Christopher Skase—a convenient scapegoat for Australian business

Mike Head
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Anyone unfamiliar with the chequered record of Australian big business in recent decades would have found it difficult to fathom the attention paid in media and government circles to last week's death of failed and fugitive former entrepreneur Christopher Skase.

Skase, 52, succumbed to stomach cancer on the Spanish resort island of Majorca, some 10 years after fleeing Australia in 1991 to evade charges under companies law relating to the collapse of his $2.3 billion Qintex group. Qintex left creditors holding losses of some $1.5 billion, while Skase had personal debts of $172 million. Throughout the next decade, Skase lived in apparent luxury while fighting extradition proceedings by pleading ill-health.

Across Australia, his passing provoked front-page headlines in newspapers and pages of coverage. It was the first item on television and radio news bulletins, followed by the inevitable radio talkback sessions. The coverage was invariably vicious, describing Skase as "hated", "notorious" and a "reviled symbol of selfish excess". Prime Minister John Howard personally announced that his government would keep allocating funds—it has spent more than $3 million already—to efforts to recover the debts Skase owed, and Labor Party leader Kim Beazley concurred immediately.

Media commentators expressed outrage at a statement by Skase's daughter-in-law, Amanda Larkins, who declared that Skase was not a criminal and had been part of the corporate standards that applied in Australia in the 1980s. "Companies operated the way Qintex operated, annual reports were handed out every year, nobody had a problem with it when they were making money," she said.

It appears that her comments struck too close to the mark for some. Several financial columnists were at pains to distance themselves from their past associations with Skase, who worked for a stockbroker and as a journalist before becoming one of Australia's best-known business and media tycoons in the 1980s. Other writers insisted that Skase was simply a greedy and arrogant individual who flouted the rules of the corporate world.

The truth is that Skase was a consummate product of the market. His rise from a middle class background in Melbourne to ownership of one of Australia's TV networks would not have been possible without the backing of mainstream banks and other financial institutions. The list of his main unpaid creditors reflects that fact: State Bank of Victoria (Tricontinental Corporation) $74 million; Nippon Shinpan $37 million; Wardley Australia $11 million; State Bank of NSW $11 million; ANZ Bank $1 million. (It is their money that the Howard government is seeking to recover.)

In early 1989, just before his empire disintegrated, Skase bid $1.2 billion for the MGM-United Artists studio in Hollywood, placing him on the verge of international fame. He was out-manoeuvred by someone with a bigger line of credit—Rupert Murdoch—and the deal fell apart, signalling the beginning of the end for Qintex.

Skase was actually something of a small fry—although a brash, upstart one—compared to the heavyweights of Australian business who crashed in the late 1980s and 1990s, most leaving far greater debts behind. To scroll through their names is to list many of the most prominent figures of the corporate establishment.

Alan Bond, once owner of Australia's premier TV network, now lives in a $3 million London penthouse. He is back in business after serving just three years in jail for stripping $1.2 billion from Bell Resources in the late 1980s, leaving debts of $662 million. **Abe Goldberg**, Australia's biggest bankrupt, found refuge in Poland after his Lintner textile group collapsed owing $1.5 billion. He fled Australia in 1990 with personal debts of $790 million. **George Herscu** is also living in exile after his property and retail business Hooker Corporation went into liquidation in 1989 with debts of nearly $1.7 billion.

Bruce Judge retired to the south of France after his Ariadne Australia was wiped out in the 1987 sharemarket crash, leaving debts of $1.3 billion. **John Spalvins** resides on an Australian holiday island following the mid-1990s disintegration of his $2 billion Adelaide Steamship group, one of the country's largest industrial and retail combines, with debts of $470 million. **John Elliott** remains a

Melbourne businessman, but has fallen far from his days as chairman of Elders-IXL, a $1.6 billion brewing, commodities and financial conglomerate that fell in the early 1990s.

Skase's methods were far from unique. Like others, he exploited the depressed state of the stockmarket in the mid-1970s, when inflation kept share prices down in the wake of the 1973-74 world recession. As long as share and other asset values rose, borrowers could repay their loans by selling acquired businesses at higher prices. Skase and other takeover merchants thrived, using small amounts of capital to gain control of vast assets.

Most initially survived the October 1987 share crash because American and other central banks flooded liquidity into global markets to artificially boost growth. But the cracks began to appear within two years, as interest rates reached 18 percent in Australia and property prices fell.

Until the mid-1980s, Skase had expanded his operations more slowly and conservatively than his rivals but he became highly-leveraged as he sought to catch up to them. Toward the end, he attempted to bolster his situation by skimming extra funds from acquired companies as management fees. This was regarded as perfectly legitimate—until Skase began to default on loan payments. As an article in the Melbourne *Age* this week acknowledged, his operations were "aggressive, but orthodox for the times".

Even the notorious flamboyance of Skase and his wife—they threw extravagant parties and indulged in various publicity stunts—was driven by the need to be seen to have the financial means to match his older peers. "Skase was merely 'keeping up with the Joneses of the 1980s'," one commentator observed. "Alan Bond had won the America's Cup and American banks were lending him billions as a reward. He was buying anything he could get his hands on. Robert Holmes a Court was making bids for BHP, and John Spalvins was acquiring David Jones and Tooth's Brewery and later countless others."

So unexceptional were Skase's methods that he may not have been convicted on any of the 60 charges eventually laid against him by the National Companies and Securities Commission. One financial columnist noted: "He was alleged to have improperly authorised payments from the Qintex public companies to a management company he controlled, but the amounts involved would not have even paid the interest on the $1 billion that Alan Bond and his cohorts hijacked from Bell Resources."

It seems that when Skase skipped the country—with his passport restored to him by a trusting liquidator—he simply decided not to take the risk of prosecution. Instead, he secretly shipped assets to Spain, where he retained all the comforts of life to which he had become accustomed.

Columnists and editorial writers have argued that there was a silver lining in the Skase cloud, because corporate regulators drew lessons from his conduct and parliaments tightened the company legislation. But one such editorial, in the *Australian Financial Review*, concluded on a more sombre note. "A decade after the Qintex collapse, Australian is indeed facing another round of spectacular corporate calamities."

Recent months have seen the largest company crash in Australian history—the $4 billion collapse of HIH Insurance—the liquidation of the One.Tel telecommunications network, which was substantially owned by the country's biggest media moguls, Kerry Packer and Rupert Murdoch, and a spate of other failures, including the Harris Scarfe retail group.

Once again, after another period of inflated share prices, the operations of the market are creating disasters, wreaking havoc on the lives of retrenched workers, little investors and small business operators. Contrary to the claims of authorities and media pundits, little of substance has changed in terms of corporate regulation, while the pressure on companies to produce higher profit margins has increased.

A column in the *Financial Review* admitted: "While Skase's domination of today's headlines may be put in a box as a relic of a past era, the fact is that some of the same mistakes are being made and probably will continue to be made."

While he was still alive, Christopher Skase became a scapegoat for the corporate failures of the 1980s and 1990s. Now, even in death, he is still being demonised, in order to deflect attention from the underlying, recurring breakdowns of the private profit system.