



Take on Board

Transcript – Take on Board special event with Linda White

Helga Svendsen 0:00

So, with all of those formalities out of the way, let me very briefly introduce myself. I think I've met most people here, but my name is Helga Svendsen. As many of you know, I am a host of the Take On Board Podcast, and also a coach and a facilitator. I am passionate about gender equity on boards. And I am also on a couple of boards. I'm on the board of the Royal Women's Hospital here in Melbourne and the Accident Compensation Conciliation Service also here in Melbourne. Some of you know that I run a range of programs. So there is the Board Kickstarter Program which supports women to get on boards. I think there's probably a few people here that have done that. And also the board accelerator program which supports women once they're onboard. Last but not least, there's also the podcast and there's a couple of people as I look around today, there's a couple of people here who have been on the podcast. So who can I say firstly only was on the podcast way back when talking about gender equity and mentoring and diversity on boards. Jocelyn has been on the podcast twice now talking about the decision about closing the school and also about setting up an advisory board. Linda, who you're going to hear from today has been on the podcast. And I think Dominique is here somewhere as well. Anyway, there are others on both sides. I in the chat box, you will see some introductory questions when I pop you into your breakout rooms, what your name is, how can you hear how you're feeling and something you're proud of from the last month. Also, I'm going to open the rooms, rooms open. Now everyone's joined us back. Hope you all got to make some connections there when I popped into one of the rooms as I go, yes. Afterwards, I'd like to keep in touch with you. So just know that in the introductory booklet that you all got. You've got everybody's contact details if you want to follow people up. It is. One of the things I love about this is that you get to follow people up afterwards. Today we are recording that special take on Board of event live with Linda White. And you'll be hearing me ask her about the union perspective on the voluntary administration of both Ansett 20 years ago, and more recently Virgin Australia. Linda is the Assistant national secretary of Australian services union. She's on the boards of the Chifley Research Center, the Australian Centre for the Moving Image, the Melbourne Cricket Ground Trust and also the part of a long service life governing board. Whilst today's not directly a boardroom perspective, because at the union person she's not on the boards of wasn't on the board of asset and nor on the board of Virgin Australia will hear her impressions from the other side. We'll get our insights into maybe some of the telltale signs but we should be on the lookout for for those that are on boards. If I'm getting out of her, possibly a few more stories as well from that time, so welcome Linda to this Take on Board live recording. Thanks, Linda, let's take you back to 2001. And I should say Linda and I were working together at that time, I was the assistant secretary, the Victorian branch of the Union, Linda's the Assistant Secretary of the national side of the Union. If I can take you back to that time, Linda, it was a pretty extraordinary time in the world, and in the airline industry. So it was September 2011. If that rings, any bells for people for September 11 stuff had just happened. And by

the Friday of that week, week where the world had gone and and set had been grounded. So it wasn't a great week for the industry of the world. So whilst it might have seemed sudden to the outside world in terms of asset certainly September 11, same sudden, when did you get your first inkling that things might have gone pear shaped at Ansett.

Linda White 4:02

Look, it was over quite a few months. Like it wasn't it wasn't a sudden event. Really it was over a few months. I think the probably the, the big thing for me was when the Singapore Airlines. Singapore Airlines owned in New Zealand to intern and other major shareholder in sorry, in New Zealand, it was when the Singapore Airlines Singapore CEO came to Melbourne to our office to visit us, which would have been three maybe four months beforehand. That is not something that would normally happen and he was closing a range of other people but he came to see us to talk about what he thought was the situation and how things were pretty bad. There was also a fairly significant incident in March when they had to shut down they had to shut down their seven sevens because of a maintenance problem where they'll they will hadn't had regular maintenance and so it was these girls gradual thing, it wasn't just overnight. And, you know, as, as the record will show, though, actually, we had contemplated administration the weekend before. It wasn't the September 11. That put them into administration. They had actually had PwC in the weekend before. And there was a lot of political lobbying and the way on the lead up to a bit like has been with Virgin so it was a long thing. It was not just a sudden, let's go into administration because the September 11 was in trouble. Well, before that.

Helga Svendsen 5:36

What's the union's role in administration whether it was answered whether it's virgin today what what's the union's role?

Linda White 5:43

It's to make sure that our members who creditors get their full entitlements that's pretty much it. And so, in these complex and airline administration's are really complex, the employers have priority but they don't have priority over secured creditors and Remarkably in Ansett, there was barely a secured creditor, there were a few creditors who owned engines of aircraft. But there were barely any. And so that was really useful. But, you know, you represent creditors and if anybody's been involved in administration, the key thing for power in in administration's is numbers and amounts of that you're owed. And so numbers can also often trump the amount owed. And so the view is to marshal all of the employee creditors, so that you can do significant things and make sure that you get your entitlements if a company can't trade, or if some people have to leave the organization that they get their full entitlements. So that's really it's a crucial thing, but you can also sway and you get to vote on who gets to be the buyers, etc. It's very critical to marshal people.

Helga Svendsen 6:53

I can't recall now whether it was official or unofficial, but also get a saying who the administrators even are - there was a change of administrators during the Ansett one, can you talk us through that?

Linda White 7:02

Yeah, well, look, wait, the company had appointed PwC I think they had been doing some work that they'd met with the board on the weekend. I think they had been doing internal work previously. They were the chosen ones. They weren't great. Their lead guy was hopeless and he sort of sorry I can't remember his name um, but he was not much top and he looked like he was under strain after two days and the union's marshal together, because there were 16, 500 employees. And we marshal together and actually change the administrators you're gonna have a meeting at that time we had it within five days or seven days, five working days. You had to have the meeting and and we change the administrators at the first meeting by using the six and a half thousand proxies that we got and we change it to fledgling company who's well known now called a mentor. That was the first big view I had previously and Arthur Andersen partners Arthur Andersen a collapse and I forget which one it was one of the big American collapses. They had been implicated in that. And then they call Arthur Andersen worldwide collapse. And they moved on to form Korda Mentha. And they were compelling. They also offered a very good deal on their fees, which proved to be important given the administration took 10 years.

Helga Svendsen 8:17

And of course, that's important, because as I said before, I hadn't realized this until I was involved in this administration as well that the employees, of course, are owed money, as you've just said earlier, they're owed money. And it's all about getting making sure they get their entitlements because they're first in line, or were first in line against it. So then kordamentha brings us to more recent times. Virgin Australia is now in voluntary administration and also being managed by kordamentha. When did you get your first inkling about virgin?

Linda White 8:48

Sorry, it's not being administered by Korda Mentha. It's being administered by Deloitte. It's early on there was a back corner mentor of representative couple of the buyers In this and they're currently an advisor to the successful buyer who's buying. And when did I get first inkling October last year? Last year, I said to a number of my younger colleagues, I thought they were going to go to administration, they looked askance at me like, What's she talking about this crazy person what she mean? It's going to go into administration. And I said it again in early March to say like, because the signs are all there. Back in October, though they had too much debt. They put money into velocity. They bought back velocity, which says so because of cash problems, but they were too burdened.

And with a weakening economy, you could just say that all I needed was a small incident or something small to tip them over in wasn't just a pandemic that took them over anything could have done it, in my view.

Helga Svendsen 9:49

So some of the warning signs I've heard from you their levels of debt and keeping an eye on levels of debt and also obviously the state of the economy. Is there any other kind of telltale Warning signs that you think from either of these events. You know, I useful for people to hear?

Linda White 10:06

I will go in airlines is very specific, you know, it's a very hard business. And you really have to know your business pretty well. But it's if you're at a consumer confidence business, if you're in a very tight market where we haven't got many leaders to pull, then those are the things that are gonna end there's no way out, Ron, and if you've got overburdening debt, there's really very little way to service that debt. And you depend on one thing, which virgin I mean, they've got very good frequent flyer program, which didn't go into administration. That's the velocity. It didn't go into administration, but it's really debt and where incomes going to come from and our hopes and prayers are not going to do it, you know, sort of circumstances. As I can see it, as I said, I don't think it wasn't the pandemic that pushed them over anything could have pushed them over because of the way in which the circumstances in which they were The data they're carrying was just messy.

Helga Svendsen 11:02

And in fact, you know, just in terms of cash flow, he was saying yesterday, the second report of the administrators came out any key things from that you would like to show

Linda White 11:14

You, you might have been trading and solvent for three days. Who knew? Right? Um, so, though, of course, the directors are never going to admit that that was the case, but it won't come to anything if it unless it goes into liquidation. But I don't find that surprising in the least. It also talks about that velocity issue that they're overburdened by debt, like was a really good idea. But I think it's a real lesson for boards like don't spend money you don't have in a circumstance now even if it's a great idea, you've got to put a risk against reward and that's what really tipped them. They already aligned with debt. But this was the kind of the last straw in my view, good idea, right, but bad idea for the circumstances that we're in as the record will show They were incredibly buoyant and very happy, you know, saying kind of crazy things, which was very unfortunate, like about how good it was and all that it just wasn't objectively true. And that was very, it's been very bad for the employees, because they're a bit. They've been overly optimistic about things. And when private equity buys

your company, your like, it's not a pleasant experience, right? They are trying to get money out from day one. And so everything is very under scrutiny, job losses, reorganizations, that whole thing. And if you're not, if you don't see that coming, you really, you know, that's pretty hard on the employees as we currently speak very hard.

Helga Svendsen 12:40

You know, in representing the employees, I'm imagining that you've had have had a mountain of difficult choices during both this one and the last one, and probably some of the ones in between. Is there any of those difficult choices you're able to tell us about?

Linda White 12:55

Oh, there's lots of choices. Ansett was a whirlwind. I think Karen Corey is on the line. She was involved with Tesna. Tensa was a bidder. There was only one bidder. That was Solomon Lew, Lindsay Fox bid. And it fell over like within a day before two days before it was about to finalize, right that actually purchased, put in orders for aircraft and did a whole lot of things. And so that was incredibly difficult and it was a very difficult thing dealing with them. Fox and Lou dealt with Fox and he wasn't keen on our union representing people and that's another story but myself and now Minister Foley, I had to make a pilgrimage to his to at home to appeal to him as to why the ASU should have coverage in Tesna and have better represent people and that was a very scarred on my, my on me. Other thing is also clearly in these administrations, both administrations dealing with politics. About this industry has been quite interesting back in 2001 was John Anderson. It was hopeless. And this time around, you know, I don't think the current minister is much better.

Helga Svendsen 14:12

Reminder us, who is the current minister?

Linda White 14:14

Or the Deputy Prime Minister, who I'll think - can't think of his name - anyway, yes, the deputy PM said, unfortunately, the transport portfolio is what goes to Nationals, and I'm not sure that's a great choice the world which we live on, but you know, they certainly don't value aviation particularly well, and they don't want to have intervention. And so both times dealing with politicians and saying how I deal with industry policy is or is very enlightening to and cannot depend on them. That's for sure. You know, there's all sorts of things you know, the things that we had to do in the first week, September 11. As Haley knows, we're about to have industrial action on September 12, at cuantas for the first time in many, many years where the flip that moves something else. And then by the following Sunday, I was back in Sydney, I had to get flight to Sydney to see corners to try and negotiate with corners because they ended up with 90% of the market immediately as soon as anti

stop. So you know, you learn a lot in those things and know how to get proxies, what to do all of those things. You've got to juggle 1000 things legal media members, the whole thing. It's a world within it continues. And it's exactly the same thing with Virgin as I said, dealing with politicians dealing with the members dealing with them, you know, this time round and virgin there were more buyers or five, or at least five contenders for us, which was better than last time. But you know, I always have the feeling that it's never going to quite complete because I've been there done that when cheers and I didn't complain. I didn't complain and you know that that push that administration into 10 years before they managed to realize all of the assets. Everybody got about 96 cents in the dollar. But it took 10 years for them to get a tick no 60 cents of the dollar for the employer is the other credit, there's got nothing.

Helga Svendsen 16:05

I'm also guessing there's been some difficult choices in all of this. I'm guessing this in some really lovely moments as well, again, whether it's Virgin or Ansett, can you tell us about any of those kind of heartwarming moments?

Linda White 16:18

It's another university people shine that. They just take that opportunity and shine. And I do think that's been a takeaway thing for me. So we saw, we had to get our four and a half thousand proxies together in five days. We've been misled about what the form had to be. And we had to redraw the format of a drafter. We lost a day, but we had, you know, the organization of our ASU delegates on the ground. So that's just the local members of the Union who worked for answer was spectacular. And some of those people were already pretty good, but they saw in themselves a potential that was greater than I could have ever imagined. And so one of the ones that I can really remember is There was a call center dancer in Launceston and the woman who was the head delegate there. Jody Campbell was her name. She ended up becoming mayor of Launceston and then she became the member for bass federal member for bass. And really she would credit know that is the disaster in Ansett and the organization that was thrust upon her, she was already very good, but just took her to another level that kind of launched her into a political career. There were plenty of other people who suddenly saw that and they loved answer, but they found the potential in doing other things. And there was heaps of heaps of those kind of stories. There are other bad things though, where people just did not, could not get over it could not get over the fact that the whole thing on either. Yeah, another be the same here in Virgin like it'll be exactly the same virgin. It's a slightly different culture in virgin in that there was very much a love virgin everything. As I said, I think there'll be a lot more For people that have burned this time around because they believed the craft over time.

Helga Svendsen 18:09

Folks, we haven't got the full story yet. But what I'm going to do is pop you back into breakout rooms because, can I ask people to use slid.o to put questions in you can also upvote questions. So if

there's other things that you want and then when we come back again, we're gonna have another 15 minutes or so to answer the questions that you actually want answered. So you'll be in rooms of three or four, you've got 10 ish minutes, ah, rooms in our open.

Welcome back, everybody. So I will moderate this as we go. But I'm going to ask people if you can ask your own question. So our first question that comes from you Dominique.

Dominique Hes 18:58

Linda, if you could see that version was in trouble back in October, why couldn't the board?

Linda White 19:04

I think they could. But it's a very big thing if you're a director to suddenly put your show into it. And you hope against hope that some good things happen or it's not gonna it's not gonna go, you know, what you think is going to happen is going to happen. I mean, I've talked to the CEO, he says, I never saw it coming. I know why you see, oh, you couldn't see it coming. Coming. I don't know. That's just bravado. It's a big thing. A part of this a bit like answered, they waited too long, right. And so we answered the reason it collapses, because it was there are three airlines. I think at that time virgin could have collapsed as well. And it was really a question and what they did is they unfortunately, left it too long to go into administration. I had intended to go into administration and try it out. They could have done that, but the intervening act was September 11. And that made it difficult. You missed one, maybe waiting wasn't a bad thing. For them, because how do you ever get a situation where you get the government to subsidize your workers, you get to reorg around, and you basically attract a whole bunch of people who are after distressed assets. And there are five or six biters, three of whom are really serious, right. So in waiting, it benefited virgin because of what they got a good might not complete. I don't know, I don't quote me on this. But I was given the Tesna example. I was thinking it just kept paid out now and the market is getting worse and worse, but they would pay a rock bottom price for what that Gosh, private equity, you're used to doing that sort of stuff. But you know, if this one attracted a whole lot of distressed assets, and let's say distressed asset buyers, and last time it was far more difficult and it didn't. Anybody and so I think that if I had been answered, I would have gone much earlier and then I could have tried it out of it and then it would have been virgin. It Gone. In this one, I think, probably by not going, it wasn't a skill. Luckily, the tipping over a bit was so messy, like which we've got six months of government subsidy for their workers. They've been able to do it quickly and it had a flood of buyers, but a low price. and I are also dysfunctional at virgin. And that was a sign of answered that. Directors a bit dysfunctional. They were dysfunctional. And and the other thing I'd say about airlines, is it's really ridiculous to have directors and shareholders are inside the industry. And that's what happened with both of them, when you look at it dispassionately. And so when there's a major thing that affects the whole industry, well, they flee back to their own country and their own airline, right. And so I think that would be the same for any business. Like if you're in, you got people who are shareholders in your business or in the same business and something catastrophic happens that affects that whole

business, then you're on deep trouble. So you've got to be very careful about that. And that happened twice now with ads with Ansett and virgin, there are a lot of

Helga Svendsen 22:05

Yvette your questions next.

Yvette Nash 22:08

Linda, nice to see you by the way. You indicated that you knew the Virgin collapse was coming how do you use that knowledge who can you warn what can you do with the information is just like carrying a big rock around with you?

Linda White 22:22

Oh I want I want our people, members and I've gone I've said to these organizers who looked at me as scans like how do you know this and I got like it's gonna happen I look at me - she's raving - how does she know and I got like it's gonna happen and then I will now say anything I now say is measured against the fact that I was right against that what I hadn't realized I've been right many times but anyway, this was a big ride. What we had to do is position a bit better right? So we positioned ourselves ready for this and I said it to them we got to get ready for this. We have to how we get a bag and what we're going to do you know we were about stop bagging. I said I'm not sure that we should start bagging right this very minute because I think Bad things are going to happen. And so we shouldn't be rushing into all of this, we should hold what we have rather than worry about that later. But I did warn them. And I said, we've got to get our organization very, very, very ready for something like getting creditors doing things. And so getting them proxies and getting ready for that. And that's what I said the months ahead. But we also stopped, we decided not to bargain because I just didn't want us to be in the middle of bargaining. In a circumstance, we really didn't know what the whole thing was. So we've got an open agreement at the moment it's expired. You know, what happens in administration is they try and negotiate, you got to renegotiate. And so we are going to renegotiate, but also, like what we would have renegotiated at the beginning of all of this versus what we're going to do now is quite different because now we've been people have been stood down for months on end, people understand that way more and there's a lot more things that are far more important. And that we have to think about But yeah, I warned them and we got ready.

Helga Svendsen 23:58

Um, Michelle, your question has been rocketing up the charts and you're next.

Michelle Redfern 24:02

Thank you. Hello. Hi, Linda. So my question is, is a two parter? Number one, I'm on a board and I can see this train wreck coming, but I appear to be the only one. What's your advice about how I would call that out? Part two is and what if I'm an emerging female board member or even an established female board member? And when we're having a chat in the breakout room, Nicole and I about some of the glass cliffs that females find themselves on? What do you do if you're number one, the only one who appears to see it? Your voice is not being heard. But if you are that emerging female board leader, what's your thoughts?

Linda White 24:45

I mean, I'm in the business of winning the hearts and minds, right. That's what I do day in, day out. So how do you do that? It's conversations. It's winning people and talking to them like so I wouldn't be talking to people like your only forum is not that The forum in you know when you sit around the board table the forum is everybody that you talk to behind the scenes when you if you need to and that's how you do it like you just have to have conversations talk to people and bring people together as I said in the battle our hearts and minds and minds always against important not against but you know the employers have to say one thing then you have got to talk logically be straight shooting, listen to what people say. It changes your mind be open to other viewpoints, but also work on that see if that's what you think that's to me the only way to convince people and sometimes you win and sometimes Yeah, or sometimes I listen to and sometimes I don't and if they don't, and you will write remarkably they listen to you again. They'll listen to you next time and so you know like every post isn't gonna you know be a winner and that's about not but not be the right way to do it. But I just think dialogues important thing is to talk to people and put your point of view, I would never be scared to be at point of view, and those who have been on board with me will know that I'm not afraid to be in the minority. You can't be afraid to be in the minority if that's what you truly believe you can't be a contrary and all the time. If you believe something seriously, then you're mad not to. And as I said, sometimes everybody comes around to your opinion, because something happens that changes their mind or you've changed their mind. And so that's how I would handle it. Basically.

Helga Svendsen 26:31

Jenny, you're next in the list? Could you ask your question?

Jenny Britt 26:33

Thanks, Helga. So Linda, the pandemic is seen as a black swan event. I'm interested to know did any of your boards have any foresight or risk management strategies in place to deal with an event and the sort of magnitude

Linda White 26:51

I don't think the MCG Trust ever thought that the AFL grand final could possibly go anywhere other than Melbourne? Not not in anyone's wild dreams, and I still think they're gonna try and hold on here. And I know looking at these things as wildly out, but I think that what I've seen on the boards is the ability to take on the challenges and move very quickly about what about the challenges and on you know, three so the portal long service life that has affected the working in a couple of industries and we've had to deal with that and MCG clearly I feel no nothing the whole businesses around one thing. And then Acme two that actually worked in favor of Acme because we're renovating and was a bit behind time and you would never know that right? So about it's also opened up a whole lot of doors about how things should be done digitally. So I do think that No, nobody ever plans for it. But the smart people it's one thing to know what the problem is. It's another thing to know what how to fix it and what the solutions are. It's like doing focus groups. People tell you all the things Yes, but what does it mean and what do we never do? And to me the smart money and this Smart people are the ones who can hear what is being said and know what to do. And go right. Here's our systems for getting through this and how are we going to do it? How do we analyze it? What other people doing? What ideas have we had? Can we bring something from the back shelf that we've always been wanting to do? Because opportunity provides it for us. And those I think, if you have that sort of methodology, but nobody plans for a bad thing, but I was thinking adversity brings opportunity. bad things can happen, but you can absolutely make the best of it. If you think laterally and can understand what's going on. I might be a bit naive, but that's what I think. I have a half glass half full person mostly.

Helga Svendsen 28:40

All right, Tamara, yours has been bubbling around as the second question, and it's finally got itself up to the top. You're the final question for today.

Tamara DiMattina 28:48

Thank you, Helga. Linda, this is not my area at all administration. So a normal administration could go for 10 years and that's normal, but that really, really blew my head off. To think that the process like that could take so long do you mind talking a little bit about what that looks like? Does that mean, quote a mentor meeting daily for 10 years? Or is it once a week they're doing a bid, or once a month, I just can't imagine how something goes for 10 years and what that process looks like.

Linda White 29:14

Okay, so first thing is trying to find a buyer, right. So that's the frenetic activity, so trying to find someone who will buy it. And that's what they tried to do, but they couldn't find a buyer. So then they have to, they have to liquidate the assets, right. So you know, complex business or sell the assets. First of all, yeah, they put propositions about who could buy it. So in Virgin, what they've

done is there are five buyers, I chose, you know, they, they evaluate those buyers in a very short period of time, and then they go forward and they've got to go to a creditors meeting to get the creditors agree because what the creditors are doing is saying, we're not going to take, we're going to lose a whole lot of money. We're going to wipe away our debts and so they always form like a creditors. The court a committee of inspection, but it's like a creditors committee and so that creditors committee went for 10 years on end. Because I couldn't get a buyer and so they had to liquidate so I had to sell everything. It says a lot to sell. And it had a lot of assets. One of the fascinating things is, is that there were some businesses in ansaid that never stopped. So they had simulators. They never stopped work. And they were and the simulators where pilots gone try and try and write. So that continued on, they also had, because they had, you know, lots of different aircraft and they had lots of spare parts. And that was a really very large business. And then they also they owned the appliance, a lot of pliers they own they didn't own some engines, but they had the appliance and so systematically that was selling those planes and those parts and all of the assets they had a lot of real real estate so they're selling them down and they're trying to get the best price they tried and they're dealing with creditors lot always a lot of litigation as well and things from creditors like Dawn's club had a big B there was big litigation both against them and setting the administrators against it and the The printers against it says a lot of stuff but they'll mostly selling things. So the interesting story in answer is that I did sell quite a lot of airplanes but there are old planes and so I remember on one credit is so we weren't meeting weekly. We might have worked in the later years probably quarterly they would give a report but that was reporting on they will ask creditors committee, they got a job lot offer for all the maintenance parts really early from one of those guys start out who does f1 Racing out of interest but then eventually business airline cards came out and off a very early for the whole lot. And they made a decision not to take that offer. He might have offered a couple of million bucks they sold it in the end for about 20 million by salt slowly stopped selling it. And that was native fees, right. So they did pretty well but they were selling the pleins clapped out clients to people like Russian mafia drug dealers in South America and people like that because clubbed up lines don't have much of a market. So the Russian mafia remember this. They said, oh, we're not banking on a final payment for this plane because you know, who's gonna go to Russia and ask them for the final payment. More African countries who don't have many airlines, we're buying them as well, but they leave Oh, really. They searched the world to sell them and I did a lot better. And so that's why I got like a 96 or seven cents in the dollar because I was slowly selling and the fees the union, organized at the start, they really did a very cut price, right. And so the fees were nowhere near what the market would have what PwC would have done, it's really selling all the assets to get every cent in the dollar for the creditors, but in that situation, only the employees got the money. No creditor got anything.

Helga Svendsen 32:46

Thank you, Linda. Normally, I'll be handing over you a little gift. I'll have to do it metaphorically it will come in the mail instead. But thank you so much for sharing some of the stories, some of the wisdom some of the Hot Tips for us. Just fantastic. Yay. Thank you so much, folks. I always love spending the morning and as I would prefer to be in the room with you, but the opportunity of doing it this way as we get, you know, our Canadian friends here, our northern Australia friends are here as well. So thank you so much. I look forward to seeing you all again soon.