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As companies fail, liquidators fly high

By **RICK FENELEY**

HIGH-FLYING liquidators can earn $6 million a year as they bill $300 an hour for their tea ladies and an "entire colony" who feed on the corpses of companies they should have saved, a Senate inquiry has been told.

Corporate barrister Geoff Slater honed in yesterday on banned insolvency practitioner Stuart Ariff (below), revealing his income exceeded $3 million in 2005-06 and $2 million each of the next two years.

BusinessDay believes Mr Ariff — accused of gouging millions from 16 struggling companies — was among two witnesses giving evidence in camera yesterday as the inquiry into liquidators and administrators sat in Sydney.

His case prompted the inquiry but Mr Slater said other liquidators could make up to $6 million a year. They did so without having to explain other workers, or "time keepers", in the background. These billable hours extended to clerical staff, the tea and coffee lady, or the cleaner — each at perhaps $300 an hour.

One top-five liquidation firm, he said, served coffee to creditors at a meeting and it came to $80 a cup. "Nice cup," suggested inquiry chairman Liberal senator Alan Eggleston. "Unfortunately, no," said Mr Slater.

The barrister, who has represented liquidators, was among several witnesses to condemn a conflict of interest in the industry: the temptation to bury a company as the surest path to liquidators' fees; or, as one judge had described it, "churning and burning".

As of last month, there were 663 liquidators in Australia, Mr Slater said. The lesser-paid could earn three times as much as the Prime Minister. He described the industry as a monopoly or "oligarchy" of chartered accountants, peculiar to Australia. Creditors had no power to sack them and they could only be removed after lengthy legal action.

It took five years to oust Mr Ariff from the industry, Nationals senator John Williams said yesterday, and he wanted to know how "bad eggs" could be removed more quickly.

Mr Slater said a simple vote of creditors should be enough to sack a liquidator.

And he said the accountants' monopoly should be broken so lawyers could sit the entrance exam for insolvency practice.

One of his clients, suspended Hall Chadwick liquidator Geoffrey McDonald, told the inquiry he had been "branded" after unfair treatment from the Australian Securities and Investments Commission and the panel of industry experts, the Companies Auditors and Liquidators Disciplinary Board, which he suggested acted in lockstep with ASIC.

His brother-in-law had said of Mr McDonald: "Geoff has to swim with sharks. Sometimes he gets bitten by them, and sometimes he gets mistaken for being one."

But Mr McDonald said liquidators dealt daily with divorce, suicide, violence, depression and the human frailties of clients. "And then you may not get paid for doing it," he said. Hence their "high base rate".

He left the profession in mid-2008 and became a barrister, partly moved by his unease with liquidators who did not try to save companies.

Another liquidator who fell foul of ASIC, Vanda Gould, described his eight-year battle to clear his name. He had spent $1.2 million on legal fees to fight a "trivial" case and the Federal Court found that only two of ASIC's 48 contentions could be supported.

The inquiry moves to Newcastle today.