—it measures the executives’ worth only by the valuation of their shareholdings in the companies they manage. And it counts just those actively involved in the day-to-day running of one of the top 500 companies listed on the Australian Securities Exchange.

But by that score, the corporate elite’s holdings are well on the way back to the 2008 level of $44 billion. The top 10 on the list account for $23.6 billion, fully 67 percent of the total. The leading members are media magnate Rupert Murdoch ($5.96 billion, up from $3.4 billion in 2009), iron ore mine owner Andrew Forrest ($4.8 billion, up from $2.37 billion), gaming and media mogul James Packer ($3.4 billion, up from $1.54 billion) and property investor and retail mall operator Frank Lowy ($2.2 billion, up from $1.83 billion).

The rebound in the value of share holdings exceeds the 52 percent rise in the Australian stock exchange’s All Ordinaries Index. John Stensholt, the *BRW Executive Rich* editor, comments that the “Executive Rich has well and truly beaten the market”.

Some list members made “canny share trades”. For example, Aquila Resources executive chairman Tony Poli benefited from a decision to give existing shareholders one bonus share for every 10 they owned, mainly in a bid to break into the top 100 companies and increase liquidity. Poli pocketed $75 million worth of shares—free. Asciano chief executive Mark Rowsthorn took up 78 million shares at $1.10 in the company’s one-for-one offer last July. Those shares are now worth $1.85, putting Rowsthorn more than $60 million ahead.

BRW applauds these “rich pickings” but they point to extraordinary levels of essentially parasitic activity that produce great windfalls without adding anything to production, let alone contributing anything of benefit to society.

The *BRW* list is dominated by two sectors—resources and financial. Together, they account for nearly half the list. Resources, mining services and energy contribute 61 names; and financial services 37. The reliance on these sectors points to the underlying fragility of Australian capitalism, which now depends more heavily than ever on resource exports to Asia, particularly China, and the speculative activities of the banks and finance houses.

Since the onset of the global financial crisis, the Chinese economy has been kept afloat by massive injections of cash from the state, keeping China’s growth rate artificially high. The resulting boost to demand for mineral and energy resources has produced a dramatic reversal in the fortunes of the mining executives, exemplified by the doubling of the share wealth of Fortescue Metal’s Andrew Forrest. His iron ore holdings soared in value, adding $2.42 billion to his worth in 12 months.

One of the most revealing features of the *BRW* list is “the return of the finance managers”. Their 37 members on the list is a sharp jump from last year’s 25. Having been involved in the global financial manipulations and profiteering that triggered the economic meltdown, they are flying high again.

With the onset of the economic crisis, the international financial system was kept afloat only by stimulus measures from governments. Australia had one of the largest spending packages per capita. While the burden of that bailout is now being imposed on ordinary working people via lower wages, reduced working conditions and cuts to social spending, the architects of the financial catastrophe are reaping the rewards.

One of the most prominent financial firms in Australia, Macquarie Bank—often dubbed the "millionaires factory" because of its million dollar-plus salary packages—contributed five names to the list. A year ago, Macquarie was on the brink of collapse. Its resurgence typifies the performance of the financial sector: nearly extinct, then brought back to life by the injection of funds and/or guarantees from the Rudd government.

Just four financial firms contribute 15 names to the rich list. Atop the sector is Kerr Neilson, managing director of Platinum Asset Management. His share portfolio is worth almost $1.8 billion, up $800 million in a year. According to *BRW*, Platinum, which specialises in investing in international shares, benefited from recovering asset markets, inflows from more confident investors and compulsory superannuation contributions.

Other members of the overall top 10, such as the Westfield Group's Frank Lowy and retailer Harvey Norman's Gerry Harvey, were also beneficiaries of the stimulus packages. The Labor government's cash payments, car industry subsidies, home insulation rebates, first home grants and spending on education and other infrastructure were particularly designed to prop up the retail and building sectors.

A significant feature of the list is the virtual absence of manufacturing. It accounts for just four entries, trailing behind mining, finance, retail, services, technology, property, health, media and entertainment. *BRW* provides no comparisons to previous lists, but the fact that manufacturing is almost at the bottom of this year's list points to the ongoing deindustrialization of the economy. Between 1975 and 2008, manufacturing's share of GDP fell from 20.2 percent to 9.1 percent, and manufacturing employment fell from 17.5 percent of the labour force to 10 percent.

Significantly, the health industry has six entries, headed by Primary Health Care managing director Edmund Bateman, whose portfolio is valued at $175 million, up $30 million. This section of business is profiting from the creeping privatisation of the health sector, a process being deepened by the Rudd government. *BRW* reports that Paul Ramsay, the chairman of Ramsey Health Care, Australia's largest private hospital chain, has shares valued at over $1 billion, but he is not on the actual list because he has a "non-executive role".

BRW notes that "in the face of pressure from governments, investors, and the general public, some companies cut cash bonuses and short term incentives, instead awarding executives thousands of share options." That is, in the face of widespread disgust at the huge remuneration packages for executives, new forms of payment have been introduced that hide the enrichment, to some degree. The magazine reports that pressure is already building up from chief executives for higher pay.

The *BRW* editorial cautiously explains that the "pay debate has been clouded by the average pay of Australian chief executives dwarfing that of the average working wage". A quick calculation shows that it would take a worker, based upon the minimum wage, $544 per week, nearly 6,200 years to earn the average wealth of the executive rich list—$175 million. A worker on the median average wage, $41,000, would take 234 years to reach even the minimum entry level onto the list—$9.6 million.

While working people struggle just to make ends meet, the "hard luck" stories of executives are of a different order of magnitude. *BRW's* report on Karl Simich of Sandfire Resources noted that at the end of 2008, he had to sack most of his employees, and was down to his "last $4 million in cash." Fortunately, the company made a copper and gold discovery in Western Australia, sending Sandfire's share price soaring by 7,000 percent. Simich's shareholding, which had been virtually worthless, is now valued at $13 million. Likewise, Aquila Resources's Tony Poli was worth "just" $177.7 million in 2009, but his portfolio has now surged to $864.7 million.

These are indices of a diseased and unsustainable economic order. Australian Bureau of Statistics data from 2007–8 indicates that the poorest 20 percent of households had net wealth of $44 billion. That is, 200 individuals enjoy comparable wealth to 3.52 million people.