



HD The 2014 Crikeys: Thodey, Gonski get the **business** gongs

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Crikey's **business** reporter shares his thoughts on the best and worst of the **business** world in 2014.

<http://media.crikey.com.au/wp-content/uploads/2014/12/davidthodeycrikeys.png>

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Best CEO

Corporate ubermensch David Thodey might raise hackles at Crikey —too smooth, too well-paid—but he has done an outstanding job at Telstra, particularly this year, when he has wrangled a much more shareholder-friendly deal with NBN out of the federal Communications Minister Malcolm Turnbull, defied a softer market for mobiles, and lifted the **company**'s shares circa 10% higher in a decidedly flat sharemarket. Not easy when you're running a top 10 **company** worth \$71 **billion** and you've already doubled the share price in the five years since you were appointed CEO. For that Thodey trumps Gail Kelly, stalwart Westpac chief executive, who left this year absolutely on top of her game with the bank firing on all cylinders, but who has already attracted more tributes than you can poke a stick at. This year's stunning vindication of our [winner last year](#), David Jones' Paul Zahra, who (with temporary chairman Gordon Cairns) attracted a \$2 **billion**, \$4-a-share bid from Woolworths SA, cannot go unmentioned.

Worst CEO

For a short while vocational education and training provider Vocation Ltd, which issued shares at \$1.89 in December 2013, was a market darling, with its stock topping \$3 and its co-founder and boss, the good-looking Mark Hutchinson, nicknamed "Thor". Suffice to say Vocation, a rollup of smaller training businesses chaired by former Labor education minister John Dawkins (do we need a law against ex-pollies in the boardroom?), was a get-rich-quick scheme targeting lucrative government subsidies available to training providers who did little more than "tick and flick" students. The fateful day came on August 21, the **company**'s first full-year earnings presentation, when Fairfax Media's Michael West wrote an article tipping that the Victorian government had effectively pulled the rug out from under Vocation by changing its subsidy rules. Hutchinson denied it to analysts who put the question to him explicitly and—as [the AFR's Joe Aston](#), who took up the cudgels, has reported—flat-out misled the market that day. Two institutional-backed class actions are now underway, and the stock is trading at 23c.

Best chairman

Coca-Cola Amatil might be peddling obesity and its shares might have slumped by a third this year, but chairman David Gonski did engineer a smooth succession to proven performer Alison Watkins, the ex-Graincorp chief who took over from 12-year veteran Terry Davis in March and cleared the decks with a hefty and probably overdue profit downgrade. Gonski gets our gong for his deft handling of the SPC Ardmona bail-out: though goaded personally by the Prime Minister Tony Abbott, who refused assistance, Gonski restrained himself publicly while finding the money save the canning plant (with some help from then-Victorian premier Denis Naphthine) amid a stirring outbreak of consumer nationalism ...remember #SPCSunday? One of our few statesmanlike **business** (or for that matter, political) leaders, Gonski has also been dignified while his landmark education reform package— lauded even by Naphthine on his way out—was defunded by federal Education Minister Christopher "unity ticket" Pyne. Gonski, who had genuinely done the nation a service, spoke out once and once only. For that he pips other chairs who had a big year, including Westpac's Lindsay Maxsted (a smooth Kelly succession), Westfield's Frank Lowy (a demerger, eventually), and Caltex's Elizabeth Bryan (successful transformation away from refining).

Best performer, ASX200

For a long while Maurice **Brand**'s listed tiddler LNG Ltd was pinning its hopes on developing a fifth liquefied natural gas export project out of Gladstone, but over the course of 2012-13 just about everybody realised the industry had over-reached. Even the three projects underway all at once at Curtis Island, worth \$60 **billion** combined, was probably too many and further developments slipped off the agenda. **Brand** read the tea leaves and switched his focus overseas to propose the Magnolia LNG export terminal in Louisiana, to take advantage of the gas glut in the United States. After a \$50 **million** capital raising in May, deals with credible partners, and apparently promising progress of the US\$2 **billion** project through the US approvals system, LNG's hitherto languishing shares jumped tenfold to peak at \$4.49 in September. Calendar year to date, they have risen a stunning 669% through 2014, making LNG the best-performer among the top 200 ASX-listed companies, beating Sirtex Medical, which rose 119%, and Qantas, which rose 109%. LNG could all come crashing down, of course—the shares have already halved amid the **oil** price slump—but what a ride!

Worst performer, ASX200

No surprises here. The three worst performers in the ASX200 are **iron ore** explorers or miners whose shares have been pounded as the **iron ore** price halved in 2014. Atlas **Iron** fell 89%, Arrium (the former OneSteel, spun out of BHP) fell 90%, but the worst performer was BC **Iron**, whose shares fell 93% this year, falling from \$5.50 to this week's 36c, after completing an ill-advised \$250 **million** scrip and cash takeover for Kerry Stokes' majority-owned junior **Iron Ore** Holdings at an 80% premium (pew—no doubt one of the year's few highlights for Stokes).

Apology of the year

After choofing off on an Indonesian holiday just as a Senate inquiry handed down a damning report on the Commonwealth Bank's financial planning scandal, CEO Ian Narev finally acknowledged in a July statement that "poor advice provided by some of our advisers between 2003 to 2012 caused financial loss and distress, and I am truly sorry for that". The scandal was busted open by heroic whistleblower Jeff Morris and a dogged, multi-year investigation by **Gold** Walkley award winner Adele Ferguson. CBA was lucky a royal commission wasn't called into its own misdoings, and white-collar crime more generally, but it will spend untold **millions** compensating investors under a process overseen by former High Court judge Ian Callinan.

Float of the year

Not awarded. Granted, the \$6 **billion** Medibank float was massive and the stock has recently got its head back above water, but the post-float recriminations left a sour taste. Floats are supposed to be fun, something on the table for everyone. These days investors may as well swear off the lure of stag profits; vendors and their merchant bank advisers appear to have perfected the art of pricing initial public offerings to within an inch of their life. Most floats these days seem to go down rather than up—if not on day one (when trade is often manipulated by the underwriters anyway), then pretty soon after. Freelancer—which we dubbed last year's best float, while noting it had a "mildly incomprehensible and frighteningly replicable **business** model"—is back around the 50c issue price after quadrupling at first. Nine is back underwater. Vocation, this year's iSelect or Collins Foods. Japara? Underwater. GPT Metro Office Fund? Ditto. Estia Health? Ditto. Aconex? Ditto. The list goes on. At least one of the most recent floats, retailer Godfreys, is in the black for now, although I'm not convinced vacuum cleaners really are a non-discretionary **purchase**, as chairman Rod Walker spruiked on float day.

Deal of the year

It is tempting to praise consummate deals like Transurban's \$7 **billion acquisition** of Queensland Motorways, or APA **Group**'s \$6 **billion purchase** of BG **Group**'s gas pipeline to Gladstone—or even colourful deals like Solomon Lew's "bidjack" of Woolworths SA and DJs—but the most valuable asset to change hands this year was clearly the 37.5% **stake** in NRL premiers the South Sydney Rabbitohs, bought by James Packer's CPH for \$7.5 **million** from Peter Holmes a Court. Here's hoping Packer won't wreck the great club, trying to turn it into Manchester United, or use it to push the thousands of dirty pokies that must inevitably, we reckon, end up at Crown Sydney as the even dirtier high-roller/money-laundering **business** dries up in front of its eyes as **China** cracks down on corruption. And what's with this new—unauthorised—licensed club for the Bunnies at Homebush, chock full of pokies?

Boondoggle of the year

The direct injection carbon engine, which sits right at the heart of Environment Minister Greg Hunt's Direct Action strategy, centrepiece of Australia's laughable policy on climate change. As Crikey and Background Briefing exposed in a [joint investigation](#), the CSIRO-backed direct injection carbon engine program is the end-result of more than 30 years of fruitless research into use of **coal**-water mixtures as a liquid fuel, and

was sponsored for two decades by White **Energy** chairman Travers Duncan, found to have behaved corruptly by the New South Wales Independent Commission Against Corruption ([Duncan has appealed](#)). Right now all we have to show for the research is a four-litre, single-cylinder prototype sitting in CSIRO's Newcastle **energy** labs. Yet Hunt repeatedly claims this unproven technology will be available within three to five years to "clean up" Australia's **coal**-fired power stations, cutting their emissions by 30-50%, although he knows renewables could do the job for less right now. It is a fairytale designed to prolong use of **coal**-fired power, delay genuine action, and enrich some promoters. Given he is peddling such errant nonsense, it speaks volumes that Hunt is now touted as one of the government's most shrewd and effective members.

Regulator of the year

A comprehensive victory for the competition watchdog and a shameful defeat for the Wesfarmers'-owned supermarket giant Coles. The unconscionable conduct case the ACCC launched against Coles in May this year—including shocking revelations that the retailer held "perfect profit days" in which suppliers were forced to cough up to cover any "gaps" between the profit Coles made and the profit it hoped to make, paying overs for waste, markdowns and short or late deliveries—confirmed every fear about supermarkets bullying suppliers, especially since the new bout of price wars launched on Australia Day 2011 with **milk** selling at \$1 a litre. Coles will pay fines of up to \$16 **million**, and the judge asked to consider settlement orders clearly believed these were inadequate. Coles' fines are still short of the record \$36 **million** paid by the late Richard Pratt's Visy **group** in 2007 over the box cartel it formed with rival Amcor. The contrast between the fearless ACCC and our—let's face it—deliberately timid corporate watchdog is palpable. In fact, if there were a gaffe of the year ASIC chairman Greg Medcraft, who told a bunch of journalists Australia had become a paradise for white-collar criminals, would have won it hands down. All the more surprising that ASIC ends the year a winner with both a Senate inquiry and David Murray's Financial System Inquiry backing Medcraft's calls for more resources and stronger penalties.

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