THE MICHAELIS, HALLENSTEIN STORY

1864-1964

One Hundred Years In Leather

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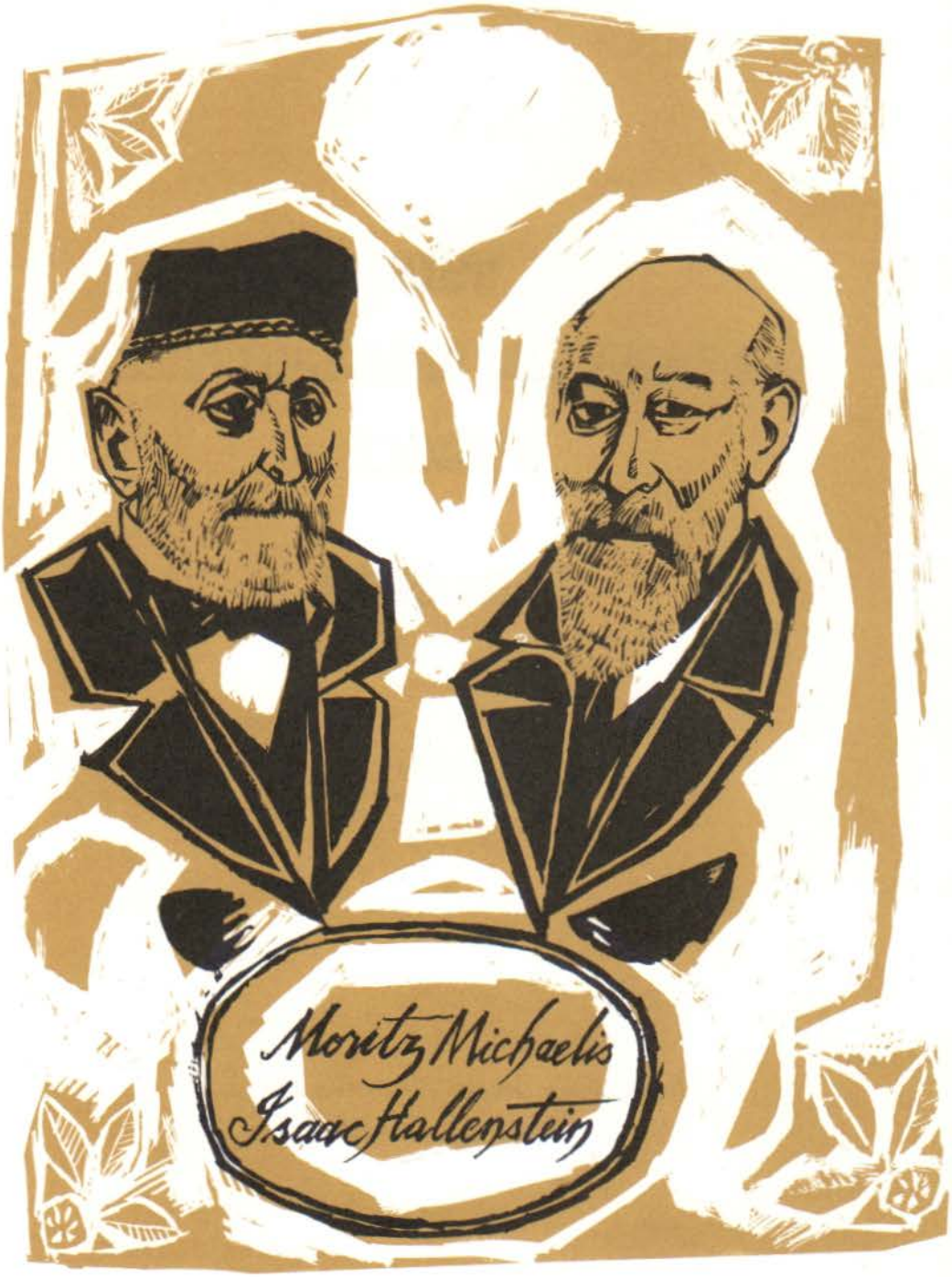
STORY
1864-1964

Produced by: Image Australia Pty. Ltd.

Illustrations by Anthony Irving


Moritz Michaelis
Isaac Hallenstein

A PARTNERSHIP IS FORMED

NO HISTORIAN has ever put pen to paper without knowing that some of the details he would like have eluded him. Often he finds that while he can establish the facts of all the main events, those intimate human details which suggest that he has transplanted himself across time to become an observer of history in the making are missing. In the case of Michaelis, Hallenstein & Co., we are fortunate in having the recorded recollections of one of the founders, Moritz Michaelis, and this has given us clues that are seldom available in compiling the record of a company's growth and fortune.

We know that on a hot day in 1864 a young man named Isaac Hallenstein set out from Melbourne for the goldfields with a bullock dray. The four beasts toiled along the dirt road with a heavy load of foodstuffs and miners' requisites in the direction of Daylesford, where Hallenstein, a young German migrant, operated a store in partnership with Hermann Buttner.

Isaac was tall—more than six feet—heavily built, with a flowing black beard. He was an experienced goldfields trader, having spent some time in California in that role before coming to Victoria, where further rich deposits had been found.

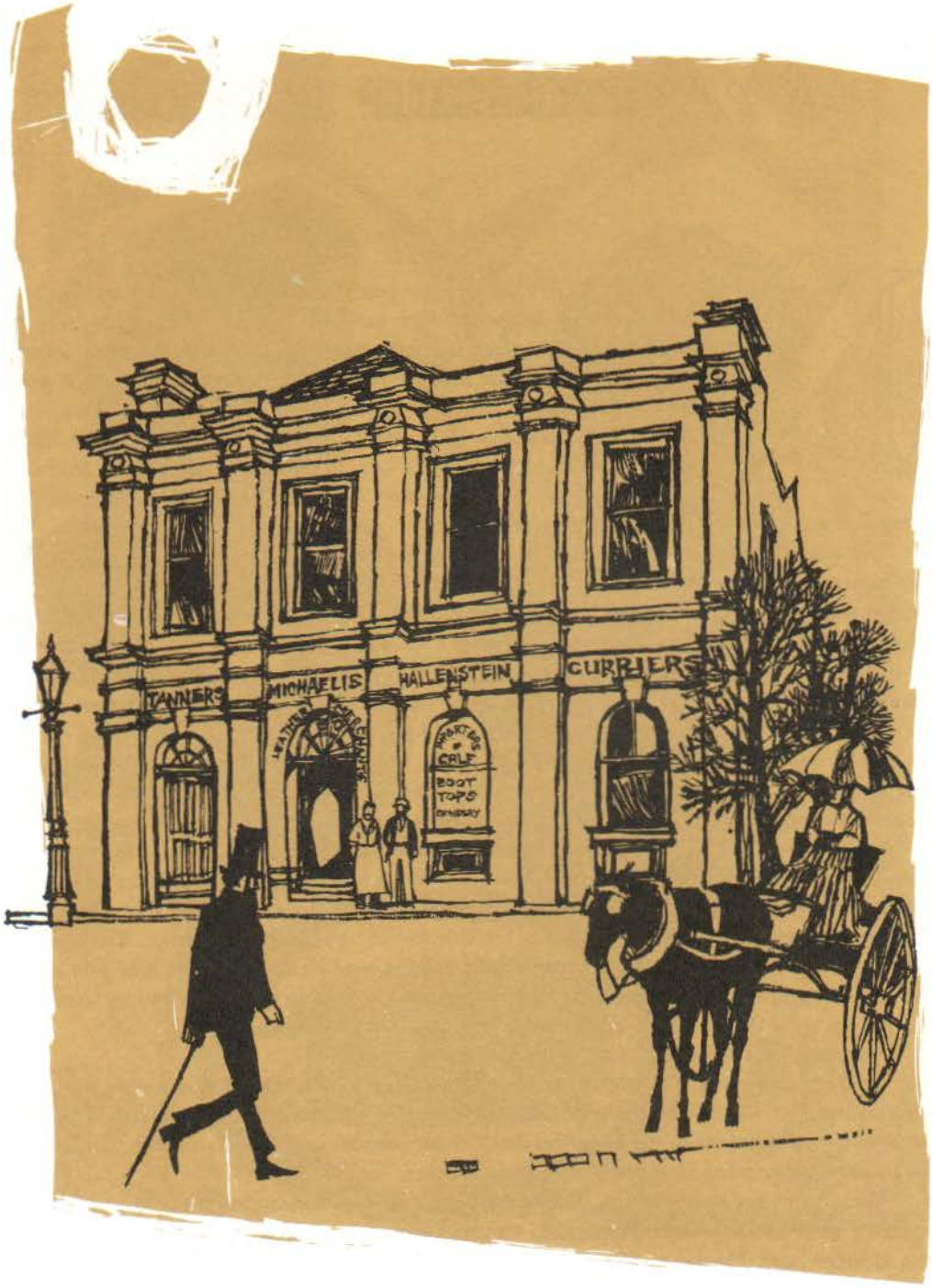
Isaac was doing well in the store he operated with Herman Buttner, but for all that his mind was often on other things. He regarded goldfields trading and storekeeping as a preliminary to the accumulation of enough capital to go into the industry he loved—tanning.

In Germany and U.S.A. he had learned the tanner's craft and in Victoria he saw a magnificent future in front of the infant leather industry which had sprung up. Often on his journeys between Melbourne and Daylesford he had paused to cast his expert eye over a tannery in Footscray operated by Arthur Cleghorn. On this day in 1864 he did the same. The buildings were of weatherboard with shingle roofs and from the road he could see the lime pits and the workmen going about their jobs. The buildings, like so many in colonial Victoria, were crude compared with those of the Old World, but they were adequate.

In Cleghorn's tannery he saw opportunity and fortune.

At this juncture he was interrupted from his visions by a breakdown in his wagon. It was natural for him to seek the help of Cleghorn, with whom he had often talked. This time, however, their conversation had far-reaching consequences and the pity of it is that we were not there to hear what they had to say to each other.

We do, however, know the outcome of their talk—a handwritten memorandum of an agreement which gave Isaac Hallenstein and his partner, Hermann Buttner, an option to buy the tannery from Cleghorn. When Isaac resumed his journey to Daylesford after Cleghorn


TANNERS
MICHAELIS
HALLENSTEIN
CURRIERS
BOOT TOPS

had helped him repair his dray, what he prized most was not the heavy load of supplies, but this piece of paper, folded in his pocket.

Again, we were not present when Isaac reached Daylesford and outlined his plans to Buttner. We do not know a great deal about Buttner and in any event he is destined soon to disappear from our story. However, his reaction and motives can, to some extent, be deduced from what we know to be the outcome of the partners' discussions in Daylesford.

Buttner agreed to join with Hallenstein in taking over the tannery, but laid down one condition which had not been envisaged when the memorandum had been signed in Footscray: he would come in on the deal only if Cleghorn was prepared to stay on as manager.

All credit to Buttner! He knew nothing of tanning and had no way of estimating how his partner, who had learned the trade 10,000 miles away, would cope with its problems in this new country. The tanning and leather trade, like most other activities in Victoria, was in a pioneering stage. Rules which worked in England or Europe did not always apply here. He had seen many craftsmen and businessmen fail through inability to adapt themselves to new conditions and new challenges.

Perhaps Buttner thought that the condition would not be acceptable to Cleghorn and in this way he could divert his partner away, at least temporarily, from his vision of being a tanner. If so, he was wrong. Cleghorn accepted the managership and stayed with the tannery much longer than Buttner. In fact, he spent the rest of his life working for the firm, and so did his son and grandson.

[In this connection, the Benjamin family is worthy of mention. Louis Benjamin, who joined the company as a weighbridge clerk in the early 1880's, rose to be the general manager of the tannery. His son, Arthur, who trained under him, also rose to this position and later became a director of M. H. & Co. and of Associated Leathers Ltd., the holding company for M. H. & Co. The family connection spanned more than 70 years.]

So it was that on July 21, 1864, Buttner and Hallenstein were in partnership as tanners with a capital of about £1,500 and trading as Isaac Hallenstein & Co. We do not know how many hides Cleghorn had processed when he owned the tannery, but the records suggest that it was fewer than the 150 a week which the tannery was handling two years later.

Isaac had brought his brother, Michaelis Hallenstein, into the business as it grew during those two years, but he yearned for faster expansion. Surrounding the tannery was virgin land; there was a growing market for its leather, not only in Victoria, but in the other colonies and farther afield in New Zealand and Britain.

In 1866 Isaac had sent Michaelis Hallenstein to London to make arrangements there for the tannery's exports. While Michaelis was away, Isaac discussed his ambitions for the tannery with Buttner. The latter had never been as happy with leathermaking as had Isaac Hallenstein, but he appreciated his partner's zeal over the industry. We do not know what passed between the two, but out of their talk came another important result: if Hallenstein was able to find a partner with sufficient funds and suitable in other regards, Buttner was prepared to sell his share in the business.

It is at this stage that Moritz Michaelis enters this story. Moritz Michaelis was Isaac's uncle although he was only ten years older than Isaac. He had come to Melbourne in 1853,

soon after marrying his childhood sweetheart. Like Isaac, he had spent his childhood and early years in Germany. From there he had gone to Manchester, then the world's greatest textile manufacturing centre. Here Moritz worked with a big merchant company and had rapidly risen to a position of responsibility. He was handsome, well educated, and had such a grasp of mercantile commerce that all who knew him felt he had a brilliant future in Victorian England. Alas, there was an insuperable barrier to the fulfilment of this expectation.

In Germany, Moritz had been a healthy youth, but the damp of Manchester and the fogs of London he could not endure. Outside these two great commercial centres there was little to attract him in England. During his sufferings from catarrh, he had often thought of moving to a healthier climate and had sometimes considered Melbourne. This was before the discovery of gold, and as he later related to his children and grandchildren, when gold was found he made his decision. He and his wife settled first at Richmond, and Moritz and his partner, Adolphus Boyd, with whom he had worked in Manchester, set about establishing themselves as importers.

By the time Isaac Hallenstein went to discuss the tannery with his uncle, Moritz had had more than a decade of commercial experience in Melbourne. Initially, the Michaelis-Boyd partnership had done well and had grown to the stage where warehouse premises were being used at two sites—one on the site of the present Hosie's Hotel and the other off Flinders Lane.

Moritz had come well equipped with agencies which he had arranged in Manchester and London. He dealt considerably in cotton and other cloth and if he had any complaints it was that goods sent to him on consignment often came in inadequate quantities. In 1864 he found it necessary to return to Manchester to make arrangements for larger consignments, and returned to Melbourne in November.

In his absence there had been a typically 19th Century business crisis and many of the partnership's debtors had defaulted. In turn, the partners were being pressed by their creditors and soon lost all their accumulated profits and some of their capital as well. Goods were piling up in the warehouses with the arrival of each ship from England, but there was little opportunity to sell them. The partners decided to hold on to their goods and not to sell either at the bedrock cash prices obtaining, or to make credit sales.

Moritz's acumen and shrewd timing enabled the business to ride out this crisis. By carefully judging the market, he arranged auction sales of goods direct from the warehouse, instead of clearing them through retail outlets. The results surprised him; on one occasion £25,000 worth of cloth, spirits, groceries and stores were sold in a single day under the hammer. Better times came and Moritz made several visits to Sydney where he was able to purchase merchandise on advantageous terms. Soon he started shipping wool to England, some of this business being conducted in association with Mr. Clarke, father of Sir William Clarke, Australia's first Baronet.

A clerk who had been engaged by Boyd caused a major setback to the business. During a period of eight months he embezzled almost £10,000. He was a married man with several children and Moritz Michaelis yielded to the wife's plea for leniency, but on condition that the man confessed his guilt. It was largely due to Moritz Michaelis that the clerk got off with the light sentence of one year's gaol.

The end of the American Civil War came soon after this loss. Its effect was to depress prices of cotton goods and firms such as Boyd and Michaelis, who were holding heavy stocks, were hard hit. This, and a large consignment of faulty boots, brought the business to insolvency. Creditors received 14/- in the £1, but later when Moritz's fortunes recovered, they were paid in full.

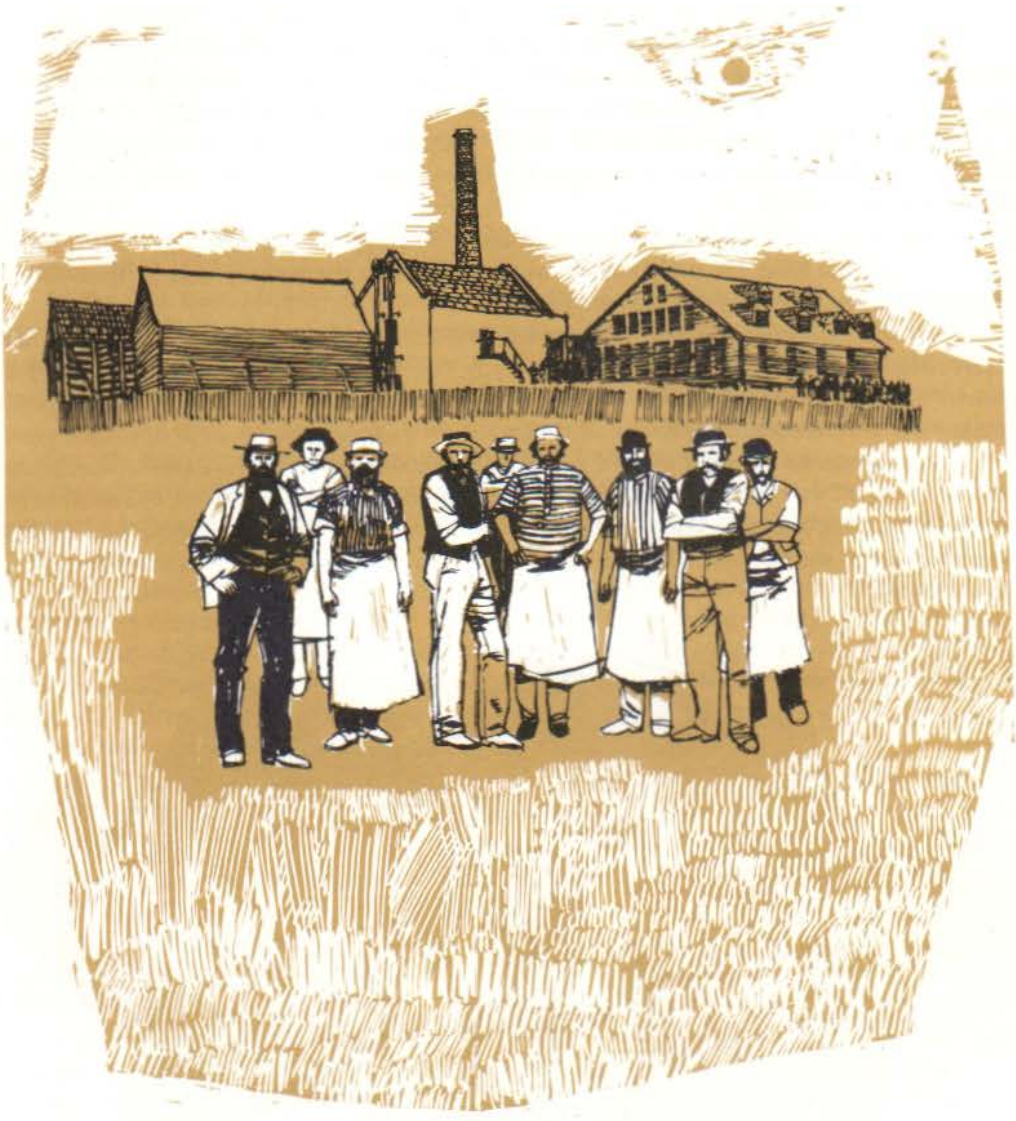
It was a trying time for Moritz, but he was cheered by the number of overseas suppliers who volunteered to send him goods on credit should he wish to continue trading. Physically and mentally exhausted, he took three weeks' holiday in Tasmania, returning to find a tempting offer of a partnership in Manchester, but remembering the climate he declined.

Moritz Michaelis was ready to resume his business career, but was in the process of deciding in which direction he would go, when his nephew, Isaac Hallenstein, approached him about the tannery.

Moritz later described how he examined every detail of the business, right down to the net profit on each hide. He told Isaac he would come into the tannery only if he could get enough bank credit to buy out Buttner for cash.

The bankers for Buttner and Hallenstein would not advance the necessary money, but Moritz Michaelis' bank provided the credit with "no security to offer except my word of honour", as Moritz later recalled. Michaelis, Hallenstein and Co. came into being and the tannery was soon enlarged to process 480 hides a week instead of the 120-150 of former years.

Moritz Michaelis devoted himself to sales and exports from the Melbourne warehouse, initially doing all the town travelling and returning to the office every evening to attend to the books and correspondence. Isaac, who loved leather so well, divided his time between the tannery and the warehouse. When he was away from Footscray, Cleghorn took control of the tannery.



FRAMEWORK FOR THE FUTURE

OOKING back we can see that the strength of the company was in the philosophy of the two partners. Men of their times, they were Victorian in their outlook with all that that implies—paternal, disciplinarian, prudent and moral. But also generous, human and adventurous.

They made the building of their business not only the chief interest of their own lives, but they also were determined that it should be an enduring organisation that would provide careers for their children as they reached maturity.

A strong sense of family was coupled with a determination that the children who inherited the assets should be worthy of this inheritance and be prepared to work to preserve and develop it.

This outlook was not something that arose as a result of intellectual debate between the two partners. It was something each accepted as though it was part of a natural law. This was the proper attitude for a businessman to take.

The period in which this concept of the company and its future evolved was between 1867 and 1892. In this 25 years' span the firm undertook a series of moves which laid down a framework that still remains, although much has been added to it.

The first major move in expansion after the partnership was formed was in 1873 when it was decided to dispense with the company's London agents and replace them with a branch office which Isaac established during a trip to England in that year. Michaelis Hallenstein, Isaac's brother, went to London shortly afterwards to take charge of the office and remained in that position until his death, when he was followed by his sons Edward and Ernest, and later by his grandson, Victor. The London operation continued as a branch of M. H. & Co. until the formation of Associated Leathers Ltd. in 1949, when it became a subsidiary of that company.

Not long after the London office was opened, the Footscray premises were enlarged.

Sydney was the next centre where the firm set out to find new markets and form a new partnership. From 1867 a young German, Cosmann Nettheim, had worked with M. H. & Co. in Melbourne and had proved a competent salesman. In 1876 when prospects in Sydney looked attractive, the partners sent young Nettheim and their Melbourne town traveller, John Farleigh, to Sydney. With financial backing from M. H. & Co., the firm of Farleigh, Nettheim and Co. was established as leather and grindery merchants. A few years later it acquired a tannery at Concord.

In New Zealand, M. H. & Co. had for some years had an agent, Mr. Grant P. Farquhar, a leather and grindery merchant in Dunedin. In 1880, Moritz's son-in-law, David Theomin, went to New Zealand and in conjunction with the Melbourne firm formed a partnership with Farquhar, originally called Michaelis, Hallenstein and Farquhar, and now Glendermid Ltd., another subsidiary of Associated Leathers Ltd. The partnership built a tannery at Sawyer's Bay, near Dunedin.

In 1888, Farleigh, Nettheim & Co. formed a branch in Brisbane.

Finally, in 1894, came the Perth venture. Earlier, Benjamin Rosenstamm, who had been employed by the partners in Melbourne, had left them to go to Perth where he set up as a leather and grindery merchant and provided a distribution outlet in Western Australia for the products of the Footscray tannery. But by 1894, M. H. & Co. felt the need of stronger links with Perth and a partnership was formed with Rosenstamm. This partnership then acquired a tannery at West Perth. On Mr. Rosenstamm's retirement in 1940, the W.A. partnership was re-organised and renamed Rosenstamm Pty. Ltd.

In all these partnerships M. H. & Co. provided most of the capital and held the controlling interest, but it was always the case that the local partners had a share in the profits and were given a high degree of local autonomy to develop their activities. For example, they all dealt directly with the London branch on export and import matters.

Through this period the group's fortunes were still very much tied to the manufacture of leather and saddlery, and the import of grindery and saddlers' ironmongery—and, of course, the export of leather to the United Kingdom.

The final move that set the seal on all these developments came in 1892 when M. H. & Co. became a limited company.

The four partners in the company (the two founders—Moritz Michaelis and Isaac Hallenstein—and Michaelis and Bendix Hallenstein who had been admitted into the partnership some years after it was formed in 1866) came together in Melbourne for the occasion.

In typical paternal fashion it was decided that the sons and sons-in-law of the four partners could be admitted to the partnership, but only at the parents' wish.

The business carried on as before except that the sons of the four partners now took up the active management, while the original four only attended, as Moritz Michaelis puts it in his memoirs, "at their pleasure".

Shortly afterwards the company became a proprietary limited company when the Victorian law relating to companies was changed.

The board in 1892 consisted of: Moritz Michaelis, chairman of directors, Isaac Hallenstein and his brother Michaelis, vice-chairmen. The other directors were Bendix, Reuben and Edward Hallenstein, and Frederick and Edward Michaelis and Willi Fels, a son-in-law of Bendix.

By this time the Footscray tannery was handling 800 hides a week and export sales were taking more than 66% of production. The firm's warehousing and administrative work was being handled from premises at 30 Lonsdale Street East, at 23-27 Lonsdale Street West, and at 382-384 Lonsdale Street, successively.

After World War I new premises were built at 441-445 Lonsdale Street, which served

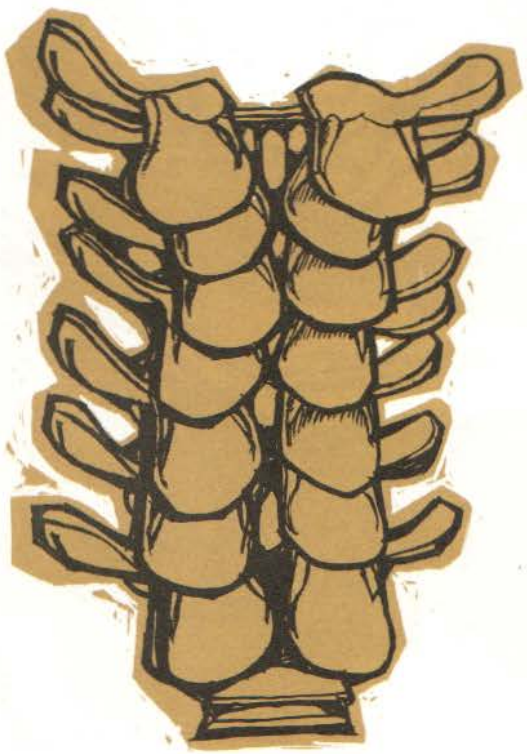
the expanding business until the latest move—to 150 Buckhurst Street, South Melbourne, referred to later.

Moritz Michaelis died in 1902, aged 82. His courtesy and tact, business acumen and uncompromising integrity, had won him many friends among the employees, the suppliers and the company's customers.

The other founding partner, Isaac Hallenstein, was also 82 when he died, ten years later, at Hamburg, in Germany, where he had retired some years previously.

His sons, Reuben and Edward Hallenstein, visited Isaac in 1909 for the celebration of his 80th birthday. There were other relations there, too, from branches of the family in England and Germany. It was a happy period for Isaac Hallenstein, looking back on the years in which he had built well, and knowing that his sons and their sons were securely launched on careers in paths he had helped to blaze.

Isaac was the last of the first generation to die. His two brothers, Michaelis and Bendix, who had played important roles in the company, both pre-deceased him. However, the succession of management was accomplished smoothly, with none of those disturbing trials which often occur when key personalities are removed from a business. The founders had built well.



Australia's footwear industry expanded rapidly in the 1920's and almost immediately overshadowed the opportunities offered by export markets. With the advent of the motor car, harness sales declined and their place in the M. H. & Co. range was taken by sporting goods such as footballs, golf bags and cricket pads.

For many years the Footscray tannery had manufactured glue. It had obtained the Australian rights to a German process for producing pearl glue—an important advance on the previous process of making glue in cakes.

In 1925 the company entered the gelatine manufacturing field. This was a pioneering venture culminating in 1930 when, in exchange for shares in Davis Gelatine Ltd., glue and gelatine manufacture was passed over to the latter company.

Frederick Michaelis was 74 when he died in 1935. His life had been devoted to his family and to the firm, but like his father he found time for philanthropic activities. In these, his chief interest had been the same as his father's—the Alfred Hospital. Fred Michaelis was chairman of the hospital's board of management from 1927 to his death. He had also been President of the Wesley Old Collegians and had seen his sons educated there.

After Frederick Michaelis' death, his cousin, Reuben Hallenstein, succeeded him as chairman of directors.

Exporting and importing were again disrupted by war in 1939, but as before the company was able to adapt to the new conditions. Canvas goods made their entry on a major scale. The factory which had made the horse collars was used to make goods such as respirator haversacks, canvas cot bottoms, tents and other items needed by the fighting men of World War II. When the war ended it was comparatively simple to turn to the production of civilian canvas goods which soon made a growing contribution to the firm's turnover and product range.

Today M. H. & Co. manufactures the well-known "Oasis" range of sun blinds and hollands, and the "Luxaflex" range of Venetians, awnings, insect screens, doors, curtain rodding, etc., as well as a wide range of canvas goods including tents, tarpaulins, car covers and wading pools. Products handled by the merchandising section since 1945 also include such items as a complete range of sporting equipment, including equipment for all types of fishing, underwater gear, toys of all types, shoe factory and shoe repair supplies, a wide range of household hardware, supplies for the furniture and upholstery trades, a wide range of saddlery and travel goods. The merchandising section also handles the distribution of Festival records.

Many of these products have grown logically out of the firm's main manufacturing activities in the leather and canvas goods fields. Others, such as fishing gear, for which the firm acts as distributor and importer, fit naturally into the distribution channels built up for kindred goods—such as camping gear. They are a harmonious range of goods, both in terms of their origin and in terms of distributive machinery, and cater well for the ever-increasing leisure time enjoyed by the average Australian.

While the expansion of the range of general merchandise is readily apparent, the tannery operations have continued in full force and cover both sole leather and a wide range of light leathers for the shoe and other trades, which are sold both locally and in overseas markets.

The major reorganisation of the company in 1949, when Associated Leathers Ltd. was formed, has made it possible for the group to expand in its chosen fields in a very flexible way, and to run its affairs with the happy blend of general control from top management but still without sacrificing local initiative.

Since 1949 a number of acquisitions has taken place. One of the first of these was the business of Julius Cohn Pty. Ltd., in 1951. The Adelaide firm had for many years been an important distributor of Michaelis Hallenstein products in South Australia, and when it merged with the group, it meant that Associated Leathers now had subsidiaries in every State with the exception of Tasmania, where branches of M. H. & Co. were later formed at Launceston and Hobart.

The operations of Farleigh's in Queensland and New South Wales, Cohn's in Adelaide, and Rosenstamm's in Perth and the Tasmanian branches are, broadly speaking, the same as those of the Melbourne company.

The same year saw the formation of A. L. L. Indents Pty. Ltd. to give specialised attention to the group's importing work.

In 1955 Interstate Rubber Company Pty. Ltd. was taken over. This firm has branches in Melbourne, Sydney, Brisbane and Adelaide. It is primarily engaged in supplying ready-cut soles and other components to the shoe manufacturing and repair trade. The directors of Associated Leathers had believed for some time that a trend was developing among shoe manufacturers to buy leather in ready-cut shapes, rather than having the cutting done on their own premises. This judgment proved correct.

The following year Australian Leathers (Hong Kong) Ltd. was registered to handle the growing exports both to Hong Kong and the rest of the South East Asian area.

In 1961 Venco Pty. Ltd. and Sunmaster Products Pty. Ltd.—blind manufacturers—were acquired. They make the whole "Luxaflex" range of blinds and awnings.

The group's acquisition of British Plastics Pty. Ltd., of Melbourne, in the same year enabled it to add to its product range a number of household goods, including a quality line of dinnerware, toys and some industrial goods.

In 1958 advantage was taken of vacant space at 441 Lonsdale Street to set up a new civic amenity. This is the Building Development Display Centre where new building materials and fittings are on permanent display and an advisory service is provided for architects, builders and the general public.

In 1962, with the exception of the tannery and the Building Display Centre, all of M. H. & Co.'s activities in Melbourne—warehousing, manufacturing and administration—were concentrated in a large new building at 150 Buckhurst Street, South Melbourne.

In 1963 the business of H. A. Tuck & Co. Ltd. was taken over in New Zealand. Tuck & Co., with offices in Auckland and other large New Zealand centres, is concerned with the supply of sewing machines, laundry machinery and dry-cleaning equipment throughout the Dominion.

In 1864, M. H. & Co. was purely a leather business.

Today—100 years and 20,000 products later—Associated Leathers' other products account for 60% of sales, and it now operates a large and expanding group of companies.

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Descendants of the founders down to the fourth generation hold some executive positions, but they have been joined by many others.

The Board of M. H. & Co. in 1964 comprises the Hon. Sir Archie Michaelis, former Speaker of the Victorian Legislative Assembly, as Chairman, a position to which he was appointed in December, 1948; Mr. Orwell Michaelis, B.A., Managing Director; and Messrs. Roy Barden, Frank Danglow (Warehouse General Manager); George Forman (Tannery General Manager); Roy Michaelis and Doug Tolliday, M.SC.

With the exception of Mr. Tolliday, the above are also on the Board of Associated Leathers Ltd., which has two additional members—Mr. Charles Dodds who is Managing Director of Farleighs Pty. Ltd., and Mr. Les Longbottom, Managing Director of Glendermid Ltd. Mr. W. L. (Les) Fryer is Secretary.

These men now guide the destiny of the group of companies which owes its origin to the broken wagon wheel of 1864.

Associated Leathers Ltd.

SUBSIDIARY COMPANIES

COMPANY	OPERATING AT
Michaelis, Hallenstein & Company Proprietary Limited ..	Melbourne, Launceston, Hobart, Sydney
A. L. L. Indents Proprietary Limited	Melbourne, Sydney
British Plastics Proprietary Limited	Melbourne, Sydney, Brisbane
Rosenstamm Pty. Limited	Perth
Farleighs Pty. Limited	Sydney
Interstate Rubber Company Pty. Ltd.	Sydney, Melbourne, Brisbane, Adelaide
Farleighs (Qld.) Pty. Ltd.	Brisbane
Julius Cohn Pty. Ltd.	Adelaide
Venco Pty. Ltd.	Perth
Sunmaster Products Pty. Ltd.	Perth
Australasian Leathers Limited	London
Australian Leathers (Hong Kong) Ltd.	Hong Kong
British Plastics (N.Z.) Limited	Wellington
Glendermid Limited	Dunedin, Auckland, Christchurch, Invercargill
H. A. Tuck & Co. Ltd.	Auckland, Wellington, Christchurch