Australia's Rich 200 hold onto wealth despite major share falls

By Ben Nichols
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Australia's annual survey of the country's richest individuals—the *Business Review Weekly Rich 200* —revealed a marginal drop in their combined wealth—down by $930 million or 1.5 percent to $60.42 billion. Placed in the context of huge global share market declines, however, particularly the billions of dollars lost on hi-tech stocks, the fall amounts to little more than a glitch.

With a few exceptions, the 200 wealthiest Australians fared the year and its tribulations very well—with an average of over $300 million each—down just $5 million. The entry point for the list also fell marginally by $5 million to $80 million.

The majority of those who remained on the list from last year boosted their wealth—98 out of a 153—while 42 saw their assets decline. Some scored extraordinary increases, with the fastest growing individual fortunes being made in the rural (wine), services (education), transport, advertising, media, and property sectors.

At the very top, the so-called billionaires club has expanded again. Six years ago, there were three billionaires—now there are 11 up from nine last year and six in 1999. The *BRW* predicts on the basis of an expected average annual growth of 8 percent in the assets of the Rich 200, that there will be another 10 billionaires in Australia by 2006.

The wealth of Australia's richest man, Kerry Packer, fell by $2 billion to $6.2 billion this year but he is still top of the list. The next richest—property and retail tycoon Frank Lowy—increased his wealth by $700 million to $3.5 billion, and the assets of third wealthiest—paper and packaging magnate Richard Pratt—rose by $600 million to $3.3 billion.

Two new billionaires were created last year.

* Bob Oatley's assets jumped in value by a massive $1.3 billion—from just $300 million to $1.6 billion—through the merger of his Rosemount Estate with Southcorp, Australia's biggest wine company. He originally bought land in the Hunter Valley in 1968 then used money from a trading venture in Papua New Guinea to establish himself in the wine industry. The merger gave him a 13 percent stake in Southcorp and a huge cash payment of $881 million.

* By comparison, Len Ainsworth increased his wealth by just $100 million to reach the $1 billion mark. His manufacturing company supplies 85 percent of the poker machines in use in the lucrative Australian gaming industry which grew at an annual rate of 10 percent from 1995 to 1999. His murky background emerged last year when police objected to his company being listed on the Australian Stock Exchange, claiming he was not a "fit and proper" person to hold a poker machine license.

Fifteen people joined the list for the first time. Former department store manager Michael O'Dwyer, whose personal wealth is now valued at $234 million, established Metal Storm, a weapons development company in 1993. He has received substantial funding from the US and Australian defence establishments to develop his rapid-fire gun. Newcomers Peter and Stephen Hill, owners of clothing company Globe International, leapt into the list with a net worth of $300 million.

The handful who suffered badly over the year were in the hi-tech areas. Jodee Rich of the failed telecommunications corporation One.Tel lost $80 million but still had a personal fortune of $220 million when the list was published in late May. Phillip Merrick of webMethods dropped from $365 million to $170 million and Wayne Passlow from Open Communications lost $640 million in the last 12 months. None of these losses, however, were enough to knock these millionaires off the list.

Despite these losses, five new information technology millionaires joined the list. These included Infomedia's Richard Graham and Myer Herszberg, worth $205 million and $162 million respectively; Roger May, head of Advanced Communications Technologies; Ken Hansen from Hansen Technologies and John Mactaggart of Technology One.

A somewhat tongue-in-cheek article entitled "If you've got it, flaunt it" airs the imaginary complaints of the very wealthy—the difficulties of managing to keep up with the rising price of Sydney harbour-side homes, thoroughbred horses, Steinway pianos, top quality caviar and other luxury items. It quotes a British magazine bewailing the problems facing those on just one million pounds ($3.4 million) a year—the difficulty of maintaining "household staff, holidays in St Moritz and five-star Aman resorts, $180,000 on personal grooming and wardrobe requirements."

The article points out that there is no shortage of "necessary luxuries" on which the rich can spend their wealth: a $20 million Learjet, $40,000 Louis Vuitton monogrammed suitcase, a $44,600 gold Worcestershire sauce bottle made by a London society jeweler, a $700,000-dollar limited edition Porsche Carrera GT, and diamond dust facial cream by Le Mer for around $200.

The comment does, however, highlight a more significant point. In the past, the ruling elite has deliberately promoted the myth of an egalitarian society. A layer of the Rich 200 and the up-and-coming layers who aspire to a place on the list are openly scornful of any conception of social equality. Reflecting these sentiments the magazine calls for wealth to be "brought out of the closet" and proclaims the social values of the "entrepreneurial spirit".

A comment entitled "The Virtues of Wealth" laments that "in the past, many Australians have not accepted that being rich is a worthy pursuit." It trots out the well-worn justification for the rich that their activities are of great benefit, not just to themselves, but to society as a whole. "One person's win is not necessarily a consequence of another person's loss," the magazine states. "And if individuals, companies and countries do things they are good at, the economic outcome will be beneficial for everyone. In such a situation, there should be no stigma to being rich, as wealth is a reward for serving other people's needs."

But this banal argument flies in the face of reality. The growing wealth of the super rich has been at the direct expense of the vast majority of society. The profits of the banks and corporations have risen in direct proportion to the level of cost-cutting—that is, by eliminating jobs and working conditions. And as if that were not enough, the rich have demanded that governments assist by privatisating the most profitable state-owned enterprises and cutting corporate and personal tax rates.

Overall the Rich 200 may have received a setback over the last year. But in comparison to the value of assets wiped off share values, they have survived remarkably well. As always they have been able to pass on the bulk of the losses to others. In addition to all the usual tax lurks and perks, the wealthy received a huge bonus last year in the form of a 50 percent drop in the Capital Gains Tax rate, a reduction in the corporate tax rate from 39 to 34 percent and lower personal tax for high income earners. This year they can look forward to another cut in the corporate tax rate from 34 to 30 percent.

The huge rise in the assets of people like Lowy, Pratt and Oatley has been of absolutely no benefit to the more than 5.5 million Australians now live in households earning less than $23,000 per year. They are struggling daily to put food on the table and pay for basic necessities such as rent and electricity. The social gulf is enormous and growing. As one of the *BRW*'s columnists noted: "It would take the average wage earner 636 years to save enough to buy billionaire John Gandel's Gulfstream jet."

Throughout April full-time jobs in Australia were axed at the rate of 1,300 per day, pushing up the official unemployment figure from 6.5 percent to 6.8 percent. According to the Australian Council of Social Services (ACOSS), there are now seven unemployed people for every job vacancy compared to less than six last year. The agency predicts that an additional 100,000 will apply for unemployment benefits over the next year.

All of these processes are to ensure that next year the Rich 200 will not only recover the $930 million they lost over the last year but augment their wealth even further.