Peter Michelides: Globalisation and the demise of a Western Australian tobacco tycoon

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Peter Michelides, having arrived in circa 1901, helped to pioneer Western Australia's tobacco industry. Joined by his younger brother Michael, they were soon selling handmade cigarettes from Perth street corners. From these humble beginnings Michelides established a large vertically integrated tobacco enterprise, which would become the third largest tobacco company in Australia. At the same time he was a very influential member of the local Greek community, becoming the longest serving president of the Hellenic Community of WA. However, as trade restrictions were lifted during the 1950s multinational corporations impacted on his business, bringing it and the WA tobacco industry to an end. Was this inevitable? Does this example serve as a precursor to what has happened to many Australian companies over the last 20 years?

Peter and Michael Michelides were significant members of Perth's Greek community, notable businessmen and instrumental players in Western Australia's tobacco industry. Though pre-1914 arrivals to the State, they remained influential in all these fields into the post-World War II period. However, the enterprise they established could not compete in the changing domestic market of the 1950s and with the ever-increasing presence of multinational tobacco companies.

Peter Michelides was born in 1878 on Castellorizo, the son of Spero Michelides from Samos, and Jasmine (nee Hatzipetrou). The family moved to Egypt when he was seventeen years old and Michelides began an apprenticeship, without pay, at a cigarette manufacturing company in Cairo. Here he learned skills which would stand him in good stead in later life. Michelides arrived at Fremantle in circa 1901 aged twenty-three (O'Brien, 1968:3).

Peter Michelides soon entered the local cigarette-making business. For the first year he worked alone rolling cigarettes by hand, occasionally employing helpers when orders were larger than he could handle. Once established, he brought out his younger brother Michael from Egypt (1904) and a few years later his parents and four sisters.
The cigars and cigarettes were made in a wooden shed in central Perth, which was replaced in 1924 by a large, substantial building on the corner of Lake and Roe Streets, Perth. From these modest beginnings he created Michelides Tobacco Limited. A multitude of brands of cigars, cigarettes and tobacco came out of this plant, for example, **Luxor, President, White Oak** and **Western**, contributing to the development of an enterprise worth £200,000 by 1939, and by the early 1950s Michelides Tobacco was the third largest manufacturer of cigarettes in Australia. Despite claims that Michelides founded the Western Australian tobacco industry, there were predecessors including Dixon’s Conqueror Cigarettes and Michelides’ biggest local competitor until the Depression, Abadee and Abrams.

In 1929 the company opened its main retail outlet at a store in Forrest Place on the southern side of the Perth railway line. The business prospered. Michelides Ltd then bought their first fifteen acres of land at Manjimup in 1931, having hitherto bought leaf from private growers in the district. By 1937 some 350 acres of tobacco leaf was under cultivation, and by the end of the 1930s the company was employing about 500 workers at plantations, the Perth factory and their retail outlet (O’Brien, 1968:3; Interview with Spero Michelides, 11.11.2001).
Meanwhile, Peter Michelides’ influence in Perth’s Greek community grew. His sway was clearly evident by the outbreak of World War I, when he was appointed French Consul in Western Australia, the first of several consular appointments he held, and continued beyond the Second World War.\(^1\) Michelides liaised with the Greek, Australian and British governments during the 1916 anti-Greek Race Riots, representing the Greek victims (Yiannakis, 1996a and 1996b). He also went on to become the longest serving President of the Hellenic Community of Western Australia.\(^2\) While President of the Hellenic Community of WA he spearheaded the construction of a Hall and a Greek Orthodox Church. Peter Michelides was instrumental in the site selected along Parker Street Northbridge for these venues.

The original Michelides’ tobacco factory, corner of Lake and Roe Streets, Perth (1924)

By World War II the company had approximately 1,000 acres (405 ha) under crop, more than two-thirds of Western Australia’s tobacco production (O’Brien, 1968:36). Michelides Tobacco Pty Ltd had also built in 1939 a new factory on the Lake and Roe Streets site. Production increased during the war years, peaking in the 1942–43 season. Thereafter, wartime restrictions on labour and materials together with priority needs for essential food production resulted in a reduction in overall tobacco output,

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1. The other posts were Honorary Consul for Spain and Tsarist Russia.
2. Initially Peter Michelides was President of the Hellenic Community of WA in 1924–1925. Then he served as President from 1926–1941. See Appleyard and Yiannakis, 2002, for more information about Peter Michelides and his role in the Hellenic Community pre-1947.
reaching its lowest point in 1945–46 (Baker, 1978:3). Supply of cigarettes from eastern states companies had also been greatly reduced, but as Michelides Ltd was the only local supplier his business continued to prosper, helped by a large proportion of its product being acquired by the military (Interview with Spero Verios, 4.7.1987). The wartime peak was finally reached again in the 1952–53 season, by which time the Manjimup Research Station had been established by the Agriculture Department.3

Peter Michelides had been employing Slav-Macedonians on the property he had rented for tobacco plantations near Manjimup since the mid-1920s. According to Tamis, many of these workers had cultivated the leaf in their home country (Tamis, 1994:221–222). The number of Macedonians employed in the tobacco industry increased substantially after Michelides purchased his first farm in 1931. At the height of the tobacco-growing industry in the early 1950s, writes Hill, there were 1,600 Macedonians in Manjimup (Hill, 1989:27). However for this number to be credible it would have to include persons of Greek, Slav and Bulgarian ethnicity. The number generally increased during the Christmas period, harvest time in the Manjimup area. Of the ex-soldiers who ventured into tobacco farming as part of the Commonwealth's War Service Land Settlement Scheme, most remained for only two or three years. "By 1959 only three of the original 56 were still growing tobacco" (Maskell, 1993:174–210). Many of the ex-servicemen transferred to dairy or other types of farms.

The 1940s had seen Michelides Ltd grow and develop as a vertically integrated enterprise. They owned nine plantations in Manjimup, creating work for 210 employees who harvested over one million pounds of leaf. Tobacco production was growing with each year and at the commencement of the following decade, Australia wide, only WD and HO Wills and Godfrey Phillips exceeded Michelides Ltd in size and output. Increased production was further encouraged in the early 1950s by the Federal government's successive increases in duty concessions on imported tobacco leaf according to the content of Australian tobacco used in the blend by Australian tobacco manufacturers. In 1954 the percentage of local grown leaf to be used in tobacco was raised to 12.5%, and to 7.5% local leaf in cigarettes. By June 1956 the amounts had increased to 21% and 12.5% respectively (Maskell, 1993:197).4 These requirements appear to have artificially pushed up demand. Nevertheless, for Michelides, the flourishing Rizla paper factory, for which he had acquired the Australian rights during the mid-1930s, further contributed to company success. In 1952 it was estimated “that each year some six million cigarette papers are manufactured” (O'Brien, 1968:40).

3 The Consul-General for Greece, E. Vrisakis, wrote to the Department of Trade and Customs in January 1947 seeking that the restriction on imported tobacco from Greece be lifted, claiming that such a decision would benefit both countries. Later that same month a reply was sent stating, “for the present it is not intended to vary that (no license) classification”. Letter from Department of Trade and Customs to E. C. Vrisakis, 29.1.1947, Hellenic Diplomatic: Historical Archives — Box 1, NCHSR Archives, La Trobe University.

4 By 1960 the percentage of local product to be used had reached the unprecedented levels of 43% for cigarettes and 40% for tobacco.
At about the same time other important changes were taking place in the tobacco industry, notably the introduction of the king size filter cigarettes and the further lifting of post-war restrictions on tobacco imports. Soon after, Michelides Ltd was dealing with intense competition from other cigarette producers. The new filtered cigarettes were advertised heavily and being sold in flip top boxes. The consumer preference for this new product was the basic underlying factor that led to the relatively sudden decline of Michelides Ltd in a few short years. To keep abreast of this trend the company marketed a king size cigarette called President Heavyweight.
This venture proved to be unsuccessful as the company could not afford the expensive packing equipment needed for the flip top box nor was it producing a suitable tobacco leaf for this type of cigarette, that is, a heavy strand of tobacco rather than the light Virginian type leaf. The tobacco needed to be richer and more aromatic. This requirement was complicated by the high salt content in the water used in the Manjimup area, producing, according to some, an inferior type of tobacco, which did not burn well or suit changing tastes. Very quickly demand for Western Australian tobacco fell away as buyers sought leaf with low salt.5

Furthermore, large overseas manufacturers could produce huge quantities for the Australian market, providing many different and cheaper lines of cigarettes against which Michelides Ltd could not compete. Combined with more intense and sophisticated advertising campaigns they were able to virtually monopolise all markets.6

It was the multinational company Rothmans that completely revolutionised the Australian smoker’s taste and choice in cigarettes from 1956 onwards. Peter Michelides’ son, Spero (known as Sam), who was one of the company’s managers, in a 1968 interview said, “This drastic change can be seen when it is realised that within two years, smokers changed from 90% of them smoking fine cut Virginian tobacco, to over 90% smoking filter tipped cigarettes” (O’ Brien, 1968:41). More recently in another interview with the author, prior to Spero (Sam) Michelides’ passing, he pondered whether or not it would have been better for the company to have simply stayed with manufacturing the product and not to have become involved with its growing (Interview with S. Michelides, 11.11.2001).

In the meantime, Peter Michelides and his wife Pearl had received the Order of the Silver Medal of the Greek Red Cross, conferred by King Paul for the work they did for Greece during the Second World War. As well as being President of the Hellenic Community of WA, the peak Greek organisation in the state, he had also served as President of the Castellorizian Association (Brotherhood), the State’s oldest Greek regional fraternity: Michelides was the Brotherhood’s President during the War and again from 1946 to 1949. His contribution and concern for the local Greek community resulted in further recognition with the “Certificate of Friendship of the Castellorizian Brotherhood”, presented to him on 23 December 1949.

Peter Michelides continued to remain active in the Greek community despite no longer being President of either the Castellorizian Brotherhood or the Hellenic Community. The resignation of H. P. Downing from the position of Honorary Consul in 1952 saw Michael Michelides receive the post, but his early death resulted in Peter

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5 A richer, mahogany coloured leaf for cigarettes was desired and this required more nitrogen in the soil. WA growers had used nitrogen sparingly in the past.

Michelides taking up the position two years later. He held the honorary consulship until the time of his death in November 1966, when his deputy Spiro Verios replaced him.

Being granted the position was not, however, as straightforward as some might have expected given Peter Michelides’ standing and contributions to the Greek and broader Western Australian communities. While a Commonwealth Migration Officer for WA stated in a memorandum that “Peter Michelides is very well and favourably known to this Department”, and his personal statements “may be accepted without reserve”, some members of his own Community cared to differ. Over time Michelides had clearly made enemies. The usual government checks were conducted on receipt of notification from the Royal Greek Legation of Peter Michelides, pending Consular appointment. The Commonwealth Investigation Service first investigated Michelides at the behest of the Department of External Affairs, noting in correspondence to the Australian Security Intelligence Organisation (ASIO) that since Michelides was “a person of excellent repute”, there was “no objection [...] to his appointment”. However, political and personal rivalries with members of the Greek community had seen at least two individuals file reports against Michelides. One accused him of defeatist views.

In 1954, ASIO Director-General Colonel Spry wrote to External Affairs stating no further reports regarding alleged anti-British attitudes were recorded against Michelides since May 1945. Thereafter, the necessary diplomatic exchanges and protocols between the two governments took place and Michelides’ commission as Honorary Consul for Greece was conferred by year’s end.

This honour was not the last awarded to the ageing Michelides. In November 1958, the 80 year old was awarded the Gold Cross (Officer) of the Royal Order of the Phoenix. The official communiqué from the Royal Greek Legation to the Department of External Affairs acknowledged the award was “in appreciation of the distinguished services rendered by him during the long years of his association with the above [Greek] consulate and as Greek Consul since 1954”. It was noted that Michelides already held the Silver Cross of the Royal Order of George I.

The tobacco company, however, incurred increasing losses. Though new brands such as Sports Club, Minerva and Capri were marketed during the mid-1950s, the deficit kept mounting. The overall picture of the industry was still good in 1957–58,

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7 The impact of Michael Michelides’ untimely death on Company management and decisions in the troubled times about to befall Michelides’ Ltd, remains unclear.
8 PP6/1, 1947/H/26, George N. Simpecas — Application for Peter Michelides.
9 A367, Michelides Peter, Letter from Dept External Affairs to CIS, 18.3.1954.
10 Ibid., Letter from CIS to ASIO, 31.5.1954.
11 Ibid., Various Correspondence and Appendices, 1940–1944.
12 Ibid., 28.4.1954.
13 A1838, Decorations — Greece — Peter Michelides, 1535/11/12, Letter 28.11.1958.
with over 180 growers producing approximately 1,000,000 pounds (roughly 470 tons) of tobacco leaf, earning over £500,000 per annum, but the intense competition between the large companies made future prospects for small independent firms like Michelides Ltd look bleak (O’ Brien, 1968:43). “Then the war between Rothmans and Philip Morris started”, recalled Sam Michelides. Michelides Ltd got caught in the crossfire as the multinational corporations escalated their output, advertising and product range to improve market share. Not a new concept, globalisation accelerated following the Second World War. With management constrained less by national borders, large international corporations endeavoured to increase their market share. The increasing integration of world markets for goods, services and capital, particularly during the last two decades, has seen the process accelerate. Small companies were, and are, in no position to resist the trend. As a precursor to what lay ahead for the industry, five of Michelides’ plantations were sold at auction in August 1957 (Interview with S. Michelides, 11.11.2001).

At about the same time there was a consumer shift away from “roll your own” cigarettes. Rothmans accentuated this trend because of its better class of cigarette. From 1956 to 1961, the number of people smoking filter tip cigarettes also increased by approximately 50%. As Rothmans’ market share grew its preference for better grades of tobacco from low salt areas impacted on Western Australian growers. As noted, the lifting of import restrictions had also seen a trebling in a two-year period of cigarette imports. Unmanufactured tobacco imports fell by 15% in the same period and only better quality leaf was a suitable replacement (Maskell, 1993:205). There followed a dramatic fall in the manufacturers’ purchases of Western Australian leaf because of its unsuitability for the new type of cigarette. Prices received for the tobacco sold in 1960 were considerably less than what had been paid the previous year, while operating costs had increased for most farmers during the same period. In 1960 and 1961 large quantities of leaf remained unsold after the Fremantle tobacco auctions and the industry came to an end the following year. Some of the growers migrated to the eastern states tobacco areas; many moved to Perth, while others remained in the Manjimup area but transferred to vegetable growing, orchard farming or similar activities.

Bitterness in Manjimup, even today, over the demise of the tobacco industry is strong. Those involved or who had family involved were critical of perceived government inaction. Some growers maintained that the Federal government should have acted as a banker to allow locals to compete with overseas producers: Overseas producers received longer periods of credit (120 days) than locals, who only had 14 days credit. Hence, some producers believed the state should have covered their debts for a similar time period and then they would reimburse the government. There was also anger at supposed lack of government action to ease the burden of collapse once the industry’s future was sealed. No “step down” programme was considered and there remains the suspicion of collusion between government agencies and tobacco companies to sacrifice the local industry to help sustain those in

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the eastern states. (In 2006, the tobacco industry in Queensland and Victoria finally collapsed.)

For Michelides Ltd to attempt to develop new types of tobacco and up-grade manufacturing operations to compete with the larger corporations was not feasible. For instance, the company could not afford to obtain the highly expensive packing equipment needed for the flip top boxes (O’ Brien, 1968:40). Michelides then commissioned Fortune Advertising to conduct a survey in 1958, in an attempt to understand consumer demands. Though trends were noted, including that 80% of Perth smokers had tried Michelides’ President label and that it was disliked because of its poor “drawing” quality, the study proved to be of no real value as solutions to the trends were not forthcoming (Maskell, 1993:207).

In 1951 Michelides harvested over one million pounds of leaf, but by 1959 had ceased operations (Maskell, 1993:207). It was his son Spero, Joint General Manager, who made the announcement in the press on 12 December 1959, that Michelides Ltd had ceased production. Office and sales staff were to be dismissed, while the plant equipment, which could produce 23 million cigarettes a month, would remain where it was. Token production continued into the New Year, but that too soon stopped. Though other growers in Manjimup were not directly affected by the closure, it was clearly an ominous sign for the industry and must have sapped the optimism of many growers.

The plantations in Manjimup were sold or taken over by other growers in the district, most of whom would soon be planting potatoes and other vegetable crops or fruit trees. The company’s share in Rizla was sold back to the French parent company. In early 1960 an Adelaide firm, Merchants Merrick Ltd, offered to buy Michelides Ltd for £78,000. The West Australian reported on 5 May “the Company had decided to proceed with the takeover bid” (quoted in O’ Brien, 1968:44). The business that had been in existence for 56 years and operating from the Northbridge site for 36 years finally closed on 23 June 1960. What remained of the company’s tobacco leaf and cigarette-making equipment was auctioned on that day, with the local firm of Richfield Tobacco purchasing most of the equipment. The Roe Street premises of Michelides Ltd were soon sold to Peters Foods, a business that would employ many Greeks (and other southern Europeans) in the coming years.

Peter Michelides retired to his Mounts Bay Road home at the foot of Mount Eliza where he spent much of his time in his well-known extensive library, which contained over 4,000 volumes written in seven languages. After his death in 1966 his house was sold and became the home of the Japanese Consul until it was demolished to make way for a freeway.

14 According to the survey, the most popular cigarette brands in Perth in July 1958 were Red Capstan, Turf, Rothmans and Craven A.
15 Many people interviewed recently about Peter Michelides recall his extensive library, often wondering what happened to the collection.
Michelides was a major Western Australian entrepreneur of Greek heritage: not the first and certainly not the last. As his empire was in decline many new ones were being built. But his was the first on such a large scale. Michelides Ltd was an enterprise with a local, national and international reputation. Peter Michelides was well known within his own ethnic community and the broader business and political world. Along with his brother Michael, he created a company that brought wealth and prosperity to town, city, state and country. He helped to establish an agricultural, industrial and community infrastructure of significant proportions. Furthermore, he contributed much to the welfare and progress of his fellow Greeks. There is no doubt that his contributions to Western Australia were outstanding and in the case of those to the Hellenic Community long-standing; but the pressures of globalisation could not be resisted. As the world economy becomes more integrated and seamless, the Michelides Tobacco experience becomes a more common experience for Australian companies.
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