

# Rear Window's rear view 2017: no stranger than the last



You almost have to admire the chutzpah of Alex Malley, who is now unemployed, but at least sitting on a \$4.9 million termination payment. **Andrew Meares**



by **Joe Aston**

Here we are synopsising yet another rotation of the Gregorian calendar – the sixth we've observed from our privileged perch. This far in, tropes about the miracle of our longevity, or permanent suspension of disbelief (three centuries ago, to the year, since Coleridge coined the phrase after a long afternoon on the laudanum), would be an insult to you, dear readers. The world is strange – far stranger, arguably, than it used to be. We'll just assume you noticed.

First, as always, to [last year's predictions](#).

Having earlier, and [fatally](#), led with our chin on the **Jac Nasser** succession at BHP, we wrote here 12 months ago that "contrary to our previous musings it'll be another Melbourne-based (non-executive)

member of the board". That shoe only fit **Ken MacKenzie**, who did indeed ascend to one of the two most prestigious non-executive jobs in corporate Australia.

We flagged Cricket Australia's "sick organisational culture" being "an unresolved mess for its board", proved correct by the truly **irrational direction** of chairman **David Peever** in its **pointless** and damaging pay dispute with players.



Myer's annual general meeting. Myer CEO Richard Umbers and new chairman Garry Hounsell. **Eddie Jim**

We reckoned **Inghams**, **Ben Gray's** final evacuation for TPG, was "one to watch as input costs (chook feed) turn north cyclically and blood-sucking supermarkets squeeze its pricing power". The stock has underperformed the ASX200 index by 11.1 per cent since listing last November. Stock feed prices are rising and Coles and Woolies have cut the price of a barbecue chook from \$11 to \$8 to drive footfall just as they've done with milk. And TPG still has to offload its final 47 per cent (currently \$605 million on paper) without losing its feathers. Not bloody likely!

Mayne Pharma was "worth a good look, too". Since February its shares have collapsed from \$1.52 to 67¢, and CEO **Scott Richards** lost 7.3 million shares in a **margin call**.

As always, we got a few wrong. "Telstra wants out of a spiralling Foxtel but is too timorous to take the requisite bath offloading its stake," we accused the telco, before it played a blinder, securing less of Foxtel for more of Fox Sports, throwing News Corp in the requisite bath.

And we called **Catherine Brenner's** arrival as AMP's chair "a harbinger" and to "expect the Board to move on chief executive **Craig Meller** in the New Year." Which it almost did, then sternly didn't, and is

now again preparing to do. In recent weeks, Egon Zehnder has been in the market sounding out candidates. Perhaps Brenner could hire outgoing Perpetual chief **Geoff Lloyd**? We're sure he'd love another job where Perps' head of equities **Paul Skamvougeras** [controls his destiny!](#)

## **Blood bath beginning**



Gerry Harvey isn't happy with Joe Aston. **Ben Rushton**

It feels like aeons ago, but this year started in gruesome fashion for corporate Australia. Bellamy's chief **Laura McBain** sacked. Sirtex chief **Gilman Wong** [terminated](#) (and now under ASIC's white-hot microscope). Bubs Australia chief **Alan Von Noort** [quit](#) only 10 days in the job. Primary Health Care's **Peter Gregg** resigned, also in **Greg Medcraft**'s sights, as did Crown Resorts executive chairman **Rob Rankin** (CEO **Rowen Craigie** followed in February), with **James Packer** saying recently of the company's leadership: "I definitely feel let down." And that was just before the Australian Open wrapped up!

Ardent Leisure's woeful CEO **Deborah Thomas** was demoted, [kind of](#), by April, and gone by June. Her successor **Simon Kelly**, a man [particularly fond](#) of his autobiographer, was [gone](#) by November. Lloyd at

Perpetual goes by June next year, as does the Commonwealth Bank's **Ian Narev**. The Big Australian is finally free of Nasser after the [longest retirement tour](#) since **Steve Waugh's**.

**Ahmed Fahour** quit Australia Post, **John Brogden** left the AICD after protracted negotiations, **Chris Rex** retired at Ramsay, Tatts' **Robbie Cooke** effectively sacked himself, **Nick Chan** left Bauer Media, **John Calvert-Jones** and **Hugh Morgan** walked out on the Victorian Liberals, Myer's **Paul McClintock** got the message ([eventually](#)). **Sam Dastyari** quit the Senate, **Yassmin Abdel-Magied** quit Australia for London (praise be), as did **George Brandis**, **Lisa Wilkinson** lost her role on Broadway. So did **Alex Malley**, but more on that later.

Next year, you'd be hard-pressed to find anyone at News Corp who thinks **Michael Miller** will survive with **Lachlan Murdoch's** Teflon-coated lieutenant **Siobhan McKenna** stalking mahogany row. With [growth stalled](#), Domino's Pizza's **Don Meij** has to be feeling the heat while we reckon Canberra's top mandarin **Martin Parkinson** will be elsewhere soon enough. As will AMP's Meller. At Telstra, **Andy Penn** is at a [critical juncture](#).



The truly irrational direction of Cricket Australia chairman David Peever resulted in a damaging pay dispute with players. **Natalie Boog**

Investment banking had its fair share of personnel dramas too. **Aidan Allen** returned triumphantly to UBS after a four-year stint at Citi, **Joe Fayyad** (AKA the Fayatollah) left Goldman Sachs for Merrill Lynch and Credit Suisse's **Michael Stock** just left.

The one man who didn't lose his job (except as a Sydney Swans director) was, of course, Seven's **Tim Worner**. Proprietor **Kerry Stokes** stubbornly withstood immense public pressure – including a mob of

journalists who simply ignored the allegations of **Amber Harrison's** massive embezzlement, preferring her absurd narrative of victimhood. Invoking a foster child?! Comparing herself to **Harvey Weinstein's** victims?! Pass me a bucket.

## Home to roost

Bad behaviour caught up with a few of our old favourites. The man who [destroyed dairy co-operative Murray Goulburn](#), **Gary Helou**, faced a Senate committee in February claiming "I never said" that his farmers would get \$6 a kilo at the gate regardless of global commodity prices. **Nick Xenophon** [then read](#) Helou his own words from April 22, 2016, just 48 hours before MG entered a trading halt and Helou resigned: "Regardless of what's happening in the commodity markets, I think [\$6] is a very realistic target." Helou is also in the Federal Court, accused by the ACCC of deliberately misleading farmers (which he denies).



Ardent Leisure's woeful CEO Deborah Thomas was demoted, kind of, by April, and gone by June. **Louise Kennerley** **John Dawkins** and **Mark Hutchinson** are there too. The chairman and chief executive of [collapsed training provider Vocation](#) are fighting charges of deceptive and misleading conduct brought by ASIC. We should have findings on that one by Easter, nearly four years since that fateful earnings call.

As always, we found ourselves in a few new pitched battles. Billionaire retailer **Gerry Harvey** certainly did not appreciate our scrutiny of his ludicrous accounting policies, which by his own admission are merely fig leaves for Harvey Norman to avoid consolidating effectively-controlled entities. For [our attention](#), Harvey launched [a tirade](#) on live television in which we were described as, variously, an "idiot", a "bastard" and an "absolute disgrace", whose work is "crap", "lies", "bullshit", "so bad" and "nearly 100 per cent incorrect", and who should be "stripped and flogged" and even "hung" (sic). Is 78 too old to work on showing maturity in the face of negative feedback?

Remarkably, Ernst & Young [signed off](#) on the accounting treatment for its FY17 accounts and ASIC closed its investigation into the FY16 accounts.

Myer, of course, has been the corporate debacle of the year. Since upgrading its earnings guidance in November last year and reiterating it [in March](#), then downgrading in July, there have been three subsequent profit warnings, including one last week. Blaming major shareholder and supplier **Solomon Lew** for destabilising the ship completely ignores the [sustained incompetence](#) of this company's leadership. Since last Christmas, its shares have sunk from \$1.35 to 63¢ and its market capitalisation to a pitiful \$519.05 million. CEO **Richard Umbers** over-promised at his interim result in March, which has made his under-delivery all the uglier.



Rio Tinto chief Jean-Sebastien Jacques seen shooting from the hip in Sydney. **Brendon Thorne**

Channel Ten's administration by **Lachlan Murdoch** and **Bruce Gordon**, and subsequent acquisition by US entertainment giant CBS, was a [close second](#). Hey, media deals are always the most salacious – and entertaining, if only for **Darren "Lurch" Davidson**'s daily sounding of [defiant notes](#). The entire industry is hanging on what the Americans intend to do with their new asset.

## The emperor had no clothes

Alex Malley, the self-styled "[Naked CEO](#)" and head of accounting body CPA Australia, is now unemployed, but at least sitting on a \$4.9 million termination payment. Don't mention it. You almost have to admire the guy's chutzpah, having engineered one of the greatest and most [self-serving](#) tenures or exits ever seen in Australia's professional circles – and all in plain sight! Almost. Against this newspaper's forensic examination, he fought back like someone with everything to lose, attacking our work, our credibility, our motives and our sources (his own members). He threatened legal action. And he held his pliant board locked in behind him until the fraternity's (and the community's) opprobrium became so deafening that one by one, enough of the directors peeled away – shocked, appalled and entirely blameless!

Macquarie University enabled this sad chapter by hushing up [Malley's alleged misconduct](#) as a lecturer a decade ago to avoid minor embarrassment. Malley sat on that institution's highest governing body, the University Council, with Chancellor **Maurice Newman** and the most senior faculty.

Even as the last of them are swept away on December 31, it is quite extraordinary how far Malley's allies went for him. They shoehorned him into the job, they tripled his contractual termination entitlement [against formal advice](#) (how is this not a clear breach of director's duties?), they refused to quit until they couldn't, and then staggered their departures so as to control the "independent review" that has now recommended no punitive redress for members against Malley or them. ASIC began investigating CPA's board in May, but has, as yet, done nothing. In 2015, Medcraft had stood beside Malley and launched the CPA's [disastrous foray](#) into financial planning. Asked about it in Senate Estimates this year, Medcraft said "if I was asked to do it today I would still do it."

And, ultimately, Malley's board allies have found themselves successors who have demonstrated no inclination to stop the good times from rolling or to adopt any meaningful constitutional or operational changes demanded by members. New president **Peter Wilson** had the temerity to [attack his own members](#) last week – those that had already been threatened legally by Malley Inc – for wanting "a permanent state of destabilisation", then claimed that his term as the [Australian Human Resources Institute's president](#) (on \$200,000 per year) had to be extended recently because after the selection committee's three-year search, it "drew a blank" because "finding someone like me... was actually a bridge too far". Seriously, where do they keep finding these people?!

## Calling it out

Whether in accounting or rhetoric, we've kept calling out utter bullshit as we've come across it. Westpac's claim that its management ranks are now 50 per cent female is [one such example](#), though privately, **Brian Hartzler** still insists the bank is in the right. [Another was](#) the world's biggest passive money manager, BlackRock, characterising itself as "highly active".



Resigning from one of Australia's most important company boards will only add to populist complaints about the standing and reputation of big business in general. **David Rowe**

Another was Rio Tinto, which, for no apparent reason, misled this newspaper about the retirement of CFO **Chris Lynch**, then tied itself in knots denying it. The [imperious bungling](#) of its communications executives **Simone Niven** and **Brad Haynes** would be abnormal at a listed tiddler, let alone in the ASX20 or FTSE100.

But then of course came **Muriel Demarcus**, the French wife of Rio's French chief executive **Jean-Sébastien Jacques**, who loathes London and loves Sydney. But Rio has no office in Sydney. It has no operations in New South Wales (other than a small aluminium JV). Yet Jacques and Demarcus have bought an apartment in Sydney's Walsh Bay. As foreign citizens, this means one or both of them are now Australian residents. We understand their younger daughter is now enrolled in a Sydney secondary school. Demarcus tweeted from her morning run around the Opera House earlier this week. Rio, with the abettance of one credulous young scribe, has tried to [shrug this off](#) as some kind of totally orthodox

commuting arrangement. What an absurdity! Can you imagine if **Andrew Thorburn** or **Shayne Elliott** became a US resident, bought a condo in Manhattan and claimed it was all just to be closer to global markets? There'd be a dozen Senate enquiries and every newspaper would be holding the front page. It is bad enough that Rio's board of directors has allowed JS to move to Australia, but even worse that they are allowing him to deny having done so.

## War on business rages on

**Catherine Livingstone** took the chair of the Commonwealth Bank of Australia on January 1. Her brutal efficiency (or efficient brutality) in dispatching Narev, understandably a darling of the CBA's institutional investors, was striking, especially after the awful 2016 she made for herself. Remember that [spectacular faux pas](#) the month after **Malcolm Turnbull** scraped back into power promising company tax cuts (and after a campaign Labor leader **Bill Shorten** spent demonising employers) in which, as outgoing Business Council president, she argued the Coalition had "certainly not been adequately strong about the role business plays in the economy" and that "the BCA doesn't want to campaign, it should not have to campaign because the integrity of its policy positions should speak for themselves"? The fat cats' union promptly lost itself deep in the hall of mirrors.

But the former Telstra chair has swiftly rehabilitated, the new gig demonstrating her strengths: detail and process. Inviting [Westpac bridesmaid Rob Whitfield](#) into the CBA board room was her brain fade of 2017. Surely she won't compound it irreparably by making him CEO? That'd be culture change all right! The BCA's headlong degeneration into inconsequence has, in our equally inconsequential view, occurred despite chief executive **Jennifer Westacott**'s best efforts, not because of them (in breaking news, **Paul Keating** just cancelled his AFR subscription). It has been buffeted mercilessly by Labor's cynical/tactical hostility, **Scott Morrison**'s Sisyphean pilgrimage to a set – any set – of core beliefs, and the appointment of [Grant King](#) as president right before investors [refused to countenance](#) his presence on the BHP board.

The estrangement of Labor and capital is what it is, as the truism goes. But the federal Liberals, as notional capitalists (but for the Treasurer, depending on the day, or [the focus group](#)) are supposed to appreciate the inherent risk to shareholder value of succumbing to blind tribalism in an increasingly volatile democratic sandpit (we might've come around to this view the long way). Lest we forget, the BCA threw themselves behind all 10 versions of tax reform Turnbull and ScoMo teased, then abandoned, in the early months of the post-**Tony Abbott** era (while **Elizabeth Prout** and **Innes Willox** [freelanced against government policy](#)). And the thanks they get? Morrison's [juvenile response](#) to **Anna Bligh**'s appointment as Australian Bankers' Association CEO (which had committed the mortal sin of [sacking Mark Textor](#)) and his surprise "cry me a river" bank tax in May's Budget.

Nevertheless, the Bennelong by-election has demonstrated Turnbull's electability and Shorten's beatability. If, that is, Coalition MPs like **George Christensen** and **Craig Kelly** actually want to win the next election. We know Abbott doesn't.



Remember Scott Morrison's juvenile response to Anna Bligh's appointment as Australian Bankers' Association CEO and his surprise "cry me a river" bank tax in May's Budget. **Alex Ellinghausen**

## Predictions

So what's in store for 2018? On the Bridge Street boards, we're keeping a gimlet eye on Star Entertainment (a [recent convert](#) to aggressive accounting), Corporate Travel Management (which will make another big acquisition, suffer a share price collapse, or both) and Brisbane-based Blue Sky Alternative Investments (never invest where the palm trees grow). Japara's downgrade on Tuesday – attributed to a flu outbreak – was not a good sign for the sector, whose funding is being relentlessly pruned by Canberra's aged care bureaucrats. Oh and obviously Dastyari will get his own show on Sky News.

Rear Window will return on Monday January 15. Until then.