



SENATE INQUIRY

Liquidators the \$6m men

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 that they should have saved, a Senate inquiry has been told.

The corporate barrister Geoff Slater homed in yesterday on the banned insolvency practitioner Stuart Ariff, revealing his income topped \$3 million in 2005-06 and \$2 million for each of the next two years.

The *Herald* understands Mr Ariff – accused of gouging millions from 16 struggling companies – was among two witnesses to give evidence in camera yesterday afternoon at the Senate inquiry into liquidators and administrators in Sydney.

Mr Ariff's case prompted the inquiry but Mr Slater said top earners among other liquidators could make \$4 million or even \$6 million a year from failing companies. They did so without having to explain a parade of other workers or "time keepers" in the background. These billable hours extended to clerical staff, the tea and coffee lady – 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 the inquiry's chairman, the 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 securing the liquidator's fee; 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 and expensive legal action.

It took five years to oust Mr Ariff from the industry, the Nationals senator John Williams noted 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 practitioners.

One of his clients, the 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 their clients. "And then you may not get paid for doing it," he said. Hence their "high base rate".

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

ies but simply took their money.

A Liberal senator, Concetta Fierravanti-Wells, suggested Mr McDonald had done the same.

"No, I didn't," he said.

"Oh really, Mr McDonald?"

"No, I didn't." "Oh, interesting."

Senator Fierravanti-Wells disclosed that she had dealt with Mr McDonald when she worked with Australian Government Solicitors.

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 the "trivial" case against him, and last September the Federal Court found that only two of ASIC's 48 contentions could be supported.

ASIC had wasted about \$1 million to challenge his original decisions – "in essence" to try to stop a company going into liquidation. Mr Gould believes ASIC kept pursuing him, in part, because its officers "resented" him arranging a petition of 1000 shareholders in 2004, complaining that ASIC had failed to prosecute the former managing director of another company for a \$30 million fraud.

Mr Gould said other liquidators, who worked closely with ASIC, were never examined. Senator Williams asked if they were "treated as mates".

"Correct," said Mr Gould.

"That's a very serious allegation."

"It's absolutely true."

The inquiry moves to Newcastle today.

Billable hours extended to the tea lady – at perhaps \$300 an hour.




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Banned ... Stuart Ariff's income topped \$3 million. Photo: Simone DePeak