

No turning back for

After long years of service, Ric Smith retires as one of the country's top crisis managers, writes **Geoffrey Barker**.

For nearly 38 years, Ric Smith has managed global and domestic security crises for the federal government with unflappable and unobtrusive calm. From the India-Pakistan wars of the early 1970s, to the fall of Saigon in 1975, to the Bali bombings in 2002, 61-year-old Smith has been a key diplomatic adviser to 13 foreign ministers from Paul Hasluck to Alexander Downer.

Since 2002 he has been secretary of the crisis-prone Department of Defence — a post from which he retires today as one of the nation's genuinely esteemed public servants.

"I seem to have been drawn often to crises of one kind or another", he tells *The Australian Financial Review*. "When Peter Wilenski became secretary of the Department of Foreign Affairs in 1992, and I became deputy secretary, he said, 'You can be the crisis man'."

Smith remembers watching the sun come up over Canberra's Lake Burley Griffin four mornings in a row when Vietnam fell in 1975. He led the Foreign Affairs task force through

the first Gulf War in 1990-91. He dealt with the attack on the Iranian embassy in Canberra in 1992.

But nothing, he says, prepared him for the Bali bombings, which occurred while he was at a dinner in Jakarta to farewell him as Australia's ambassador to Indonesia before his return to Canberra to take over the Defence Department.

"It was the most significant thing that happened to me in my public service career... the toughest thing I had done," he says. "You don't find anything that matches the murder of 88 Australians."

He remembers being chilled by the site of the bombings, the burned-out nightclubs, shops and cars. He remembers 202 bodies in the morgue and hospital and the grief of families.

And with understated pride he recalls the response of Australian government agencies — his own embassy, the Australian Defence and Police forces — and Australian volunteers in Bali as well as those who donated money. "One of the most positive

things was the way the Australian team came together and responded to Bali," he says.

Smith does not emphasise that it was he who pulled the Australian response together in Bali, overseeing the grim work of the forensic investigators and identification teams, and the repatriation of wounded Australians.

But it is not surprising that he is a good man in a crisis. He's a big man, quiet and serious until he reveals his self-deprecating wit, describing himself as "a busted-arse diplomat" and "more a tradesman than a philosopher". "I took the job more seriously than I took myself," he says.

Born and educated in Western Australia, Smith was part of the 1969 intake of foreign service cadets who included, among others, Australia's ambassador to the United States, Dennis Richardson, and high commissioner to New Zealand, John Dauth. The three remain close friends.

Before being posted as ambassador to Indonesia, Smith was ambassador to China from 1996 to 2000. Before that he served in Honolulu, Manila, Tel Aviv and New Delhi.

At a farewell dinner last week, Prime Minister John Howard paid tribute to Smith's role in Australia's successful \$25 billion liquefied natural gas sale to China. It is an achievement Smith prefers to credit to others, mainly businessmen and politicians, but which he regards as a triumph of Australian strategic planning (see left).

As Defence Department secretary, in tandem with Defence Force chief Angus Houston, he has run the department at its busiest operational tempo since the Vietnam War. There are some 3700 ADF members serving abroad on 15 separate operations, including Iraq, Afghanistan and the Solomon Islands.

At the same time, Smith has struggled

HOW THE LNG DEAL WAS DONE

Ric Smith reveals the strategic thinking behind Australia's successful \$25 billion liquefied natural gas sale to China in 2002.

While playing down his role as Australian ambassador to China between 1996 and 2000, Smith says the first step was to draw the attention of the Chinese leadership to the existence of LNG and its cost effectiveness and availability.

China's draft energy plan in the late 1990s, he says, had very little provision for LNG, which was not seen as a bulk energy commodity.

"We had to persuade them to make provision for power generation by LNG in the energy plan," Smith says.

"That done, we had to establish that Australia was the best source in terms of reliability, cost competitiveness and so on. We placed a strong emphasis on our existing record as a reliable supplier of iron ore, coal and other resources to China.

"Then we went to tender and the competition was on. There were lots of other sources — the Middle East, Qatar, West Papua, Kamchatka. It was a tough battle, but

I was not there at that stage," Smith says. "My part was getting the product understood in China."

He gives credit for the sale to Shell executive Roland Williams, former West Australian premier Richard Court, Northern Territory businessman Shane Stone and "a complex of people" who were able to answer tough questions asked by the then Chinese leader Zhu Rongji, an engineer who was deeply interested in the technical aspects of LNG technology.

Geoffrey Barker

Time to be jolly . . . careful

Susannah Moran

Brought in lots of clients this year? Saved the company squillions? Regardless of how well you've performed, it does not excuse a poor showing at the Christmas party.

The end of the year might be when workers traditionally let loose, but lawyers warn the booze-filled Christmas bash is too often the source of compensation claims and harassment suits.

Various law firms have already sent memos to clients warning they could be held liable if the party gets out of hand.

And a growing number of companies are taking their advice and telling their workers to have fun — but not too much fun.

January is traditionally a boom time for employment lawyers who have to deal with a myriad of claims from the wash-up of the Christmas season.

Australian Business Lawyers managing partner Tim Capelin says: "Particular danger areas include Kris Kringle gift giving, joke staff awards and skits/performances that may offend certain groups."

Capelin also says employers have to comply with health and safety requirements no matter where the party is held. He recommends establishing standards of conduct.

Australian Business Lawyers has warned: "Employers can be liable for inappropriate statements and conduct that occur at work-related Christmas celebrations. Such conduct can amount to sexual harassment or other forms of harassment."

Freehills has emailed its clients telling them to beware of the silly season: "Tis the season to be jolly (careful)."

Employment relations partner Kate Jenkins says many bullying and harassment claims are lodged after the festive season. She says employers also face compensation claims from those involved in fist fights or who might have fallen over drunk.

"It is often connected with alcohol and just a general attitude that the rules are different when they are socialising.

"The cases range from . . . inappropriate gifts, jokes, skits, making fun of people having an office affair or even being bald through to pure sexual harassment — unwelcome advances right through to rape," she says.

Jenkins recommends that employers tell all staff before the function that certain behaviour will not be tolerated, including reminding them of their obligations to act in a safe manner, without discrimination or harassment. Food and non-alcoholic drinks should be widely available.

"Of course managers are not particularly excited to be the watchdogs but the reality is it is still a work-related event," she says. "They still have supervisory responsibilities."

Jenkins says she is surprised Christmas party incidents are still occurring at such high rates but believes employers are trying harder.

"But at the same time these are very human interaction issues that come up about how people relate to each other," she says. "I also do think the element of alcohol seems to be quite significant. The behaviours are not what people would normally do at work."

Even the entertainment should be screened, Jenkins says, especially if workers want to perform an original song.

The lawyers say the warnings are not about stopping people from having fun, but more about making sure parties are held in a safe environment.

In any case, companies have not cut back on Christmas extravaganzas. Banking, finance, accounting and legal firms are planning major parties this year — and with all the safety warnings, you're likely to get a cab voucher home.



Corporate carousals

Theme parties are back, and this year the budget is running to cricketing heroes and camel rides, writes **Rachel Nickless**.

A few weeks ago staff and clients arriving at KPMG's Sydney office were greeted by disco rollerskaters with afros bearing tiny disco balls. It's not something you'd expect to see in the foyer of one of Australia's biggest accounting firms, but it was all part of a master plan to get accountants into the swing of the festive season.

The firm's state chairman, Chris Jordan, estimates only about half of staff have dressed up for the Christmas party in the past. He hopes this year's "Studio 54" theme party will inspire more people. He'll be leading the charge, eschewing his Santa beard for an Austin Powers costume.

Around Australia, many companies are trying to cut costs on Christmas parties but some corporate giants are happy to buck the trend with lavish celebrations.

The James Gordon Workshop helps put on special events for companies such as Macquarie Bank, Johnson & Johnson, Westfield and Lend Lease. Creative director James Gordon sees a "little bit of a turn back to theme parties this year".

"Last year and the year before it was a

sleek, clubby look . . . This year we are doing a French party, two underwater parties, colour parties and fairytale parties."

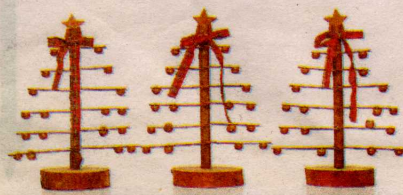
His event manager, Tingan Emery, says: "As a general trend, over the past couple of years there's been less of the really big-budget parties — although there are still parties out there that have really good budgets."

Citigroup is one company that goes all out to retain its mantle as the best Christmas party host in the finance industry. At its client party in Sydney recently, 1500 finance types in suits bopped to 1980s band The Angels. The "Rock the Casbah" event, a tribute to the 1982 song by The Clash, involved belly dancers, barrow loads of rose petals, a Middle Eastern feast, a fountain and even a couple of camels.

The bank thought the theme was so good it held the same party the next night for its retail bank staff, minus The Angels.

The investment banking division of Macquarie Bank has timed its client Christmas party in Sydney with the Ashes cricket series, setting up a full cricket pitch and giving clients the chance to face a few overs from retired cricketers Jeff Thomson, Allan Lamb, Allan Border, Kerry O'Keeffe and Stuart MacGill.

In the advertising industry, the most sought-after invitation is for Saatchi & Saatchi's Christmas party in Sydney. This year there's a jungle theme. The agency warns that invitations are not transferable. Another big



'busted-arse diplomat'

mightily to (almost) straighten out Defence's Byzantine financial accounts, to address recruitment problems, and to repair the department's information technology problems.

The job has taken a physical toll. Smith acknowledges that his energy levels are lower than they should be, his will to fight necessary fights has diminished and new ideas are drying up.

Yet he is proud that on his watch, during high-tempo operations, policy 'remained welded onto the operations and the way we went about them'. He is also proud of his achievements on the department's accounts and on securing money to refurbish neglected facilities and bases.

Despite his strong and distinguished background in diplomacy, intelligence and policy development, Smith says he has not resented the time he has had to spend on accountancy and management in Defence.

"I realised quite early that apart from supporting military deployments and acquisitions, there was another job: to build a culture that recognises Defence as one of Australia's biggest corporations. We had to aspire to those sorts of management standards. I enjoyed that".

Running the Defence Department was, he says, at times "like herding cats". There were four distinct tribes — army, navy, airforce and civilian, and all had to be allowed to develop under one management blanket.

Smith refuses point-blank to identify the best and worst of the 13 external affairs or foreign ministers, seven trade ministers and three defence ministers for whom he has worked. "I will save that for some time," he says before relenting to the extent of conceding:

"They were remarkably different in their



Calm, quiet and serious: Ric Smith has worked for 13 foreign ministers, seven trade ministers and three defence ministers.

Photos: JACKY GHOSSEIN, PENNY BRADFELD

operating styles and in their understanding of their roles vis a vis the public service and so on ... Some were more demanding than others, some were higher maintenance."

But Smith plainly has a soft spot for Labor's mercurial former foreign affairs minister Gareth Evans, who now heads the International Crisis Group in Brussels.

"The best thing about him was that he loved the subject as much as the people who worked for him and believed he could make a difference. He was a minister with whom it was possible to disagree more than any other. You'd have a raging shouting match, and when that was done you'd move onto the next subject."

As he moves into retirement, Smith is optimistic about the future of China and Indonesia, two countries with whom he is particularly familiar.

He believes there has been an important shift for the better in the China-US relationship. He also believes that Indonesian President Susilo Bambang Yudhoyono faces a major challenge in rebuilding institutions damaged by the 1999 Asian financial crisis, but that the country's democratic government will be durable.

Smith says the new Australia-Indonesia security treaty is better anchored in Indonesia's democratic process than the previous treaty signed by the Labor government. "The view was that the earlier treaty would only be as good as the Soeharto regime and that's how it turned out, but not for reasons that anyone foresaw."

Smith describes the Australian government's decision to intervene in East Timor in 1999 as the most significant Australian government decision of his career.

He says the government's decision to join the US coalition in Iraq was "a sound decision at the time". "There's no question that we genuinely believed there were weapons of mass destruction to be found and that's why we vaccinated and inoculated all our people," he says.

Now he believes it's up to the Iraqis. "It's really a matter of us trying to ensure that the Iraqis can work through their own problems and produce their own solution."

As he looks ahead to retirement, Smith says he does not know whether he will feel empty or relieved when he walks out of the office, which will be taken over by Nick Warner. He plans a long summer holiday, some travel and possibly working in education to help young people.

Is he prepared for retirement? "That's what I'm starting to wonder about," he replies. "But I'm not turning back."



really sleigh 'em

media bash is the Nine Network party on tonight. Staff will be celebrating with a beach party at network headquarters in Willoughby, Sydney. James Packer has already splashed out on the traditional hampers given to all Publishing & Broadcasting Ltd employees — huge polystyrene boxes filled with puddings, wine, chocolates and other goodies.

Ten years ago law firms were the biggest spenders on Christmas parties, then the insurance companies took over. Now the finance industry throws the biggest bashes, according to David Grant, managing director of David Grant Special Events.

These days most law firms arrange their own staff parties, but they are still lavish affairs at the big firms and celebrity is a recurrent theme.

Clayton Utz will hold its "I want to be a rock star" party in Sydney tonight, having already given staff glow sticks and "backstage pass" invitations.

Corrs Chambers Westgarth is holding a "Bollywood meets Hollywood" party in Brisbane and "Viva Las Vegas" bash in Melbourne. The Corrs theme is "jungle boogie" in Sydney and "under the sea" at the Perth party, which is being held at an aquarium.

Freehills is eschewing a fantasy theme this year, holding a black-tie dinner with a touch of glitter in Melbourne and a more casual "white Christmas" themed party in Sydney.

Accounting firm Ernst & Young is also

taking a more conservative approach with a "black tie with a splash of colour" staff dinner.

Consulting firm Accenture is holding an "Accenture Goes to Hollywood" bash at the Melbourne Town Hall while Lion Nathan is living its corporate mission of making the world a more sociable place with a masquerade ball at Paddington Town Hall in Sydney.

Party goers appear to be going to new lengths on the fashion front.

"We are up 20 per cent on last year," says Bosie Crawford, a director of The Wardrobe costume hire in Sydney's Chatswood.

"It's not necessarily that more people are walking in the door but people are going all out, head to toe. They want shoes, wigs and accessories as well."

Retro is still going strong, but while the '60s and '70s have been big over the past five years, there's been an '80s revival, she says.

"Also, Johnny Depp is responsible for a massive resurgence in pirates," she says. "If they're male they want to be him and if they're female they want to be his wench."

Lara Croft outfits and police costumes are also popular.

But don't expect to sail on into a pub or club in such an outfit after the office party, Crawford cautions.

"Bouncers are concerned about weaponry."

Festive season less taxing

Rachel Nickless

Many companies are tightening their belts when it comes to Christmas parties this year, but changes to the fringe benefits tax laws should add some cheer to next year's festivities, experts say.

From April 2007, the FBT exemption for Christmas or end of year parties will be lifted from \$125 to \$300 per employee.

KPMG tax partner Andrew Purdon predicts the new rules will be a boon for the hospitality industry, with parties growing bigger and better.

"As working within the FBT exemption works out to be 31 per cent less expensive after tax, many organisations have planned their Christmas parties to avoid FBT," he says.

"The \$125 per head may sound generous until you consider it includes any transport to or from the party, gifts, decorations, as well as the food and drink. Where partners are invited, the \$125 must cover both the employee and their partner, therefore making it only \$65 per head."

James Gordon Workshop event manager Tingan Emery says "\$300 per head is more realistic for a gala or themed event, for \$125 a head we advise clients to go and have cocktails at places that already have an atmosphere".

David Grant, managing director of a special events company that takes his name, also welcomes the FBT changes, saying "\$125 just doesn't buy you anything any more". His clients tend to spend between \$200-\$500 a head on staff Christmas parties and more on client parties: "Anything really interesting starts at \$1000 a head," he says.

His tips for keeping costs down are to be more selective and strategic with client invitation lists; have cocktail rather than sit-down functions and hold major parties outside the Christmas season.

Clients feel more comfortable at more exclusive functions, he says: "The CEOs and upper middle management may not admit it but they want to be with their own kind." Cocktail functions allow people to come and go as they please during the

busy social period and holding client events in other periods, such as on the foundation anniversary of a company or at the end of the financial year, means clients are less swamped by invitations, he says.

All three approaches are becoming increasingly popular and "five years ago there were at least double the number of client parties at Christmas", he says. A survey by recruitment firm Talent2 suggests more companies are abandoning the staff Christmas party, too.

Only 79 per cent of Australian employers will host Christmas parties for their staff this year, according to its survey of 921 employers and workers around Australia.

This is down from five years ago when a similar survey revealed that more than 87 per cent of bosses held staff parties, says Talent2 director John Banks.

KPMG's top tips for keeping more in the company stocking this Christmas are:

1 Keep the value of your party below \$125 per employee and, as long as you don't provide similar functions to your employees on a frequent and regular basis, it will not be subject to FBT.

2 Be aware that there are certain conditions on how the cost must be broken up. Food and drink must be less than \$100 per employee. Entertainment such as a DJ or band should not be more than \$25 per employee and be separately invoiced.

3 You may be better off hosting a lavish Christmas party on your business premises on a working day, rather than at a restaurant or reception centre, as the costs as they relate to current employees (and clients) will not attract FBT.

