

FINANCIAL REVIEW

HD The SCHOTT heard round the WORLD

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Famous as the nemesis of a corrupt politician, Kerry Schott has had a career in public service and private **business**. And it's not over yet, writes Anne Hyland.

Kerry Schott has been through so many incarnations that there are almost too many versions of her to decide where to begin for this lunch interview.

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Do I start with her as the nemesis of disgraced NSW Labor politician Eddie Obeid and the headlines "Sack the bitch"?

Or when she was an important player in the Hawke-Keating government, enforcing the prices and incomes accord?

Perhaps when she was a high-flying investment banker working for Whitlam Turnbull & Co, then Bankers Trust and later Deutsche Bank? Maybe when she was an academic teaching at Princeton University and the University College London?

Or should I go back to the beginning when she was a secondary school teacher whose passion for maths helped her find her way to the Reserve Bank of Australia, working alongside Jillian Broadbent and Ian Macfarlane?

Schott has had an extraordinarily varied career; these are only some of the things she has done. As she prepares to turn 70 later this year, she's still adding to her workload, with her latest role chairing a review of the funding of NSW election campaigns.

For this interview, Schott has suggested we go to the Japanese restaurant Azuma in Sydney's central **business** district, a favourite of many who have sat down for Lunch with The AFR.

She arrives dressed in a smart black top, black pants and a string of pearls. We're seated ahead of the lunchtime crush and the waiter immediately offers a choice of still or sparkling water. But Schott, who for five years was chief executive of the state-owned Sydney Water, says politely and firmly that tap water will be fine to accompany the bento boxes we both choose.

Schott opts for the salmon bento and I the teriyaki chicken, and we agree to a bottomless pot of green tea. Schott declines a glass of **wine** even though one of her personal passions is growing Shiraz and Riesling grapes on her Southern Highlands property, near Mittagong, where she also has an orchard of limes, oranges and lemons. The Shiraz grapes are **sold** to Mundrakoona Estate, who bottle it and sell it mostly to **Chinese** customers. Schott has had the property for more than two decades, buying the original land with her first bonus from Whitlam, Turnbull & Co.

The property, a weekend retreat, allows Schott to return to her roots, as she grew up in nearby Berrima. Her father was an industrial chemist at Berrima's cement works.

"My mother was a schoolteacher and sent me to school very young as a child-minding exercise. When I finished my leaving certificate I had just turned 15."

Schott excelled at maths at school and upon leaving hoped to pursue a degree in maths at the University of Sydney, but her parents couldn't afford it. Instead, she won a teachers' college scholarship and after completing her training taught for a few years.

But she hadn't given up on maths. While teaching, she studied by correspondence for a degree majoring in maths and statistics through the University of New England.

"I loved maths when I was at school. I was blessed with having a good maths teacher. Then, maths tended to be a compulsory subject." Today, there has been a substantial drop-off in girls studying maths at high school now that subject choices are elective.

Our bentos arrive, and I'm not ready to leave behind Schott's Southern Highlands retreat, which must have been a welcome escape from the sound and fury that has been the NSW Independent Commission Against Corruption hearings. Sydney Water chief executive

Schott was a witness, relating to her time as Sydney Water chief executive. The hearings heard how former NSW politician Eddie Obeid had tried to have Schott sacked for fighting Australian Water Holdings, in which Obeid's family allegedly had a secret **stake**.

Sydney Water was locked in a legal dispute with AWH over exorbitant expenses it was charging to the public utility under a contract to deliver water infrastructure. Schott had also opposed a proposal by AWH for a public-private partnership that could have made the Obeids up to \$60 **million**.

ICAC heard that Eddie Obeid asked then water minister Phillip Costa to "sack the bitch". Did Schott know that Obeid had been trying to kill off her career?

"I wasn't aware of it," Schott says. "My minister was always very supportive and with a supportive **board** and minister you've got perfect cover. There was no way someone was going to get rid of me."

She had kept meticulous notes as chief executive because of the possibility Sydney Water's dispute with AWH would go to court. She has never personally met Obeid.

What did surprise her was another twist from ICAC's investigations, which revealed that it wasn't just Obeid who was after her head. "I was completely amazed the Liberal Central Coast branch were after me. It was surreal."

NSW Liberal fundraiser Paul Nicolaou attempted to smear Schott through the Alan Jones 2GB show at a time when Sydney Water was blocking a lucrative government deal for AWH, which were Liberal donors.

Around the same time in 2010, Tim Koelma, a staffer for Liberal MP Chris Hartcher, made an anonymous false corruption complaint against Schott to ICAC and got his brother to lodge it.

Schott is glad ICAC is behind her and is somewhat bemused at how she has been portrayed as a hero at the hearings. Her view is there are many good people in the public service fighting the good fight who remain unsung heroes. As for ICAC, Schott observes that the enormous public interest in the hearings has generated some big expectations of what will happen next: "The issue the attorney-general is now grappling with is that very few prosecutions have come from ICAC investigations."

Schott's career in public service began after obtaining her degree in maths and statistics. She quit teaching to join the Reserve Bank where they were building the first econometric model of the Australian economy. At different times she worked alongside Jillian Broadbent (later a Reserve Bank **board** member) and Ian Macfarlane (later a Reserve Bank governor) on the model.

This was in the late '60s, early '70s. It was a time when the RBA was also encouraging its new recruits to develop themselves by studying overseas and getting exposure to international financial markets. Schott undertook a masters degree in Canada and then a doctorate at Oxford University, before returning to Australia to work as an economist in the Department of Prime Minister and Cabinet for the Whitlam government.

She witnessed the dismissal and the discord it created among the public. "It was terribly divisive. I remember going to church with my mother and friends at church were not talking to each other and man and wife were not talking to each other."

Today, Schott is on the **board** of the Whitlam Institute, which maintains the archives of former prime minister Gough Whitlam. Hawke-Keating accord with ACTU

The incoming Fraser government cut back the public service; Schott returned to England, where she took a teaching job with University College London. She also studied the income policies of

Scandinavian countries and England. Such policies would be examined as models for the accord that the Hawke-Keating government instituted with the ACTU to restrict wage demands as the government reined in inflation.

"Michael Keating was running the Department of Employment and Industrial Relations and persuaded me to come back and run the accord in that department. Our main job was to hold the accord together."

Schott was an assistant secretary in that department in 1984." I had basically to monitor what was going on in the community and make sure everybody was sticking to the agreement. On the odd occasion when they weren't, we'd drag them off to the Industrial Relations Commission and run cases against them."

By the late 1980s, Schott had gone to work for Foreign Minister Bill Hayden but it was a short stint. "I decided I had been in Canberra long enough. It's interesting workwise but as a place to live, you know, when you've lived in London ..."

Sydney beckoned and Schott turned to the private sector, landing a job at Whitlam Turnbull & Co in the late '80s. "It was a very good way for me to learn about investment banking and corporate finance because Malcolm [Turnbull], Nick [Whitlam] and Neville Wran were all policy wonks. The first job I worked on was the privatisation of the ANL terminals, which subsequently became Patricks."

Privatisation became an area of expertise for Schott, who later worked on the National Mutual and AMP demutualisations. At Deutsche Bank, her focus began to shift to the privatisation and investment in infrastructure. As part of Deutsche's Asia Pacific infrastructure team, Schott found herself often on a plane; the travel demands began to wear her down. "It got to the point where I didn't want to get on an aeroplane again."

Our meals are cleared as Schott explains that after 15 years building a lucrative investment-banking career, she quit to return to the public sector, taking a job as deputy secretary of NSW Treasury in 2003, focused on infrastructure. Since then she has worked as Sydney Water's chief executive, led the NSW government's Commission of Audit, and recently was appointed chair of the NSW government's electoral funding review. As well, she will wrap up her role of overseeing the privatisation of NSW's electricity generators this year.

While the review of the NSW election funding is ongoing, Schott says a model of pure public funding that has been touted is unlikely. "It's pretty clear the High Court would find a pure public funding model probably quite difficult on democratic principle grounds."

As Schott juggles those issues she's had to focus on the NBN. She became a director in 2012 and was one of only two directors who remained on the **board** after the Abbott government won office. Fortunately for Schott she "enjoys sorting out difficulties".

It's not all work, however, Schott assures me. She does have a well-earned holiday planned for later this year in France.

Azuma Level 1, Chifley Plaza, 2 Chifley Square, Sydney Grilled salmon bento, \$39 Teriyaki chicken bento, \$36 2 green teas, \$7 Total: \$82

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