



INVESTMENT SCANDALS

(OTHER TIMES, OTHER PLACES)

No. 3:

THE 'LAST COWBOY': CHRISTOPHER SKASE

"If you can't avoid being deported, scarper now before it's too late. Slip away at night. ... Put on your false nose. Dye your hair. See a plastic surgeon. Become someone else and run, run, run."

Great Train Robber Ronnie Biggs

(allegedly giving advice to Australian fugitive Christopher Skase)

History ● Experience ● Foresight

Dedication

This is a further essay, in a series, on issues that have always confronted investors—and always will. In this instance our topic lies under the heading of ‘investment scandals’. They occur every day, in every country.

Some, however, are so egregious they deserve to be individually showcased as a signal to all who believe that ‘making a quick buck’ is easy. Sorry, but *“No, it is not”*.

So, here is a true story that further emphasises (if emphasis were needed) that if any investment appears to good to be true, it is. Enjoy.

A Telling Quote

*“Christopher cried for the
shareholders he betrayed.”*

Pixie Skase

(widow of Christopher Skase
quoted in The Advertiser
June 30, 2010)

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Sourced from the author’s private library and online resources.

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The Ostentatious Mr. Skase



At his peak in the 1980s

Christopher Skase, son of a leading radio personality in Melbourne was born to a high standard of living; he never wanted for anything at home and had a good education.

During his climb 'to the top' he enjoyed displaying his wealth; one anecdote suggests that he once sent, in his private jet, a flunky to travel from Port Douglas to Melbourne,

in order to pick up a dress for his wife, Pixie.

Christopher Skase enjoyed the good life, particularly as it was exemplified in the 1980s.

But he could not defy gravity and eventually his downfall was as spectacular as his rise.

This is a short story of the man and the times in which he lived.

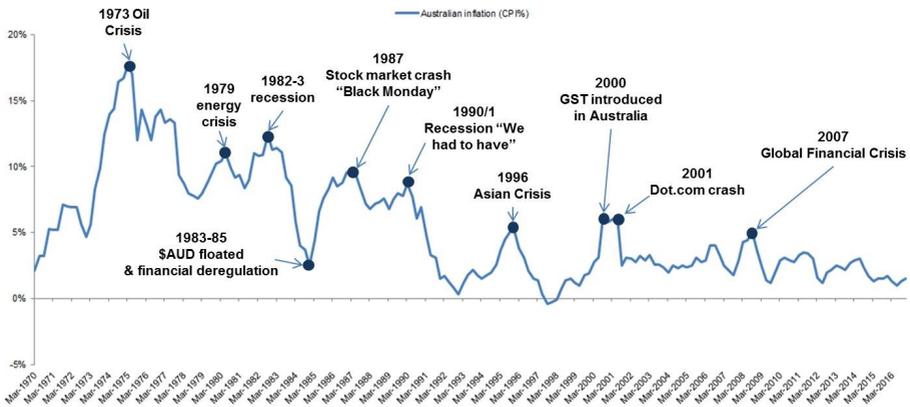
The 1980s: If you were around then, you would not be able to forget them; If you weren't, you could barely be expected to imagine them.

Some referred to that time as the 'decade of the casino', and with good reason. If the 1960s were the years of experimentation—in music and much else—the 1970s were the years

As hard, currently, as it might be to envisage an inflation rate in the high teens, it's a fact that it was back then.

Following two oil crises, it came as no surprise that a recession occurred in 1982-3, after which, inflation fell precipitously.

A new Labor government won office



Source: ABS, Quantum Financial estimates

of financial challenge and a degree of national introspection.

Yet, things must have been bubbling deceptively below the surface because when the 1980s arrived, it did so with surprises for Australians in general and investors in particular.

The chart above illustrates inflation rates—and their prime causes—from the early 70s to 2016.

in 1983 and, by way of major reform, it floated the Australian dollar, upon which inflation began to climb again.

The stock market, too, began its inexorable rise as numerous other reforms were progressively enacted: Financial sector deregulation; Fringe Benefits Tax; and, ultimately, the formation of the Australian Stock Exchange.

It was in this environment of change



Skase in wheelchair

that new players entered the market place. They became known as ‘corporate raiders’.

People who had, until then, been on the margins of Australia’s commercial world, began to move towards centre stage. The old order—the existing business establishment—seemed to have less exciting ideas than the brash new crew that appeared on the scene, ready and all-too-willing to challenge what had been the inviolable ‘rules of the game’.

Among the flag bearers who emerged in this time of financial ‘awakening’ were several who were to severely shake up the status-quo; they included:

- Robert Holmes a Court
(Bell Group)
- Larry Adler
(FAI)
- John Elliott
(Elders IXL)

- John Spalvins
(Adelaide Steamship)
- Laurie Connell
(Rothwells Bank)
- George Herscu
(Hooker Corporation)
- Alan Bond
(Bond Corporation)

And, not least, an interesting character in the form of the energetic Christopher Skase.

His trajectory was not the cliché of rags to riches; it more resembled a journey from very comfortable surroundings to extreme wealth.

His began working as a ‘chalkie’ on the Melbourne stock exchange for brokers JB Were. Later he became a financial journalist for the Australian Financial Review (where the legendary newspaper man and author, Trevor Sykes—aka Pierpoint-taught him to type).

In 1975, aged just 27, Skase bought Qintex, a small Tasmanian company. He used this vehicle to fuel his agenda for aggressive growth.

No doubt aided by the type of creativity which had become highly fashionable in financial circles at the time, Skase rapidly turned a minnow into a whale.



The Mirage Resort, Port Douglas

In the space of less than 15 years, Qintex was worth \$1.5 billion.

Skase clearly enjoyed his success and, for a while, so did his investors.

This was a time in Australia's history when a great many people felt successful. The mood was buoyant and before long became extremely—and contagiously—confident.

The stock market kept rising; the cash tills kept ringing; one small and seemingly unusual outcome was that men and women wore clothing with the high-end manufacturers' labels stitched to the *outside* of their garments ('Look at *me!*').

Luxury cars swished out of stylish showrooms, driven by business people of all stripes; getting a seat in a fancy restaurant was only available if one knew—and was happy to handsomely tip—the head waiter.

It was a time of excess, not seen in

Australia for a over a hundred years - in the heady days of the gold rush.

In keeping with what seemed a time when Australia could not put a foot wrong, Alan Bond's yacht *Australia II* won the highly coveted America's Cup yacht race in 1983. Euphoria!

And more was to come when Australia's most successful movie—*Crocodile Dundee*, starring Paul Hogan—captured world wide audiences in 1986. Pride!

In this infectious environment of success, Qintex, personified by the ubiquitous Mr Skase, was a poster child for the era.

It was reported that Skase's 40th birthday party cost \$450,000.

His empire had grown to include several up-market resorts, a stake in the Channel Seven television network with work having started on two new and—and for their time—spectacular hotel/resort complexes: The Mirage Hotels in the Gold Coast and in far north Queensland at Port Douglas.

And *still* the stock market climbed. Until it didn't.

October 19 on Wall Street became known as Black Monday, the day the DJIA fell by 23 per cent. The next day was Australia's turn: the stock market here fell by an



Headline 5 Aug 2001

unprecedented 25%.

Despite stiff upper lips, panic reigned.

The foundations of empires built by Australia's new breed of entrepreneurs shook, though it must be said that not everything fell into a heap immediately. The signs, nevertheless, were ominous.

Banks, as well as other lenders, were heavily exposed. Investors, especially those new to the market, were incredulous; many sold out immediately while some grimly held on waiting for a rebound (it took around eight years for the ASX All Ords to reach its 1987 peak again).

Meantime, along with many others, Mr. Skase's kingdom was in trouble, with requests he made having been denied by his board of directors.

Sensing greater trouble afoot, and after arrest and a night in jail, he recovered his passport and left Australia for his fortress-like villa in Majorca, Spain, far away from Australia's financial authorities.

The Australia Securities Commission formulated a case to have Skase return to Australia to face the music—as well as his creditors and hapless investors (his debts were in excess of \$700 million).

It never happened. Skase professed to be sick, and confined (at least temporarily) to a wheel chair, unfit to make the return journey.

This is most likely the reason the press were scathing in their assessment—unlike many of his contemporary newcomers (several of whom went to prison), he failed to give an account of himself. He was dismissed as a coward 'on the run'. He never showed remorse.

In the end, it turned out that Christopher Skase did indeed become a sick man.

Aged 53, he died of stomach cancer on 5 Aug 2001; few Australians mourned the passing of a man whom many saw as a financial scoundrel.

As one commentator wrote, he was indeed 'the last of the cowboys'.



Malcolm Palmer
Managing Partner
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