

THE AUSTRALIAN Financial Review Magazine

Changing of the guard

Lindsay Maxsted reborn
in the boardroom

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ODDS ON LINDSAY

Corporate recovery and restructure specialist Lindsay Maxsted is a consummate board performer, numbered among those who will lead the next generation of governance debate. And he's not a bad judge of horseflesh either

■ Story by Andrew Cornell ■ Photograph by Julian Kingma

It's almost the equivalent of a doctor who smokes, an accountant with a weakness for the nags. "It's true," concedes Lindsay Maxsted, "I blame my father." Maxsted, a doyen of the Australian insolvency scene most recently in action in the restructure of Centro, is one of the most prominent figures among the next generation of Australia's boardroom leaders, serving on the board of Westpac Banking Corporation and this year assuming the chair at Transurban.

But, and more typically of this next generation, his pedigree is not quite fashionable, to adopt thoroughbred parlance. The long-time chief executive of KPMG, who built his reputation alongside colleague David Crawford as one of the go-to clean-up guys of the last recession, grew up on the Bellarine Peninsula in Victoria. "I was born in Geelong, raised in Geelong, went to school in Geelong and, as a kid, I would always go to the races with my father, usually in the western districts, Mortlake, Camperdown – it gets in your blood," he says.

Well into the blood. Maxsted typically has an interest in 20 to 25 horses, some stabled in the Hunter Valley at the Attunga stud, some near Kilmore in Victoria. He's been a director of Racing Victoria and says he runs his horse interests dispassionately, with an auditor's gimlet eye, but that appraisal hasn't always washed with colleagues. One in particular: Crawford – Lend Lease and Foster's chairman, former KPMG chairman and, critically, Maxsted's mentor. It was Crawford and his then insolvency partner Jim Poulton at KPMG ancestor firm Peat Marwick who took on Maxsted in his formative years, when the young man came back from a stint in England.

"Crawford would look down at you – with that look many who know him would be familiar with – and say 'what's going on here?'," Maxsted remembers. Crawford doesn't resile from the charge. Or the look. "I had the view and put it to Lindsay that horse racing and chartered accountancy don't mix," Crawford confirms. "He never took my advice."

Worse, several of Maxsted's partners in horseflesh are also KPMG partners – including current chairman Michael Andrew. To be fair, some of Maxsted's other chairmen are more tolerant. At Westpac, Ted Evans recalls the normally unflappable and reserved Maxsted was “a little on edge” as the board held a critical meeting during Melbourne Cup week last. And it wasn't because Westpac was debating whether to raise rates beyond a Reserve Bank benchmark and subject itself to public and political vilification. “He didn't say but I think some of his horses may have been running,” Evans says. Maxsted corrects the record: “Actually, I had a horse going through the sales. She hadn't amounted to much and we'd decided to sell and I received an SMS saying she had sold. I'm actually not a punter, maybe \$20 win and place – for me, the enjoyment is the breeding and racing.”

The passion for thoroughbreds and racing – and Geelong – provides some perspective for one of the most highly regarded but personally inscrutable corporate careers of recent decades. It has hardly been a conventional one, from inauspicious beginnings through personal tragedy. For all the superficial similarity with Crawford's career path – KPMG partner, then governance role at the firm before leaving for boards and ultimately chairs – Maxsted's Geelong education (primary, secondary and tertiary) is hardly the stuff of the Melbourne establishment à la Crawford's Scotch College and Melbourne University beginnings. “Happenstance and the opportunity of the moment,” Maxsted says of his course from graduate trainee to insolvency partner to management, then boards and a chair. And if Maxsted says he has never felt an outsider because of his background, he has always sported a beard, another peculiarity in corporate Melbourne.

Professionally, though, the Maxsted career is textbook. He joined Peat Marwick Mitchell & Co in 1974 as a 19-year-old graduate, working in audit and professional practice until the stint in the UK, in Birmingham, for two years from 1980. “I was young when I finished high school, which was one of the reasons I stayed in Geelong,” Maxsted says. “My senior partner, Ron Dunn, a wonderful person and truly formative for me, had spent some time in Birmingham – it was a major partnership for us at the time – and thought it would be good for me to go there. So I said ‘yes Mr Dunn’ – it wasn't something I'd planned and that's pretty much been my story. I've been very lucky to have people like Ron and, obviously, David. That was the relationship with the most longevity.”

On his return from Birmingham in 1982, Maxsted became a senior manager working for Crawford and Poulton, eventually taking over as national manager of corporate recovery in 1998. The team of Crawford and Maxsted became synonymous with the workouts of Australia's great era of corporate failure and recession in the late '80s and '90s, names such as Linter Group, Interwest, Bond Brewing, Bell Publishing, International Harvester, and Trustees and Executors Agency. The pair was famously installed by BHP Co

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Ltd to run one of the last remnants of the John Elliott Foster's empire, International Brewing Holdings (nee Harlin) after IBH failed to pay BHP \$1 billion.

Maxsted says he and the rather more patrician Crawford complemented one another. “You always knew where you stood with David,” Maxsted says, “and hopefully vice versa. We are different personalities but we are both outcomes- and values-focused, we don't tolerate fools – although I am perhaps a bit more tolerant in that sense.” Pressed further, Maxsted also admits to a formative incident early in his career as an insolvency partner with Crawford working on the enormous International Harvester workout.

“I didn't do it intentionally, but I had gone quite a long way down the track without keeping Crawford up to date,” he says. “I happened to be in Italy, in Torino, for the Fiat trucks, and I received a phone call from him. It was quite a long phone call and it began with him saying, in that deliberate manner of

his, ‘explain to me again why you are in Italy?’ and I had to run through why it was important.” It was an valuable lesson in communication for Maxsted.

Crawford maintains the two “never had cross words” but agrees their personalities were different as well as complementary – “there was an element of good cop/bad cop”. He and Poulton saw very early on Maxsted had “the balance and ability to leave the ego behind” that was required of an insolvency partner. In part, Crawford believes, that is something that makes insolvency practitioners, in particular, very valuable on boards.

“As an insolvency partner with a major appointment, you are dealing with major corporates, senior members of the banking committees, major corporate creditors, the staff; you are constantly having to adjudicate the rights of different parties and often in the public gaze. Or in the courts seeking a judgment. I had no doubt that he would play a major role –

nor that, when he chose to move on, he would be in great demand in the corporate world as a director.”

Indeed, Crawford facilitated Maxsted's Westpac appointment. When he was leaving the board two years ago, Westpac chairman Evans asked him to help find a replacement. He had no hesitation in suggesting Maxsted. “Ted had said they wanted someone like me, and Lindsay is like me – but much better at some of those other skills, maybe the people skills,” Crawford says.

Evans agrees insolvency practitioners have the “sort of experience that matters for banks”. “Banks are about risk and risk management and insolvency guys have lots of experience in situations where that's failed,” he says. More than that though, Evans praises the precision of Maxsted's board contributions. “At board meetings he speaks less than some others – but he says more,” as Evans articulates it. “He might not say something until quite late in the debate but it will always be on the knocker.”

Maxsted set up his own advisory firm Align Capital on leaving KPMG three years ago and one of his first major restructurings was Centro Properties Group, following the implosion of the debt-driven shopping centre empire during the financial crisis. In that workout, Maxsted worked closely with the one-time head of Centro's American expansion, Glenn Rufrano, who took over as a crisis chief executive when the former management exited. Rufrano, despite the fraught circumstances, has no hesitation in praising Maxsted.

“I have very fond memories of my time spent with Lindsay,” he says. “When I arrived in Melbourne in January 2008, he was the lead KPMG person working for Centro. He befriended me immediately and became a true confidant.” Rufrano recalls one particular incident, a very productive twist on the ‘elevator deal’ scenario: “About the second week in December 2008, just before the deadline, Lindsay and I were working on a Sunday at Centro's Collins Street offices. We were leaving about 3pm when the elevator promptly broke down. We sat on the floor for two hours solving the Centro problems and, it seemed, all the problems of the world. Time went fast. By December 19th we had renegotiated all the Centro debts creating a three-year stabilisation agreement.”

In January 2010, having ended an agreement between KPMG and Align, Maxsted joined Lazard as a special adviser, adding restructuring experience in Australia to match that for which Lazard is better known globally. Lazard managing director John Wylie says he has known Maxsted for many years and first tried to engage him in 2007 in Lazard's former guise as advisory business Carnegie Wylie. “Globally, Lazard is one of the world leaders in restructuring, so Lindsay is in the absolute sweet spot of capability for us – and he's delightful company, whether around the board table or at a concert.”

Wylie first worked with Maxsted during the privatisation of Victoria's gas and electricity assets in the '90s, a process run by Wylie. “We used to call him ‘Mr Unflappable’ and, of course, that's the perfect personality for a board or management – or a restructuring,” Wylie says. “You want a guy who's capable of taking the temperature.” Carnegie Wylie had been retained to work on the restructure of Centro when Maxsted was brought in by the banks and the two worked together on other restructures before Maxsted joined Lazard.

‘Mr Unflappable’ is a good descriptor. Always a congenial character, with a ready smile, the 56-year-old Lindsay Philip Maxsted – he's often referred to as LPM – is described by others as “droll”, “quietly humorous”, “slightly sardonic”. Even “whimsical”. He does pepper his very deliberate conversational manner with unexpected whimsy. Describing his training in the firm, he notes that today's streaming of graduates into a variety of businesses such as advisory or tax was unheard of in his day – audit was the only stream. “Not that there's anything wrong with those other streams – as Seinfeld would say,” he quips.

PAUL JONES, JOHN WOULDSTRAN, LUIS ASCUI, ROB HOWER

Maxsted doesn't leap out as a *Seinfeld* fan. But asked whether he has ever lost his legendary reserve, he instantly answers “when Geelong lost the 2008 Grand Final”. A Geelong tragic, Maxsted says the team will get over the loss of its best player, Gary Ablett jnr, and coach, Mark ‘Bomber’ Thompson, but never the shock loss to Hawthorn in a year they were clearly the dominant team.

Far more profoundly though, Maxsted's life was shattered in 2000 when his wife Lynda died suddenly of a heart condition, leaving him with two children and little experience of being a “modern” father. “Those events have certainly changed me and it has not worn off,” he says. “It just gives you a different perspective. It is 10 years now and while I don't think about it every day, I absolutely make sure I have a better understanding of what's important and what's not. People do say I am calm in a crisis but I think that professional calmness is a bit different; it's knowing what you have to do.”

He says he was previously a “pretty classic absent father”. “When my first two children were born I had just made partner. It was that period during the recession; Lynda was terrific but after she died I was very critical on myself in many ways because I had been remote and I had a 12-year-old and 14-year-old. I am very close to my kids but also it is a different period now.” Different, as well, in that Maxsted has remarried and has a two-year-old daughter – although, as Rufrano remembers, that birth hardly shook Maxsted's corporate poise.

“We had several deadlines for extensions during 2008 all to culminate at December 15th,” he says. “Two weeks before, a group of us, including Lindsay, were working on a Saturday and decided to have lunch. A member of Lindsay's team asked about the soon-to-be birth of his baby. I was totally surprised – how could he be having a child during this period without me knowing? This was the working Lindsay keeping his personal life to himself.”

Not only did the death of his first wife change Maxsted personally, it has rippled through his professional career. He is now on the board of Baker IDI, the merged heart and diabetes research institution. “It's a terrific institution, one of the finest research bodies with a very personal touch and, obviously, because of Lynda, a very dear cause in terms of heart disease,” he says. He was approached by Tabcorp and Suncorp director Paula Dwyer to join Baker. She had known him for many years stretching back to when she was at broker Ord Minnett. She had also worked with him via a joint venture between Tabcorp and Racing Victoria.

“I didn't know Lynda but I have known his current wife Catherine a long time,” Dwyer says. “With the joint venture, Lindsay's role was to act as the responsible entity for Racing Victoria's 25 per cent stake. It was a custodianship and potentially adversarial but Lindsay was absolutely scrupulous and valuable.” Baker had gone through a messy fraud incident when Dwyer joined the board in 2002 and was rebuilding its governance. She immediately considered Maxsted for a financial role and he now heads that committee. “I thought of Lindsay and thought it might be suitable after his wife's sad death. He has been just fantastic.”

Men on Maxsted



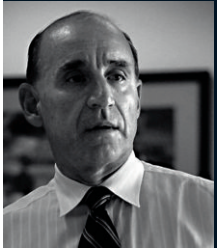
David Crawford: “The balance and ability to leave the ego behind.”



Ted Evans: “[On boards] he speaks less than others but says more.”



John Wylie: “Lindsay is in the absolute sweet spot of capability for us.”



Glenn Rufrano (ex Centro): “He became a true confidant.”

Maxsted joins the ranks of Australia's blue chip chairmen at a time of transition, with some of the most powerful figures of the past decade retiring. It will be Maxsted, along with the likes of Leigh Clifford, Michael Chaney and John Morschel, who will be taking the prominent roles of Don Argus, Charles Goode or Don Mercer as the focal points of the governance debate in Australia.

Maxsted has already demonstrated he is prepared to be more outspoken in the role of chair than he has in other roles, most notably in his first annual meeting as chairman of Transurban. With a recent history of shareholder revolt against Transurban's remuneration structures, Maxsted knew he would face a grilling and a strong protest vote against the remuneration report and executive bonuses at the meeting. But

the protest vote of 60 per cent against the report was still a harsh slap in the face. He noted after the AGM “if we have a divergent view on the quantum or measurement of somebody's remuneration, think how little impact that has compared to an inadequate analysis of whether we should buy Lane Cove Tunnel or whether we should recommend a change of control proposal at \$5.42 per security. They are the really big issues that make a difference.”

He later told the *AFR Magazine*, “My point would be that yes, remuneration is very important around the board table ... but there are other things that are decided around the table with are relatively much more significant. If you make a poor decision [on remuneration], on fixed pay or bonuses then, yes, that can hurt the company. But these things are relatively easily fixed and you move on ... If we buy a road, that is a very major decision; you buy it for a long time, for 30 years, that is a crucial decision.”

Not that Maxsted's other blue-chip board table is uncontroversial. He was relatively new to the role when Westpac brought the wrath of politicians and talkback radio upon itself in late 2009 by raising mortgage rates faster than the Reserve Bank was raising official rates. Now the role of banking villain has been taken by Commonwealth Bank, which made the same decision at the end of last year. Nevertheless, Maxsted remains worried about the tone of the debate.

“There is nothing wrong, nothing broken with banking in this country,” he says with the certainty of a man who has spent his career amid the carnage of broken banking decisions. But the assertion comes with a weary shake of the head. “It is easy to be dismissive [of the backlash] because you know it is unfounded, but people do have this view the banks are profiteering and these fears can lead to poor decision-making, poor policy. Yet we are still so close to the financial crisis, people seem to have forgotten that.”

As he becomes accustomed to his role as one of the highest profile figures of the new generation of Australian directors, Maxsted acknowledges, however reluctantly, that he will inevitably be drawn more into the public debate. It will be a challenge. Whatever else, such a role is almost diametrically opposed to “speaking less and saying more”. Or indeed Maxsted might prefer to quote Seinfeld: “Well, you're not saying nothing so you must be saying something.” ■