

FINANCIAL REVIEW

HD High times, vintage tales

BY Joe Aston

WC 1,942 words

PD 14 June 2014

SN The Australian Financial Review

SC AFNR

ED First

PG 52

LA English

CY Copyright 2014. Fairfax Media Management Pty Limited.

LP

Joe Gersh, cultured businessman, regales old mate, Joe Aston, with stories of student strife, daring deals, the world of finance, and a gallery of colourful cohorts.

On the evening before I have lunch with Joe Gersh, I collide spectacularly with the reserve **wine** list at Café Di Stasio in St Kilda, Melbourne, so when I arrive at his Chapel Street office at midday, I am not in peak physical condition.

TD

This is of no surprise to Gersh, 58, who I've known for a decade. Back then, he was a pre-GFC property dealmaker and confidant of then treasurer Peter Costello, while I was a junior staffer in the office of Costello's colleague, Joe Hockey. So many Joes . . .

I'm impressed with Gersh Investment Partners' digs, designed by David Hicks and with quite a contemporary art collection, but there is the pressing issue of my hangover.

So we set off through the Como Centre (headquarters of Libermans, Smorgons and Geminders) and down to the restaurant.

Thirty Eight Chairs is an agreeably casual haunt of South Yarra's **business** establishment. When you're that wealthy, what compulsion would you feel to don a suit each day and trek into 101 Collins? We arrive to a hero's welcome from our waiter, Graziano, whom Gersh kisses on both cheeks and asks for sparkling water. We sit and my eyes are drawn immediately to a simple penne dish with cherry tomatoes and ricotta being devoured at the next table. I imagine it in my stomach soaking up the churning remains of Ronnie di Stasio's cellar, and resolve to order it.

Gersh's eponymous real estate investment bank opened an office in Bangkok last year and partnered with \$1.2 **billion** Thai construction **company** Supalai.

"I'm testing my wits against the market. So far, the market is winning," he says, with his wheezy guffaw.

His comic timing is exquisite, but he hasn't always picked his moment perfectly.

In August 2007, Gersh **sold** his **business** to MFS for an implied value of \$100 **million**, 70 per cent of which was in escrowed shares.

But MFS collapsed months later at the height of the credit crunch and in March 2008, he gritted his teeth and paid \$20 **million** to **buy** his **company** back before the receivers moved in on its flailing parent.

MFS chairman Andrew Peacock, he says sardonically, "was deeply engaged in the subject matter. At the time, of course, he was Michael Kroger's father-in-law, although multiple people have occupied that position". (Kroger has been married twice.)

A shadow looms. It's Graziano.

"He likes Italian white **wine**," Gersh says, pointing at me. "Pinot grigio, yes."

"Glass or bottle?" Graziano asks him.

"Yes, a bottle. Each."

The trademark laugh again. Graziano also takes our food orders – mine predetermined; Gersh goes for barramundi fillets and we tack on some light starters to share.

"So how does it feel to have gone from \$100 million net worth to something considerably less than that in the course of a day?" he asks himself rhetorically.

"Yes, I had less spending power and some meaningless dreams weren't fulfilled but the object of the exercise is the value of persistence. I bought back the obligations, kept our commitments, did my very best by the staff and investors, and, hopefully, over time it rights itself. Most of those who upheld their reputations are back and back stronger than before."

Gersh is also philosophical about his ill-fated choice of bedfellow.

"MFS, which was badly run, didn't last much longer, but neither did Babcock & Brown or Allco, which were not [badly run]. In the end, every bus was heading to the same terminal."

Such was the effect of the collapse of Lehman Brothers in 2008.

My subject's mannerisms are pronounced. He frequently adjusts his tie knot and often speaks with his flat palm over the mouth of his wine glass – almost leaning on it to make his point. The mouth of my wine glass is where it should be: in my mouth. Graziano has returned with an eminently quaffable drop.

Costello's friendships with the likes of Gersh and Kroger were sparked in the trenches of late Whitlam-era student politics. Post-Vietnam, the Australian Union of Students chose Palestine as their cause.

When AUS moved to recognise the Palestinian Liberation Organisation, Gersh led the Jewish students' campaign against them. And with the support of Kroger and Costello in the Liberal Club, Labor moderates like Michael Danby (now a federal MP), they prevailed.

"We honestly believed that if these resolutions stood, life as we knew it would be over. Emotion is the currency of the young."

So what then does Gersh make of the Kroger-Costello schism of May 2012, when Kroger spectacularly excoriated Costello on talkback radio?

"I simply don't understand [Kroger's] need to involve the public in the dispute. You don't go on Neil Mitchell and Jon Faine and dump on your friend. It's not called for; you shouldn't do it."

Gersh is equally irate about the process that saw David Gonski become chairman of the Future Fund even though he had earlier been involved in the selection process.

"If Gonski wanted to be chair, he shouldn't have agreed to be headhunter. In the end, it was just a stepping stone to his next chairmanship. He didn't need it and he shouldn't have got it."

As treasurer, Costello appointed Gersh to the Reserve Bank's payment systems board.

After working alongside the RBA's leadership for 15 years, Gersh is effusive about deputy governor Philip Lowe.

"I believe he's the frontrunner [to replace Glenn Stevens] and I believe he should.

"The principle skill for a central bank governor, other than the presumed very high level of economic competence, is the capacity to communicate. He's got a talent for simplifying complex concepts, which means he is a very good communicator. And he laughs at my jokes."

Our plates are swept away. Another bottle is opened and fresh glasses poured. We really are having one bottle each, I realise. My hangover has lifted.

Before casting out on his own in the property game in 1999, Gersh spent 19 years at storied Melbourne law firm Arnold Bloch Leibler, starting as an articled clerk in 1980, becoming a partner in 1982 and rising to senior partner and chairman of the firm's management committee.

Stories abound. Gersh remembers locking Henry Lanzer (now managing partner) in his kitchen until Lanzer promised not to defect to a competitor.

"The problem was that I hadn't finished my articles and I had no authority to offer people jobs."

Gersh also sought out his university pal, Leon Zwier, now ABL's gun litigator.

The late Arnold Bloch tolerated his unsanctioned hiring spree. "His great genius was making young people – which I was at the time – feel it was their mission."

Much later, SEEK co-founder Paul Bassat was Gersh's articles clerk. The two are now neighbours in Armadale. He also came to work with a young **Hong Kong** banker named Mike Smith.

"People in Melbourne like Mike very much. Most chief executives see themselves as thought leaders and PR heads. He is a real banker. For a large enough deal, he will see a client."

Yet it all could have been a very different story. Around the time Gersh was locking Lanzer in his pantry, he was summoned by Richard Pratt and offered a job at Visy.

"Richard was offering me a salary exactly 10 times what I was earning. But I wanted to go overseas and study, which I never did. Suffice to say, my career rolled on and the Pratts got on famously without me."

Many can tell their own stories of Pratt's (and his family's) solicitousness, which explains why they are so revered in Melbourne, and his legacy is fiercely defended. One who knows all about that is former Australian Competition and Consumer Commission boss Graeme Samuel, who pursued a criminal case against the "cardboard king", dropped the day before his death in 2009.

Around town, Samuel was isolated. Visy had already paid the largest corporate fine in Australian history for price-fixing and Pratt had handed back his Companion of the Order of Australia honour.

"It needed to end there. Graeme decided to have a criminal prosecution for something that wasn't yet a criminal offence. I'm still on good terms with [Samuel] but I still don't understand what was in it for him. And people were upset. When Melbourne closes in – that's the best ever example of it."

Our mains have come and gone – that pasta special was as good as it looked. Somehow, a third bottle is under way. I now have a zoom on, and Gersh's mannerisms have subsided markedly.

Yes it's a tight-knit citizenry that inhabits the banks of the Yarra. One of my favourite stories is of Gersh at Mount Scopus College sitting between [Melbourne University Press publisher] Louise Adler and [Stockland director] Carol Schwartz (then a Besen) in English literature class.

"I credit Louise for my love of reading. She really sensitised me to it. I'm a big fan of hers, even though we agree on nothing politically."

But Gersh says it's simplistic to characterise Melbourne as some kind of invariant, hermetically sealed club.

"It's the Jewish community combined with **business**, with the philanthropic world, the arts people – there's a lot of crossover.

"[Former Westpac CEO] David Morgan used to say that in Sydney, they throw a party, whereas in Melbourne, they form a party. And it's true. This is a place where ideas matter," he says, as we start on a **cheese** plate.

On the day he offered him a job, Pratt also told Gersh their mothers hailed from the same town, Turek, in Poland.

"My mother arrived [in Australia] with very poor English. The ladies at Georges [department store] would ask her where she'd come from and she'd say 'Turek' and they'd say, 'you don't sound like you come from Toorak'." So, from Turek to Toorak in one generation.

Gersh's parents survived the Holocaust, arriving in Melbourne, penniless, in 1948.

"It's impossible to understand how a generation with nothing ended up with so much. They did it all through frugality."

Frugality is not a word I would associate with this Gersh. He is wearing his Franck Muller Master Banker watch. There's his vineyard on the Mornington Peninsula, from which much of Red Hill Estate's

best grapes are sourced. And on the vineyard stands his exquisite home designed by star architect Randall Marsh, where he spends many weekends with his wife, Zita, their four adult children and two grandchildren.

"What is it that burns, that makes you want to appreciate fine art and architecture and objects? Is it an immigrant mentality, one generation down? Is it just a design aesthetic? Is it a lack of seriousness? Would I rather read a book than **buy** a watch? Maybe I'd like to do both."

Graziano plonks two limencellos down on our table. It's time to turn the tape off. Nothing good can come of keeping it rolling.

thirty eight chairs 4A Bond Street, South Yarra, Melbourne 1 sparkling water 3 Livon pinot grigio 2012 1 caprese salad 1 tuna carpaccio 1 penne pasta with ricotta and tomato 1 barramundi fillets 1 **cheese** plate 2 limencellos Total: \$334.50

RE austr : Australia | melb : Melbourne | victor : Victoria (Australia) | apacz : Asia Pacific | ausnz : Australia/Oceania

PUB Fairfax Media Management Pty Limited

AN Document AFNR000020140613ea6e00001