Chapter Three

1970–1980

The Quantum Leap

Restructuring in Australia,
Expanding into America

Flourishing in Tough Conditions

Unsettled conditions in the 1970s tested anyone associated with the Australian property market. Investors who had been burnt in the sharemarket boom–bust of the late 1960s and early 1970s had turned to property, hoping to find stability. Instead, they went straight into another boom–bust. By 1974, world oil prices had quadrupled and economic pain was being felt everywhere.

In Australia, inflation peaked at over 20 per cent and a liquidity squeeze saw interest rates rocket. Bank bills hit 17 per cent and the short-term money market was paying up to 25 per cent for overnight cash.

In September 1974, the Australian dollar was devalued by 13.6 per cent.

The tough conditions led to the collapse of five major property companies that year, the biggest of which was Cambridge Credit Corporation. Confidence in property companies and their financiers slumped. Even the Australian Stock Exchange reduced its trading hours.

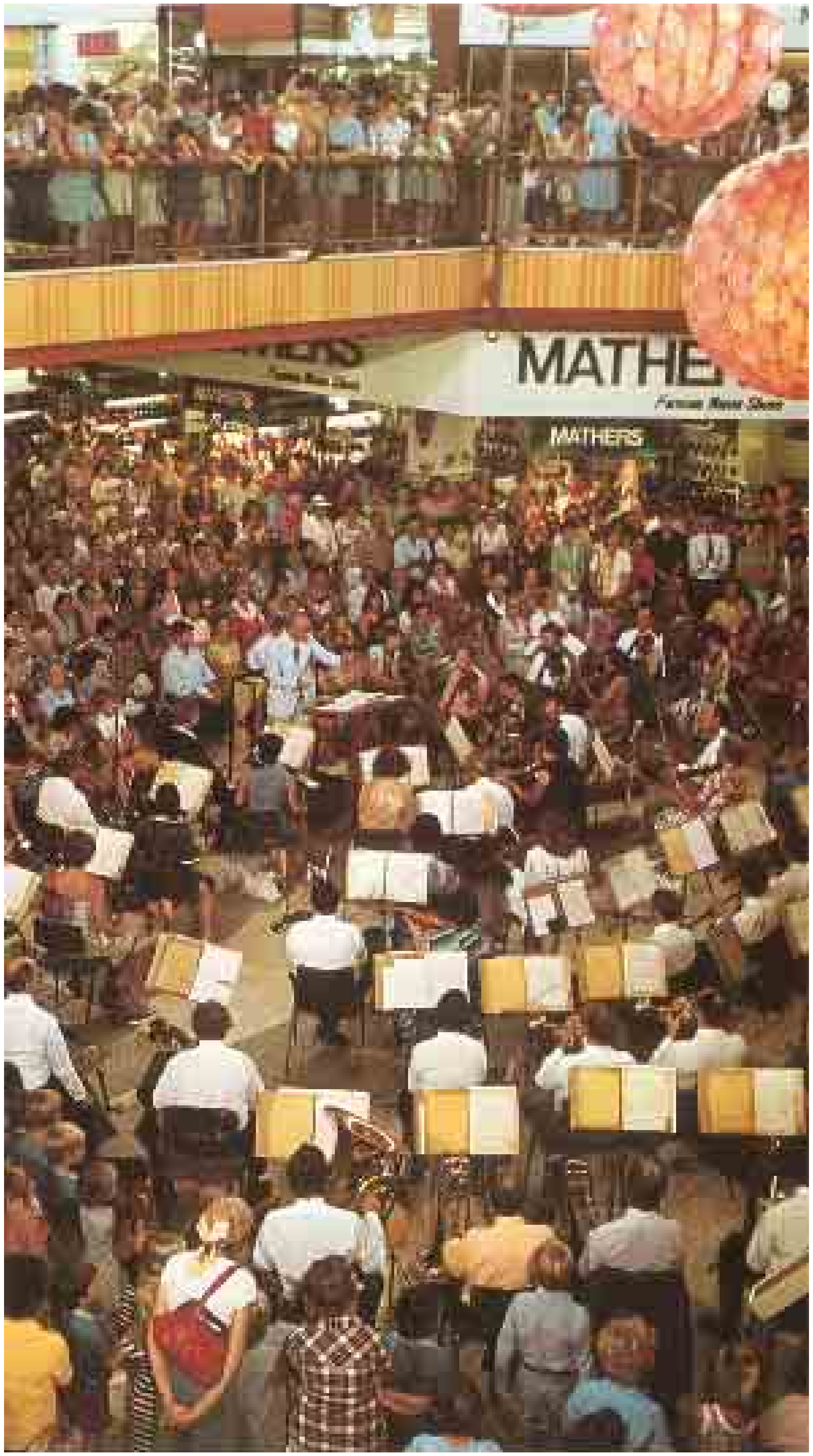
Liquidity problems forced the closure of the well-known sharebroking firm, Patrick Partners. On the larger stage, in 1975–1976 the Federal Government reduced the amount spent on capital works and fixed assets from 14 per cent in 1974 to 1.6 per cent.

Towards the end of 1976, the Australian dollar was devalued by a further 17.5 per cent. In early 1979, Associated Securities Ltd, Australia's fourth-largest finance company, collapsed, affecting thousands of investors.

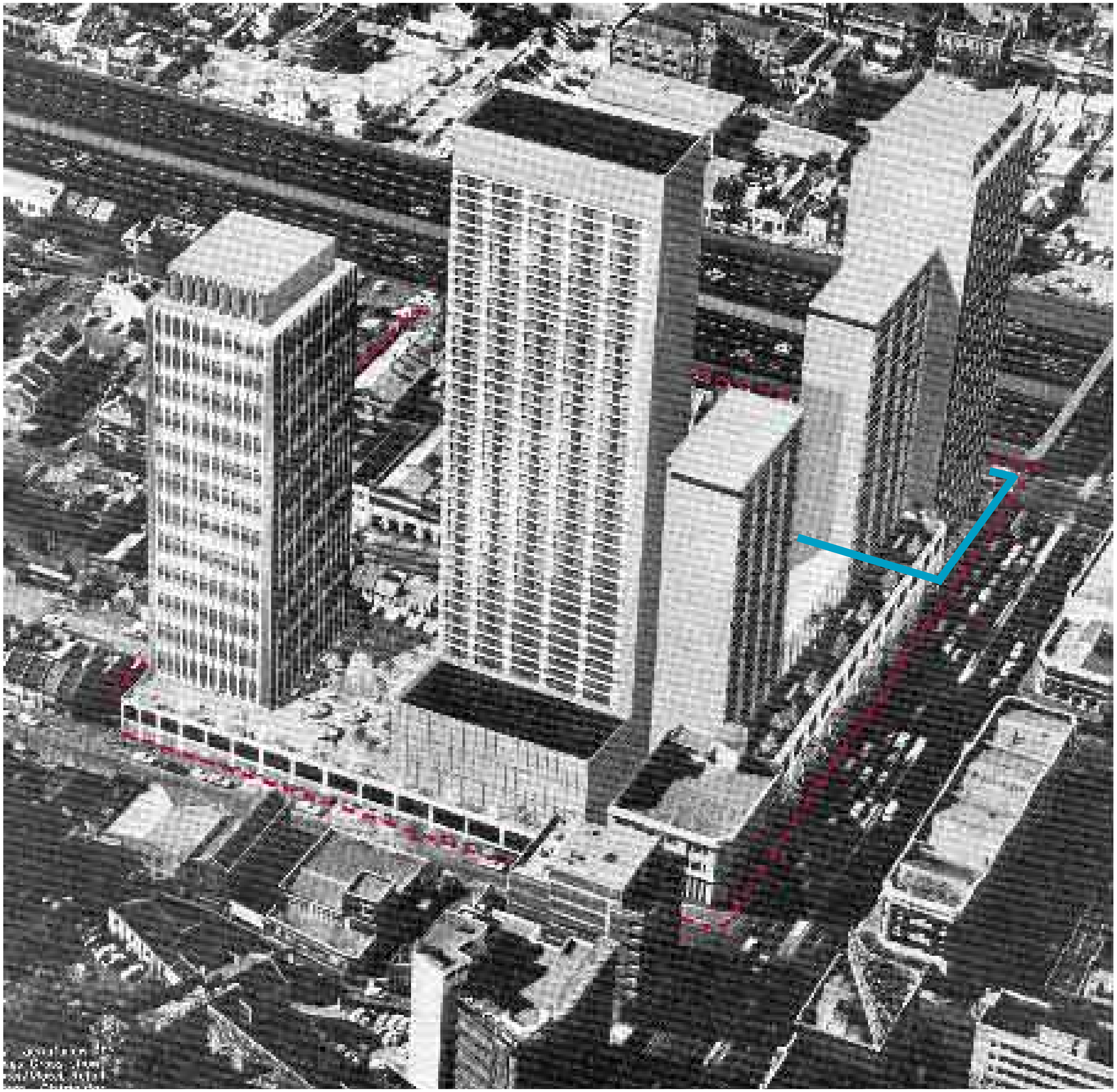
While Westfield went through some very tight squeezes, exceeded its overdraft and had to resort to the short-term money market — where its borrowings ballooned — it emerged from this turbulent decade with strong growth and profitability. Opportunities arose because competitors fell away. It expanded steadily, confirming the theory that the shopping centre business can be counter-cyclical.

In the 1970s, investors in Westfield saw the value of their shares multiply many times over. Apart from the dividend doubling from 10 per cent to 20 per cent, investors were also the recipients of four bonus share issues, culminating in a capital reconstruction which further increased their wealth more than eightfold.

Against the background of economic hardship, Westfield spent the decade improving properties it already owned, building major new centres and expanding offshore into the United States, the home of the shopping centre.

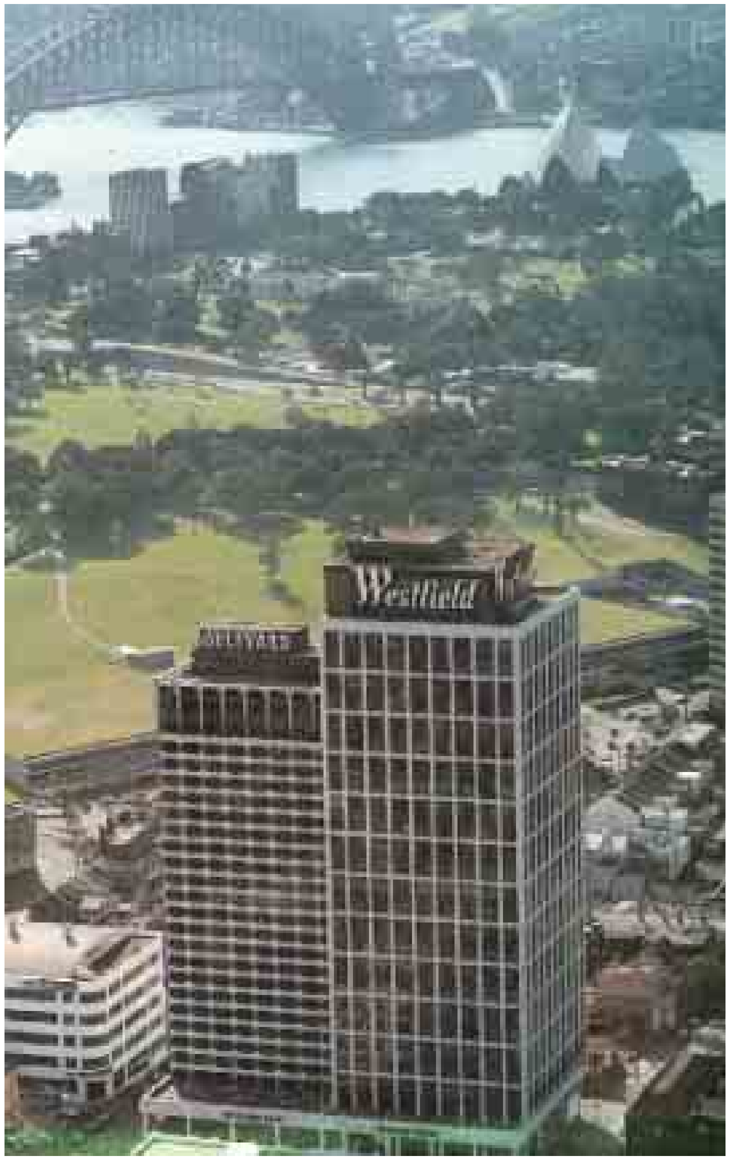


The 1970s began on a good note for Westfield. The opening of Indooroopilly Shoppingtown in Brisbane in 1970 saw crowds pack the centre for a concert. The company's sharemarket performance was also music to the ears of shareholders.



An artist's rendering of how the grand complex should have looked (red dots). Ultimately, only the outlined section would be built (blue line) by Westfield. Drawn in 1969, the plan includes the proposed Eastern Distributor which only became a reality 30 years later.

Dreaming of the Champs-Elysées



The Westfield Towers complex, the only piece of the 'Champs-Elysées dream' to see the light of day. Its William Street location was only a short stroll from the buzz of the CBD.

In the early 1970s, Sydney City Council had a grand vision for Sydney. It wanted to transform the eastern entrance to the city from a windy traffic corridor into a sweeping, stylish boulevard. In short, it wanted to turn William Street between Kings Cross and the Town Hall into Sydney's own version of the Champs-Elysées. While other developers supported the council's concept, it was Westfield who played a key role in implementing this urban 'renaissance'.

Westfield had acquired some 2.6 acres fronting William Street and intended to develop this in stages over the next few years at a total cost of about $60 million. It was a grandiose project with an office block, a hotel and convention halls all linked by galleries, shops and terraces.

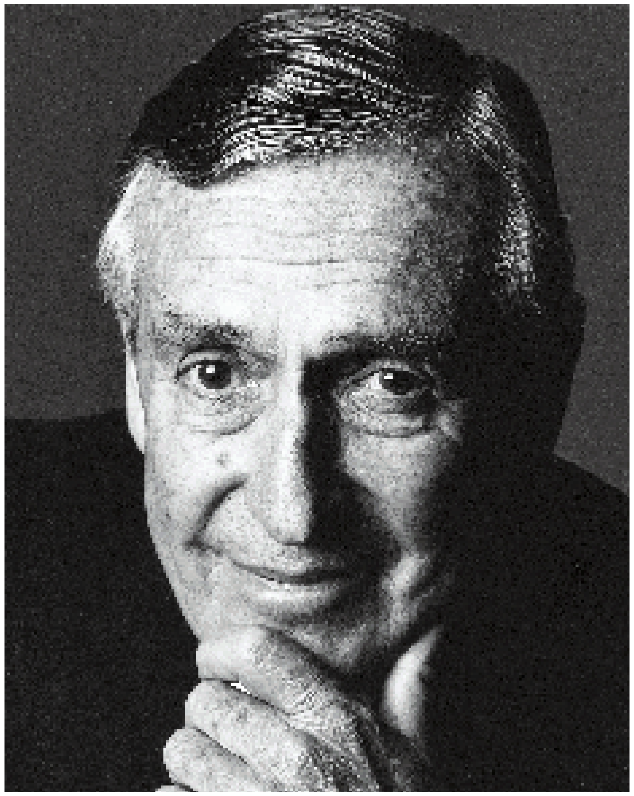
A new division was formed within the company for the purpose of multistorey commercial developments, and for its first project, it took on Stage One of the William Street development. This entailed building the 24-storey office block and, immediately next door, a 280-suite international-standard hotel and two levels of retail shops. This initial stage of development would take up less than an acre of the vacant land and cost $13 million.

As the office block, called Westfield Towers, and the hotel, the Boulevard Hotel, were going up, the recession of the early 1970s hit, the council's enthusiasm for the project waned and other developers fell away. Westfield was left with Stage One completed. The rest was scaled down.

Westfield had intended to run the hotel itself, but when satisfactory offers were received, it decided to lease it on a long-term basis.

Because Westfield Towers was just outside the CBD, it took some years for it to achieve full occupancy. The 'Champs-Elysées' idea was revived from time to time but no action ever followed the enthusiasm. When Saunders retired from Westfield some 15 years later, he bought the remaining land and built an office and residential complex on it.

When a Swiss Banker Came Knocking at the Door



Walter Pisterman came a-knocking ...

In 1971, Westfield came firmly in the sights of a major Swiss finance house, Credit Suisse, which had been scouting Australia for investment opportunities. Australia already had a reputation for being a good place to invest and through its contacts, including those at the National Bank, Credit Suisse had learned that Westfield was a good prospect. So, after checking its credentials, Credit Suisse decided Westfield was exactly what it was looking for — a reputable partner for its associate, General Shopping SA, a Luxembourg-based investment company.

One day, the elegant Walter Pisterman, of Credit Suisse, made an appointment at Westfield. As Lowy recalls, 'He knocked on the door, came in and announced he would like to do business.' There was an instant rapport between the two men and several profitable partnerships ultimately resulted from this initial meeting.

The first was a joint venture for the Liverpool centre then under construction. As soon as it was completed — ahead of schedule in 1972 — the plan was for General Shopping and Westfield to hold 50 per cent each. Westfield, however, would retain the leasing and management rights for the centre.

As this deal was finalised, another began. This time it was for an even bigger centre at Parramatta. At $36 million, General Shopping initially considered the centre too ambitious but it was eventually persuaded into a joint venture and came in for a 50 per cent stake. Through this fruitful relationship, Westfield was soon signing another contract, this time for the design and construction of a $10 million office block in Queen Street, Melbourne. The 22-storey building would be owned jointly by the Swiss and Australian interests that formed the Switzerland Insurance Group. Westfield would take a small equity holding in the ownership of the property.

Although the building was due for completion in 1974, it was plagued by difficulties, in particular by delays caused by an industry-wide trade union dispute which saw the general stoppage of all building activities in Melbourne. In May 1976 it was finally completed. After these ventures were sold by General Shopping, Walter Pisterman was invited to join Westfield's board.

Pisterman played a key role in Westfield's development and a few years after he passed away in 1988, the company built a memorial heritage walk in his honour in Portsea, Victoria.

‘How Long Can it Last?’

This is the question Saunders and Lowy were regularly asked. Every time Westfield put up a new centre, people inquired just how many more the market could take before it was overloaded. Each time they came up with the same answer — ‘five years’. As the years rolled by and the market accommodated more and more centres, they continued to be asked the same question and continued to give the stock reply.

Although the notion of ‘five years’ eventually became something of a joke, their genuine concern about Australia’s limited capacity for shopping centres gave them reason to pause and reassess the options for Westfield. The company could go offshore and build shopping centres in another country or it could remain in Australia and diversify through other kinds of building projects. Of course, it could also do both!

With this in mind, in 1972 Westfield began to step up its activities in the commercial property sector.

Lowy told the media at the time that over the preceding decade more than $80 million had been spent by Westfield on shopping centres and the group envisioned a long-term tapering off in development activities in this area, although a number of new centres were planned for the future.

A few months later, Westfield and the Swiss Insurance Group joined forces in a $10 million skyscraper office development in Queen Street, Melbourne. The building of the 22-storey freestanding tower was subject to ongoing delays due to industrial problems in the state and eventually opened in 1976.

In the early 1970s, the company also took on contracts for the design and construction of a $3 million multistorey commercial development for Winns Limited in Redfern, Sydney, and a $1 million Woolworths Family Centre at Campsie, also in Sydney.

Despite Saunders’s and Lowy’s anxieties about the market’s limited capacity, Westfield went on to reap the rewards of a bonanza of a decade for the property sector.

What’s in a Name?

The evolution of the Westfield logo.

As Westfield grew and evolved as a company, the nature of its business changed. Although shopping centres always remained its core focus of enterprise, different aspects of the business became more prominent. This evolution was reflected over the years in the modification of the main company name.

When Saunders and Lowy set out on their first venture in Blacktown in the mid 1950s, they were partners without a name. But when their delicatessen flourished, they expanded into property development and were advised by their solicitor to form a private company. This they did and in 1956 ***Westfield Investments Pty Ltd*** *was born.*

Soon Westfield Investments Pty Ltd was turning over very large volumes of development business for such a small company and Saunders and Lowy were advised to take it public. In 1960 ***Westfield Development Corporation Ltd*** *was floated on the Sydney Stock Exchange.*

In the mid 1960s Westfield began to brand its shopping centres as ‘shoppingtowns’. While the origin of the word ‘shoppingtown’ is uncertain, Westfield registered the term ‘Westfield Shoppingtown’ and has used it ever since.
It encapsulates the functionality of its centres, which replicate the services and facilities of a town in the suburbs.

By 1971, the company had expanded its sphere of activities, increased its profile substantially and generally become known as ‘Westfield’. In light of this, the directors recommended a change of name to ***Westfield Ltd.***

This name lasted until the company was radically restructured in 1979. Westfield Ltd was delisted and in its place two new entities, ***Westfield Holdings*** *and* ***Westfield Property Trust****, came into being.*

Something Gained and Something Lost

The Darrell Lea Shopping Centre Experience

When the shopping centre boom began in New South Wales, Darrell Lea, a relatively small-time chocolate maker, was a keen participant. As the industry grew, so it grew too, with the result that some 40 years later it has expanded beyond all expectation. It now has 90 company-owned and -operated shops across the country, the majority of which are in shopping centres. In out-of-town and country areas, it has a further 90 full-line agencies and 250 miniature ones.

'Our business is the size it is today because of shopping centres,' says Jason Lea, company director and grandson of founder Harry Lea. The advantages of shopping centres were clear to the Lea family at the outset. 'It was obvious,' says Jason. 'We were looking at a controlled environment in a country which has two major seasons. Our product melts in summer and the air-conditioned shopping centres prevented this. They also drew people. They made themselves quasi-civic centres and became the focus of almost every community they appeared in. When you are in retail you have to go to where the people are unless you are a destination business like a solicitor or doctor. If you rely on impulse buying, like we do, you need the maximum pedestrian traffic and in a shopping centre that's what you get and more — you are not just getting commuters, you are getting shoppers.'

Darrell Lea's relationship with Westfield began in Burwood in the mid 1960s. Harry Lea's youngest son, Darrell, who was something of a dandy, attended the grand opening of the centre wearing a gold and black tuxedo. On his arm was the glamorous Jan Rennison, an up-and-coming movie star. It was a grand start to a long and lucrative relationship with Westfield.

But while the business grew with tremendous momentum, Jason Lea believes something was lost in the process. 'I think this company lost part of its soul. It lost that cottage-industry feeling, that valuable sense of the goods being homemade. Some of the craftsmanship was sacrificed to semi-mass production, to technology in order to produce higher volumes.'

Darrell Lea is a retailer with its own supply house. But despite the fact that it manufactures its own goods, and has a large factory and distribution network, it views itself primarily as a retailer.

From time to time, Darrell Lea has concerns trading in shopping centres. In rent renegotiations it has raised issues such as set hours for trading, the demands for shopfront attractiveness, the massive fit-out costs and the matter of extra operating costs added to rental costs.

'Some of these are two-edged swords and operate sometimes to our benefit, but they cost,' says Jason. 'In dealing with a monolithic giant like Westfield it is often difficult to make it understand that you are hurting. Over the years I can think of a couple of times that they have bent, but that is only in response to pressure from several retailers together.'

However, at the end of the day, for Darrell Lea, the advantages of trading in shopping centres far outweigh the negatives, even though this may come at the expense of that 'cottage-industry' feeling. 'If the shopping centre boom had not happened — and it was largely fuelled by Westfield — Darrell Lea wouldn't have the business it has today,' says Jason.

Right: A Darrell Lea outlet in a Westfield Shoppingtown in the late 1960s.


DARRELL LEA
Chocolates
Soft Eating
Liquorice
Gift Boxes
Hard centre Assortment

Gaining Financial Sophistication

In its first decade as a public company, Westfield continually fine-tuned its financial strategy. Within three years of its debut it had dropped residential development and begun to concentrate more on the investment aspect of its business by creating equities in the real estate market which could be managed for recurring income. To free up capital for further development, it also entered into sale–leaseback arrangements.

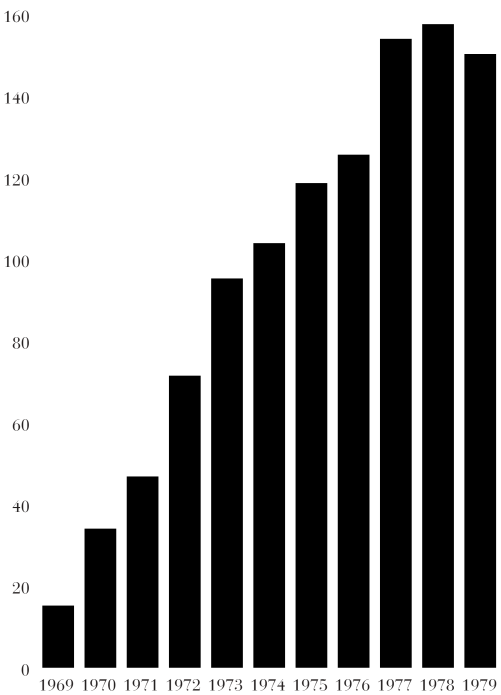
As mentioned previously, some three years later it improved the way it financed developments by using short to medium term finance for the construction phase.

In its second decade, the fine-tuning continued. By 1972, Westfield had passed the $1 million earnings mark, had a joint venture with Credit Suisse, and approximately 65 per cent of its profit before tax was derived from income-producing properties. This figure remained above 60 per cent for the next two years until 1975 when, in line with the board's objectives, it rocketed to 85 per cent.

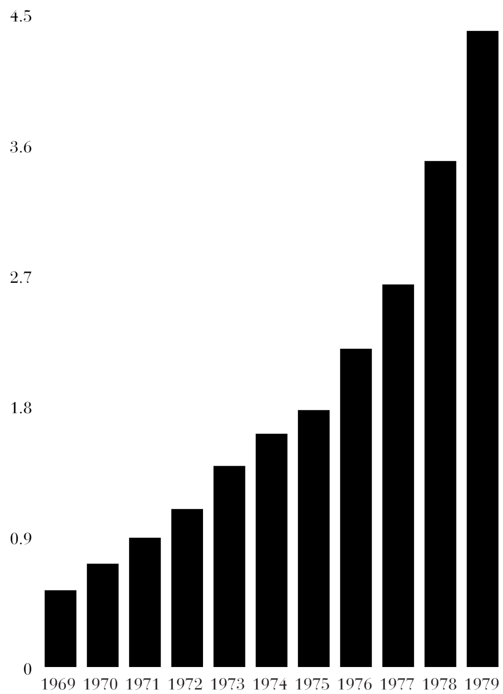
At the halfway mark through its second decade, Westfield's income was coming from a property portfolio consisting of eight freehold shopping centres, with three on long-term leasehold and two jointly owned. There was also an income stream from a freehold office block, hotel and motel. Although they were operating in economically unsettled times, Westfield's directors were certain that increasing rental income would be sufficient to maintain profitability.

By 1977, the year in which Westfield made its first foray into the United States, the company had identified a new source of finance — superannuation funds.

Total Assets ($ millions)



Profit After Tax ($ millions)



Since the loosening of restrictions on permissible avenues of investment for superannuation funds, funds investment in property had become a notable feature of the real estate scene. The cash flowing into superannuation schemes from rising, wage-indexed salaries had underpinned the Australian property market for the preceding two or three years. Without superfunds, the collapse in values after the speculative excesses of the property boom in the early 1970s would have been more widespread.

In 1977, Westfield embarked on the construction of the Hurstville complex, which was to be financed under a sale–leaseback arrangement with the NSW State Superannuation Board.

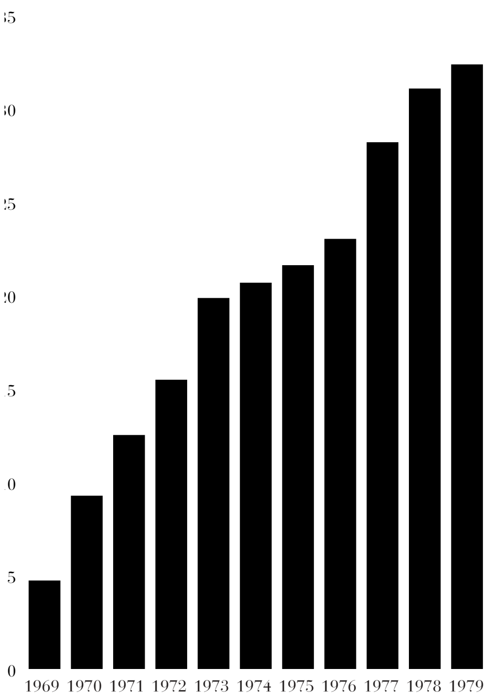
A year later, Westfield had all the hallmarks of a company over-leveraged.

For its 17 years as a public company, it had grown without interruption, accumulating 14 shopping centres, an office block, a motel and a hotel. But a large part of its business had been financed through borrowings and its liabilities had grown to $125 million. Its assets stood at $153 million and it had $28 million in shareholders' funds. However, its assets had not been revalued since 1971 and their true value was not reflected in the share price.

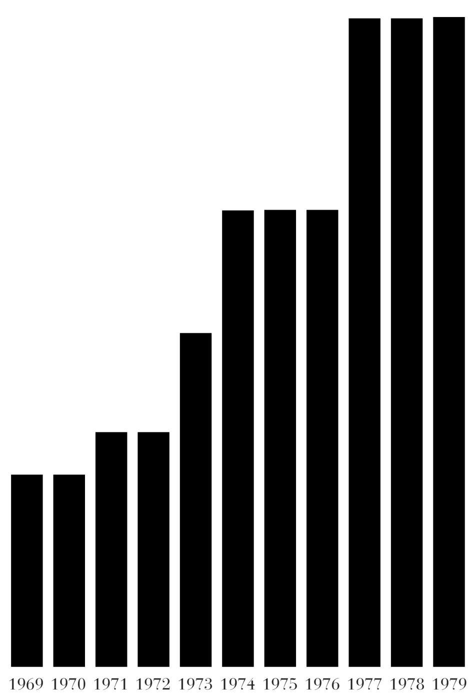
The company wanted to unlock this value to provide shareholders with the benefits of their investments and to allow itself the opportunity of reducing gearing and of growing.

In mid 1978, Westfield announced to the Australian Stock Exchange that it was considering a reappraisal of the value of its

Stockholders' Funds ($ millions)



Issued Capital ($ millions)



properties. Such a revaluation could result in the passing on of benefits to shareholders.

Following this, the media speculated that such a revaluation could add as much as $100 million to the company's asset value and that it was likely that Westfield would redirect a substantial part of its income-earning assets into a property trust.

As these rumours spread through the finance sector, Westfield's share price soared from a low of $2.75 in January 1978 to a high of $7.50 in November 1978.

Just as Westfield constantly remodelled its shopping complexes to meet changes in the retail market, so it was about to remodel its own capital structure to meet changing trends in the capital market.

In November 1978, on the official announcement of its intention to form a property trust which would increase shareholders' dividend income eightfold, the shares surged again to hit $8.30.

In July 1979, Westfield Ltd was delisted and in its place Westfield Holdings Limited and the Westfield Property Trust were listed. The sale of Westfield Limited's wholly owned properties, a result of the establishment of the trust, constituted what was at the time probably the largest-ever property transaction in Australian history.

While most of the transfer was 'in-house' with the sale of six properties by Westfield Ltd to Westfield Property Trust, two of the largest properties were sold to the Superannuation Fund Investment Trust (SFIT).

SFIT bought the Westfield Towers and Boulevard Hotel complex and the Indooroopilly Shoppingtown, and leased them back to Westfield which continued to manage them.

Westfield earned a capital profit of $80 million over book values on the total property sale to the SFIT. This capital profit was distributed to shareholders through the issue of eight units in the trust for each ordinary share.

In its grand finale before the 2 July reconstruction, earnings for Westfield Ltd increased 25.8 per cent to $4.4 million in the year to 30 June 1979. This was the company's 19th consecutive profit.

Following the restructure, the Westfield Property Trust became the equity provider for the capital-hungry Westfield shopping centres and the value of the two entities, the units and the shares, shot up to $12.

The outcome for Westfield and its shareholders was extraordinary.

The company's leverage was eliminated, it had $25 million in the bank and shareholder wealth had grown exponentially. Not only had their shares increased in value but so had the dividends. From a dividend of 10 cents per share in Westfield Ltd, they now received 82 cents dividend from the combined entities.

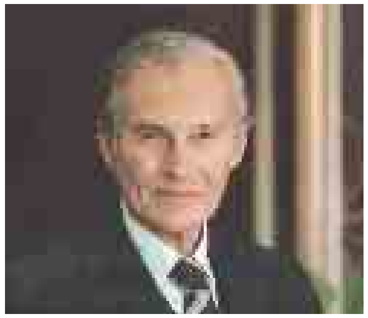
Westfield Holdings Ltd was now concentrating on fee-generating management and development activities. It was manager of the Westfield Property Trust and was also manager and service provider to the centres.

While Westfield Holdings offered growth, rather than income, the Westfield Property Trust, with its minimal borrowings, offered secure and steady returns, something that appealed to institutions and individuals seeking income with a low risk and minimal volatility.

Westfield had ended its second decade as a public company in a position of unprecedented strength.

But there was bad news around the corner. Exactly a year after the restructure, the Federal Government changed the rules. It feared others would try to emulate this trust arrangement as a tax minimisation scheme and that, as a consequence, it would lose millions in revenue. To avoid this, it changed the rules retrospectively.

The new legislation took Westfield back to first base and it was forced, with not inconsiderable pain and much effort, to re-achieve the same result using other tactics. It succeeded and, in 1982, a new trust was floated.

The Board of Directors

Mr J. Saunders | *Mr D. R. Stephens (Chairman)* | *Mr F. P. Lowy* | *Mr L. L. Winter* | *Mr R. W. Stevens (Secretary)*

The lean, efficient board that took Westfield into new financial territory and brought it profits that could never have been anticipated. The four members of this board remained in place for fifteen years from 1965. It was only in 1980, when Leslie Winter reached the statutory age for retirement, that a change took place. David Lowy, Frank's eldest son, took Winter's seat.

The Westfield Property Trust

Just as Westfield constantly remodelled and updated its shopping centres to accommodate new trends in the retail market and to improve its performance, so in 1979 it remodelled its own capital structure to meet changing trends in the capital market and improve its fiscal position.

This restructure involved the creation of a property trust. In July 1979 Westfield Ltd was delisted and it its place the property trust and a holding company were listed.

Into the trust, Westfield Ltd sold six of its freehold shopping centres, giving it a total lettable area of 166 700 sq metres. These properties had a value in excess of $100 million.

They were all in prime shopping locations in the three eastern seaboard states of mainland Australia.

In New South Wales there was Miranda Fair Shoppingtown, Hornsby Plaza Shoppingtown, North Rocks Shoppingtown and Figtree Shoppingtown. In Queensland there was Toombul Shoppingtown and in Victoria, Airport West Shoppingtown.

Rents paid by retailers occupying significant shopping space in these centres were related to turnover. The higher their sales, over a base minimum, the higher the rent paid to the trust.

Each unit in the trust had an initial asset backing of $1 and there was an undertaking to revalue the properties at least once every three years.

The six shopping centres were to be managed by the Westfield Group and the fees were based on performance.

The borrowings of the trust were limited to 60 per cent of total tangible assets. However, the borrowings would be kept at a low level. The rental income would provide a hedge against inflation.

Newspaper headlines before and after the trust's birth.

Huge payout boost by Westfield

28 NOV 1978

Long-awaited restructuring news at Westfield

27 NOV 1978

COMMENTARY

Westfield remodels its capital

By MALCOLM WILSON

Westfield sale of property largest yet in Australia

Corporate reconstruction tipped for Westfield

Westfield hits another high

5 JUL 1978

A Dream Decade for Shareholders

While shareholders who bought into Westfield in 1960 reaped tremendous benefits from their shares in the first decade of the company's existence, those who bought in the 1970s also stood to gain undreamed-of wealth.

An investment of $1000 in Westfield shares in 1960 would, provided all bonuses and dividends were reinvested in Westfield shares, have been worth
$16 850 by 30 June, 1970.

A decade later, in 1980, under the same criteria, this would have grown to $236 350.*

How did such phenomenal growth occur?

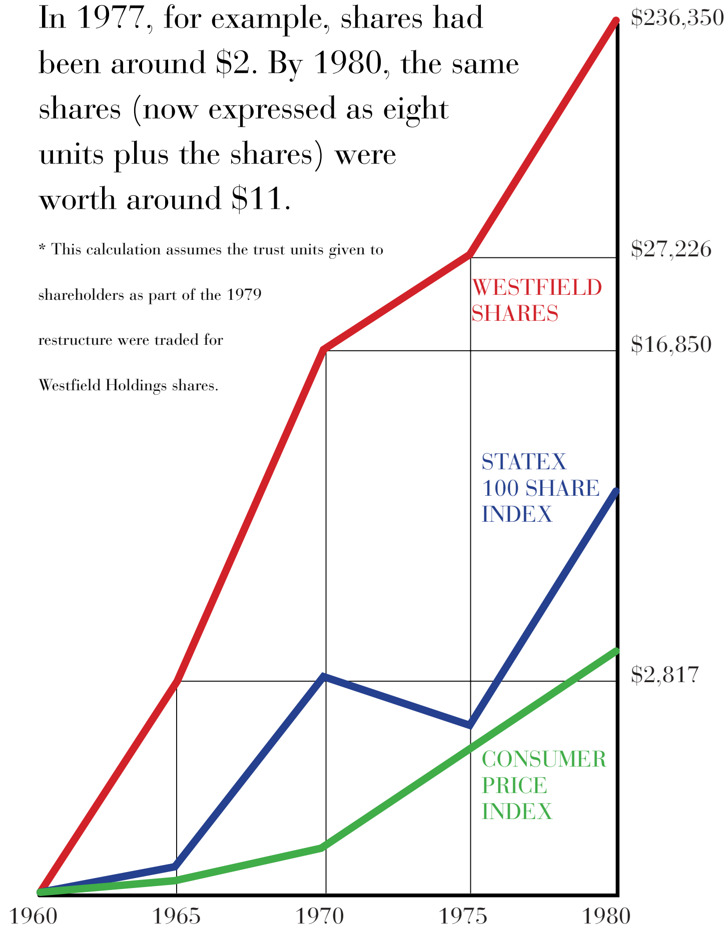
The principal reason was the company's consistent profit increases and its prospects for future growth as the market embraced Westfield's strategy.

Secondly, dividends of 15 per cent continued to increase every year until 1974 when they hit 20 per cent. They remained at this level until the restructure in 1979 when they dropped to 10 per cent. The following year, they were back up to 20 per cent. In addition, a number of bonus share issues benefitted the share price. Through the 1970s, shareholders received share bonuses on four separate occasions and, in one instance, a large parcel of units in the new property trust.

1970 — one for five bonus issue
1972 — one for five bonus issue
1973 — one for three bonus issue
1976 — one for four bonus issue
1979 — for each share in Westfield Ltd, shareholders received one share in Westfield Holdings and eight units in the property trust

Lastly, the decade saw share prices rise steadily, but particularly at its end. In 1977, for example, shares had been around $2. By 1980, the same shares (now expressed as eight units plus the shares) were worth around $11.

* This calculation assumes the trust units given to shareholders as part of the 1979 restructure were traded for Westfield Holdings shares.



As part of Her Majesty The Queen's Silver Jubilee celebrations, HRH The Prince of Wales opened an exhibition of Royal Coaches in the Indooroopilly Shoppingtown, after which they were displayed in other Westfield centres throughout Australia. When Prince Charles bade his farewell, he politely asked Saunders if there was anything he could do for him. 'Yes,' replied Saunders (far left). 'Please send your mother.'

The Rise of Suburban Shopping Machines

A Personal Perspective

Charles Lloyd Jones, Chairman, David Jones, 1960–1980

Charles Lloyd Jones CMG

When Charles Lloyd Jones completed his university studies in the late 1940s and was ready to join the family business, David Jones, his father, declared he should start at the bottom, in the dock where all the goods were received.

On his first day, a man who had been with the company for 30 years handed him a broom and explained, 'Now this is to sweep the floor, Mr Charles sir. Sir, do you understand how to sweep?' Charles had done some sweeping at boarding school and enthusiastically took the broom but after three sweeps the man intervened. 'That's very good sir. Would you like morning tea now?' Charles went home and told his father it wasn't going to work. After some consultation the family decided to send him to the West Coast of the United States for training because stores over there were more in tune with David Jones' retail philosophy.

He was sent to Bullocks, the first American department store to have branches. Although he wasn't placed at Bullocks' extraordinary Wilshire branch, it captivated him.

'It had been built to serve the rich new film colony that was developing in the Los Angeles of the 1920s. It didn't open until ten in the morning because none of its customers would have been be up before ten and then it traded through to 7 pm. It was the first store to cater for the motoring public.

'As it was built out in the middle of a paddock in Wilshire Boulevard, everybody had to drive there. It offered a great motor court and a place for chauffeurs to congregate. It is still there today and is a monument to art deco.'

Charles completed his training at a Bullocks suburban store before returning to Sydney.

Retailing in Sydney was about to undergo major changes. Sydney had two main centres of retailing dictated by the major modes of transport into the city. There was one centre around Central railway station, which serviced commuters coming in by train, and another in Pitt and George Streets, which catered for those coming into Circular Quay by ferry and bus. With the advent of the Harbour Bridge and the underground railway system, all this changed.

Circular Quay and Railway Square at Central were no longer the sole transport hubs and the stores that relied on flow of pedestrian traffic generated by these hubs began to suffer a sharp decline in trade. Eventually, many retailers went out of business. Stores such as David Jones and Farmer's (now Grace Bros) survived because they were not dependent on that trade. Their style of operation was different, concentrating on providing superior service and the best merchandise.

Specialty shops of today, such as Cartier and Chanel, didn't exist. David Jones introduced Cartier to Australia and sold its wares through its outlets.

Retailing before the Second World War was quite different, says Charles. 'If we at David Jones wanted to sell fashionable ladies' hats, we had to buy them in London or Paris. That meant having to send our hat buyer to England once a year by sea. It took her five weeks to get there. She bought hats in Paris and London and then got on a P&O liner and spent five weeks coming home, first class. That was the way it happened. A minuscule part of the population travelled, so upmarket department stores were educating people, introducing brands to Australia.

'The manufacturing industry was slow to learn because it was insular.

'Indeed, David Jones started its own manufacturing division when my father saw the "coat shirt" and no one here would make it for him. The coat shirt, with its buttons down the front, is a common item today. Until its introduction in the 1920s, men pulled their shirts over their heads and only buttoned to the chest. Collars were separate.

'My father saw coat shirts were going to be the next big thing when he was in America. So he started his own factory and eventually we had more than 1000 people working in our clothing factory in the 1930s and more in the 1940s because we made uniforms during the war.'

David Jones was doing so well that when it was offered space at a new suburban 'blockbuster' shopping centre, Roselands, it declined. Its city store was thriving. Grace Bros' Broadway store, on the other hand, was struggling because of the decline of Railway Square, so it decided to take the Roselands space. In a short while Roselands was outperforming Broadway.

Meanwhile, David Jones had taken itself to Parramatta and opened a stand-alone complete department store with a carpark and was doing a healthy trade. A short time later, as the population of the suburbs grew and the need for retailing out there became increasingly obvious, David Jones' property development company began building its own garden shopping centres.

'In my stewardship I can only remember David Jones being in one Westfield store and that was at Toombul,' says Lloyd Jones. 'We were an anchor tenant and business was good. It's better to be in a shopping centre than standing alone because business makes business.

'To me, malls are a symptom of the time and are a good thing. But it has occurred to me lately, when I look at shopping centres, that there is a tremendous sameness about them. They have all got the same range of stores which all look the same. Each store has replaced half a dozen local butchers, or half a dozen greengrocers or half a dozen haberdashers. Malls are just shopping machines.

'I personally regret the decline in "personal" shopping. It's nice for the butcher to ask how the dogs are and if they enjoyed that bone he saved for them. You certainly don't get that when you are buying your meat in a packet at Woolworths. But then a lot of people have never known that. There's been a big change in fifty years of retailing.'

Whatever Happened to...

Many of the big-name stores that dominated Australian retailing in the first half of the twentieth century had all but disappeared by the beginning of the twenty-first.

In their day, they had dominated in size, reputation, name and service. Then, it seemed the likes of Farmer & Co, Foy's Ltd, Anthony Hordern & Sons, Sydney Snow Ltd, Ways, Winns, Waltons, Western, McDowells, Marcus Clarke, and Nock and Kirby would last forever.

Some became embroiled in complex takeovers, some were sold in sections and some joined forces and continued for a limited period before being subsumed by a third party. A few struggled on until defeated by the modern economy and others just petered out. Those that survived, in one form or another, such as David Jones, Myer and Grace Bros, Coles and Woolworths, continued to trade into the new century.

- In 1960, for example, the grand Farmer & Co, which had played such an integral role in so many Australians lives and had absorbed other retailers, such as Ways, acquired for itself twelve Western Stores in the countryside to meet retail growth in those areas. Later that year, it merged with Myer of Melbourne and then disappeared from the retail scene when its stores were retired and renamed Grace Bros.
- After Foy's flagship store in Sydney lost clientele because of new transport systems and altered pedestrian traffic flow in the city, it was sold to Grace Bros. Its branch stores were sold separately.
- Income from the Federal Government for the use of its buildings during the Second World War helped to relieve some of Grace Bros' retailing problems and it went on to open several suburban stores in the 1950s and 1960s. Later it was taken over by Myer which, in turn, was taken over by Coles. Today it trades as a division of Coles Myer.
- Horderns suffered badly in the Depression and the valuable city site was ultimately sold to an overseas construction company.
- Following the Depression, the Second World War, book debts and the closure of its mail-order catalogue trade, Marcus Clarke accepted a takeover offer from Waltons in the 1960s. In the 1970s Waltons took over McDowells and then was taken over itself by the Bond Corporation in the 1980s. Soon after, it vanished from the retail landscape.
- For Snow's and Winns, business dwindled steadily until Snow's sold out and Winns closed its doors.

A Cautious Expansion — Making Inroads into America

Since the late 1950s Saunders and Lowy had been making regular visits to the United States to learn about shopping centres. Every year, one or both would attend the International Shopping Centre Convention to keep Westfield abreast of developments in the industry. They would also use the time to tour individual centres and get a feel for trends, innovations and anything that could be brought back and profitably applied in Australia.

By the 1970s they had become concerned about the future of the shopping centre industry in Australia. With its limited population, it seemed to them that the country could accommodate only a finite number of centres. This concern propelled them to start thinking of expansion into overseas markets.

When the Whitlam Government came into power in 1972, it initiated shifts in overseas investment regulations that would pave the way for Australian business to explore the world. During the previous government's administration, only limited foreign commercial activity was permitted. Whitlam changed strict currency regulations and businesses such as Westfield began looking abroad.

Westfield set its sights on Asia, but when a deal there collapsed, it turned to the United States. By then it was 1976 and numerous theories abounded about how Australians could gain a foothold in the American market. The most popular theory at the time proposed that the business had to have a 'critical mass' in the new country to succeed. Lowy and Saunders discounted this. They preferred the 'toe-in-the-water' approach. Up to this point in their business lives they had never simply launched themselves into a new territory. Their entries had always been cautious and well planned. With this in mind, they aimed to buy one centre, well positioned and of manageable size, and then see what they could make of it.

A suitable centre in San Francisco became available but its price tag of US$28 million was too high for Westfield to take on alone. Credit Suisse was not interested and after making overtures to others, Westfield found itself without a financial partner. Reluctantly, it had to let the deal go.

A short while later, the affable Saunders was at Las Vegas airport having just attended a shopping centre convention. In the boarding queue he fell into conversation with a real estate agent and mentioned he was looking for a centre to buy. Saunders discussed his criterion for such a purchase, and the agent responded by saying he had just the property Saunders was looking for. It was situated in Trumbull, Connecticut, was in some trouble with an anchor tenant, and was not yet officially on the market.

The agent set up a meeting and a few days later Lowy flew to the centre. It was exactly what Westfield required to learn the business in the United States. It was in an affluent area, was of a manageable size and had lots of potential.

After taxing and protracted negotiations with the centre's original developers, Jack and John Frouge of Frouge Corporation, a deal was struck and Westfield bought Trumbull Shopping Park for US$21 million. The purchase was financed by taking over the existing first mortgage loan term facility in the United States and increasing it to US$15 million, and providing the balance out of Westfield's own resources.

Within three years of making this purchase, Westfield would add another three centres to its US portfolio.

The land surrounding Trumbull in 1977, with its space for 5000 cars, was ripe for expansion.

Nursing a New Asset to Robust Good Health

Once Westfield has acquired a new shopping centre, it does not leave it to tick over quietly. Rather it begins immediately to improve it on every possible level for retailers, for shoppers, for stakeholders and for investors. No time is wasted.

Although the 15-year-old Trumbull Shopping Park in Connecticut was well established when Westfield bought it, fully let and operating profitably, Westfield could see room for improvement. The centre was surrounded with a middle- and upper-class population in a county said to have the highest per capita income in the United States at the time. With its parking for 5000 cars, from an Australian perspective it had sufficient land for substantial expansion.

Trumbull was a peculiar amalgam of strip centre and regional mall.

Anchored by a discount store, Korvettes, and a locally based department store, Reads, space in between the two was essentially a retail hotchpotch of 60 shops.

David Lowy began his formal Westfield career at Trumbull. Having just completed his university degree he went, without so much as a breather, straight into the American business.

Soon after the purchase, a Westfield team was dispatched from Australia to start planning its makeover and Frank Lowy himself spent about six months working with the team. Westfield aimed to transform Trumbull through several phases of renovations, expansions and aesthetic upgrades from its existing 'identity crisis' into a vibrant regional shopping destination.

The Westfield team was used to the Australian commercial environment where space was at a premium. In Australia, shopping centres had mostly grown up close to railway networks in densely populated suburbs where land was expensive. To squeeze the most out of a centre, the land had to be used intensively, efficiently and cleverly. In the United States, cities tended to shoot up around major freeways. Shopping centres were built at major intersections of these freeways, where there was an abundance of cheap, empty land. Typically, centres would have the luxury of 80 to 100 acres, with carparks sprawling all around them.

In Australia at the time, Westfield was building multistorey centres with underground and rooftop parking. It was used to exploiting vacant space and turning it to commercial use. It was also used to having cohesive, integrated centres.

To elevate the Trumbull centre to regional mall status, a multitude of regulations, review and approval processes had to be navigated by the Westfield development team. Given Trumbull's location in a conservative state and locality highly resistant to change, a methodical, phased approach to change was employed.

Between 1977 and 1992, what had formerly been a centre with an identity crisis — featuring a disjointed mishmash of 60 small merchants anchored by a local department store and a failing discount store — was transformed into a heavyweight shopping centre destination with four powerhouse anchors and 200 popular specialty retailers.

Westfield's US$21 million 'toe in the water' in 1977 had, some 15 years later, become an asset valued at more than $190 million with opportunity for further growth.

The planning, resources, expertise and manpower Westfield put into Trumbull was typical of the effort it puts into all of its shopping centres, both in the United States and Australia and around the world.
A centre is never left to languish.

Reflections at Trumbull.

The Evolution of the Modern American Mall

Popular belief has it that the modern shopping centre is a revolutionary American architectural concept which first took root in the post-war suburbia of the late 1940s.

In reality, the concept is centuries old. It has its origins in the medieval marketplaces and bazaars of Persia, Egypt and the Far East. As Alfred Taubman explained in an article in the *Real Estate Finance Journal* (Summer 1987), 'Those roots start to become clear when one considers an account written in 1784 by a European traveller, describing the bazaars of eighteenth century Istanbul as "superb buildings filled with beautiful covered passages. They are all well maintained. Each business has its own hall, where the merchandise is presented … Visitors come for entertainment as well as business."'

Such marketplaces evolved into 'arcades' in Europe which, by the late 1700s, had become sophisticated and refined venues attracting the fashionable shoppers of the day. According to Taubman, the Galeries de Bois of the Palais Royal, built in 1786, was perhaps the earliest pure example of this. Consider this 1849 commentary on Paris street life:

> *So that the inner city could compete with the boulevards, speculators hit upon the arcades, which immediately found a favourable response. It was not enough to save the pedestrian from the distress and anxiety of the street; one had to attract him positively to the arcade so that once he entered he would feel himself caught by its magic and forget everything else. It all depended on the ability to build an arcade as bright as an open space … warm in winter, and cool in summer, always dry and never dirty or dusty.*

The arcade arrived in the United States in the 1820s in the shape of the Philadelphia Arcade and others soon followed in Providence, New York and Cleveland. Meanwhile in Europe, arcades were becoming increasingly sophisticated and reached their grandest scale in examples such as the Galleria Vittorio Emanuele II in Milan, which displayed striking similarities to modern malls.

In the 1950s, shopping centre architect Victor Gruen, a Viennese émigré, cited the glass-roofed galleries of Milan and Naples as the inspiration for his new American centres which had indoor public walking areas, air-conditioned in summer and heated in winter.

In the first half of the twentieth century, established downtown American department stores dominated city retailing. Chainstores and other competitors were kept at bay, but as strong opportunities began appearing in the suburbs, they found their niche there, occupying locations known as 'hot spots' that were three to nine kilometres from downtown. 'These streetfront properties,

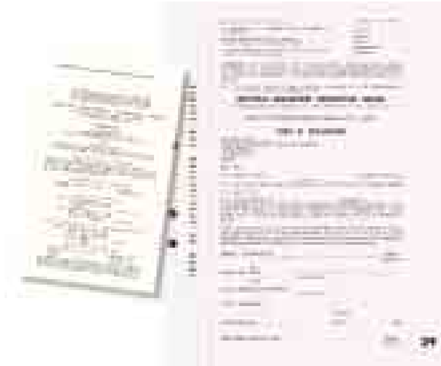
Interior view of Universal Mall, Michigan, Westfield's second US investment.

anchored by chain, variety or specialty stores, were serviced primarily by foot traffic, buses, streetcars and an evolving middle-class American phenomenon — the automobile, which new developments began to accommodate in adjacent parking lots, giving shoppers an additional incentive to come,' wrote Taubman.

The automobile hastened the decline of the downtown retail institutions. In 1900, there were only 8000 registered cars in the United States. By 1920, there were 20 million but because of the narrow streets which had been planned for horses and carts, they could not be comfortably accommodated in the cities. Downtown areas became so crowded and congested that people found it simpler and more pleasant to shop where they lived — in the suburbs.

Suburban migration after the Second World War was encouraged by government programs offering affordable financing to new-home buyers and by tremendous expenditure on highway construction to serve suburban populations. Eventually, the downtown princes of retailing were forced to seek business in the suburbs too.

	Milestones in Westfield's Second Decade	World and Australian Events
1970	• Land purchased in William Street • Indooroopilly opens	• Pope Paul VI visits Australia • Floppy disks introduced for computer data storage
1971	• Renovated Miranda opens as Australia's largest centre	• The United States removes gold backing to its dollar • Australia decides to express its exchange rate in US dollars rather than sterling
1972	• Liverpool opens ahead of schedule • Travelodge takes long-term lease of Boulevard Hotel	• Gough Whitlam elected Australian Prime Minister • Watergate scandal erupts in the United States
1973	• Westfield Towers completed	• Sydney Opera House opens • Arab countries impose oil embargos
1974	• Stage One of Parramatta opens • Expanded Figtree opens	• Cyclone Tracy hits Darwin • Barcodes first appear in US grocery industry
1975	• Completed Parramatta opens as largest centre in Australia • North Rocks opens	• Governor-General Sir John Kerr dismisses the Whitlam Government • Vietnam War ends
1976	• Airport West opens in Melbourne	• Israeli paratroopers free hostages at Entebbe International Airport, Uganda • Introduction of international direct dialling to 13 overseas countries
1977	• Westfield acquires its first United States centre, Trumbull	• Her Majesty Queen Elizabeth II visits Australia as part of the Silver Jubilee tour • Granville train disaster
1978	• Hurstville opens • Westfield moves into South Australia	• Pope John Paul II appointed • Anglo-Australian Telescope provides the first-ever optical viewing of a neutron star
1979	• Westfield Holdings and Westfield Property Trust formed and listed • Additions to Shore Motel • Toombul and Hornsby completed	• Shah of Iran deposed • Air New Zealand crash • Sydney Hilton bombing
1980	• Three new United States centres – in California, Michigan and Connecticut	• Gold hits $835 an ounce • Azaria Chamberlain disappears at Ayers Rock



A shareholder who invested $1000 in Westfield in 1960 had, by December 1980, an investment worth $288 834 assuming that all dividends and other benefits were invested in additional shares.

A 'Super' Gesture — Superannuation

To cope more effectively with inflation, in 1976 Westfield made substantial changes to its retirement schemes for employees. With salary increases in excess of expectations and depressed share prices, it decided to discontinue its existing retirement schemes which provided for benefits relating to salary, and to replace them with the more traditional contribution — accumulation-type retirement scheme.

For this, it placed a large parcel of its shares with its superannuation fund.

The new fund provided executives and employees with a vested interest in the progress and success of the company, as they would retire with a benefit determined by the market value of Westfield shares at the time and by the general worth of the fund.

Given the meteoric rise of Westfield shares over the next 24 years, employees made great gains from the new scheme. Indeed, the company restructure in 1979 yielded the new fund a paper profit of $5 million alone.

As a result, over the years, many long-serving executives have retired with millions in their bank accounts.