THE AUSTRALIAN

SE Business

HD **Chalk ruling up to commonsense at ASIC**

BY John Durie

WC 1,259 words

PD 19 June 2014

SN The Australian

SC AUSTLN

ED Australian

PG 19

LA English

LP

Australian Securities & Investments Commission boss Greg Medcraft has won an important victory for commonsense in corporate disclosure by finally following through right to the Federal Court, where corporate Australia fears to tread.

The facts of the Newcrest case are so simple it beggars belief that the old regime led by former chairman Don Mercer and outgoing chief Greg Robinson could have not seen the bleeding obvious from day one.

TD

The gold price was plummeting, the stockbroking analysts were asleep at the wheel and the company did what every big corporate does and talked to the analysts to lower forecasts.

All that was needed was a statement to the market letting us all know the facts rather than rely on analyst reports that go to the privileged few.

That's pretty basic stuff and over the course of a bit over a week the Newcrest stock price fell some 15 per cent, trimming the company's value from Continued on Page 26 Continued from Page 19 $11.3 billion to $9.5bn, but still no market announcement.

The investor relations person kept the management informed but no one at Newcrest had the commonsense to suggest that all shareholders should be kept informed. Mercer compounded the mistake by trying to pre-empt ASIC by commissioning his old mate Maurice Newman to prepare a report on the issue.

Instead of finding the bleeding obvious, Newman managed to find fault in everyone but the management and the board that hired him. What a disgrace that was at the time, and in the wake of yesterday's admission, the exercise looked downright mischievous.

Thankfully Medcraft and his team at ASIC saw through the nonsense from the top end of town in corporate Australia and won a valuable court victory. Too often for procedural simplicity the corporate plod has accepted early pleas rather than take offences to the final stage as it did here.

Medcraft has promised more litigation and yesterday's ruling should serve as a valuable lesson to both the corporate plod on how it should operate and corporate Australia to remember that management and the board are there to serve and look after shareholders, not the other way around.

Truth in advertising THE Australian Competition & Consumer Commission also scored a significant victory in its battle to ensure corporate Australia actually tells the truth when it advertises.

So-called credence claims are big in ACCC boss Rod Sims's to-do list, and Chief Justice James Allsop's judgment was fulsome in its condemnation of Coles and its bread claims.

He noted he would not presume to say what Coles should have said, but he said "a start would, however, be to make it tolerably clear to the public that the recent baking was the completion of a baking process that had taken place sometime before off site, and that ‘freshly baked’ actually meant the completion of the baking process of frozen product prepared and frozen off site by suppliers”.

That doesn’t sound nearly so tempting. Regulators like nothing better than to hold big **business** accountable for their actions and that is precisely what Sims has done with Coles.

Coles has since changed its labels and an appeal is unlikely.

Fresh face in liquor NEW Coles boss John Durkan made some big changes of his own yesterday, the most notable being to move fresh food king Greg Davis to head the liquor turnaround.

The big news is to shift Sydney-domiciled finance chief Ross Scott back home to head a new division called “managing director financial services’’.

As noted previously Coles, following the British tradition, is building out sales by adding new merchandise like home and car loans, for which it now has some 300,000 customers.

Car insurance is not a big money spinner but it is another product to keep you at Coles, which is why the retailer wants to expand. In rough terms, a $650 car insurance **sale** would see Coles clip the ticket for around $50, with the real dollars being collected by the risk taker, IAG.

Coles’s credit card contract with GE expires next year, so expect Scott to talk terms on a new deal, which could be extended to wider banking services lined to the flybuys card, which is how British retailer Tesco plays the game.

The more transactions you do on your Coles flybuys bank account the more flybuys points you earn, and so goes the virtuous circle that sees you buying more groceries and developing more **brand** loyalty to Coles.

Another big appointment is Roger Sniezek to run the digital division, which is a new position at the supermarket operation.

Liquor was the laggard under the McLeod turnaround and, as much as he tried to downplay the underperformance, the reality is the opportunity costs are huge, and while Coles has established momentum in food, Woolies’ Dan Murphy**brand** is leaving it dead in the water.

Liquorland is the star **brand** and, given its stores are attached to supermarkets, that is where the attention will start. Internally, no one is agreeing with Ben Gilbert at UBS, who sees the upside at $140 **million** a year in earnings, but there is upside.

Former Kevin Rudd staffer Andrew Charlton has moved from liquor back into **business** development, the in-house **M**&A team at Wesfarmers run by Tim Bult.

Aquila caves in TONY Poli has blinked. In the face of Baosteel’s threatened withdrawal, he has backed down and accepted its $3.40-a-share bid for his **company**Aquila Resources.

In doing so he has given Mineral Resources boss Chris Ellison a problem because his $3.75 conditional scrip bid was deemed inadequate in the absence of a rival cash bid.

This gives Ellison the option of sitting there with 12 per cent in a **company** controlled by Baosteel, or taking the loss and accepting $3.40 each for the 49 **million** shares he paid $3.75 for last week.

Baosteel won the day with last week’s declaration that its $3.40-a-share offer was final.

That gave Poli a clear choice and certainty, and he has decided he won’t get a better offer, so the best way to get his **iron ore** project off the ground was to jump into bed with the **Chinese** steel major and Aurizon.

In the scheme of things this was a smart choice and tactically Baosteel has played the game superbly.

Talk of any deal between Poli and Ellison was clearly aimed just at getting a better bid on the table and in the end that failed to materialise.

Now comes the hard part — actually putting its plan into action. In concept it is an important breakthrough with a **Chinese** steel mill taking a direct interest in a rival project to the two **iron** majors, BHP and Rio Tinto, and indeed the so-called third force of Fortescue Metals. It is also a boon to Aurizon boss Lance Hockridge because, presuming the deal goes ahead as planned, he will have the chance to develop the port and rail project.

Ellison can plead for part of the action on the port build, but he will be coming very much from left field having attempted to upset the Baosteel bid.

Deutsche Bank advised Baosteel and Goldman Sachs advised Aquila Resources.The market told the story, with Aquila closing up 7 per cent at $3.35 and Mineral Resources down 2 per cent at $9.35.

CO ausic : Australian Securities and Investments Commission | newmoh : Newcrest Mining Ltd

IN i211 : Metal Ore Mining | ibasicm : Basic Materials/Resources | igoldm : Gold Ore Mining | imet : Mining/Quarrying

NS c12 : Corporate Crime/Legal Action | ccat : Corporate/Industrial News | ncat : Content Types | nfact : Factiva Filters | nfcpex : FC&E Executive News Filter | nfcpin : FC&E Industry News Filter

RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

PUB News Ltd.

AN Document AUSTLN0020140618ea6j00013

