

THE DEAL

REINVENTING BUSINESS

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REMEMBER the 1990s when the business mantra was all about long-term goals? It was commonplace to criticise CEOs or directors who pushed for immediate profits for shareholders at the expense of strategies to ensure the future of their organisations. How life has changed. There's nothing wrong with steady, solid growth. But the disruption caused by the internet has turned the tables on business timeframes. Today, the spoils go to the speedy, and patient pursuit of long-term targets feels very 20th century.

From the start the smartest consultants and academics predicted the net would be as disruptive as the railroad. In a landmark essay in *The Atlantic* in October 1999, the leading management thinker, the late Peter Drucker, gave his vision of the future. "The truly revolutionary impact of the Information Revolution is just beginning to be felt," he wrote in *Beyond the Information Revolution*. "But it is not 'information' that fuels this impact. It is not 'artificial intelligence'. It is not the effect of computers and data processing on decision-making, policymaking, or strategy. It is something that practically no-one foresaw or, indeed, even talked about 10 or 15 years ago: e-commerce – that is, the explosive emergence of the internet as a major, perhaps eventually the major, worldwide distribution channel for goods, for services, and, surprisingly, for managerial and professional jobs. This is profoundly changing economies, markets, and industry structures; products and services and their flow; consumer segmentation, consumer values, and consumer behaviour; jobs and labour markets. But the impact may be even greater on societies and politics and, above all, on the way we see the world and ourselves in it."

Sixteen years on, not every sector has been blown apart, but some days it seems only a matter of time. The good news is that the best organisations seem keen to change the way they think about products, consumers, employees and the way they work. The challenges are immense, yet the excitement and creativity unleashed by technology is extraordinary.

Here at *The Deal* we have charted that revolution since we launched in 2008: many of our stories have shown why it is no longer enough to get better at doing things in the same way, over and over. Which is why we have added a kicker line "reinventing business" to our masthead. It's the right phrase for a world in which your company's short-term goals, medium-term goals, and long-term goals must be framed in terms of the need to adapt at short notice or risk a competitor reinventing your business around you. And it's the right mantra for a business magazine that understands that as readers – whether you are an owner, an employee or a consumer – you are hungry to know more about how to manage and profit from the opportunities generated at a time of extraordinary change.

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ON THE COVER: ISSUE 71

Luca Belgiorno-Nettis
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Luca

Belgiorno-Nettis wasn't exactly born with a silver shovel in his mouth, but you suspect a well-worn hard hat was resting somewhere in the nursery. In 1954, his Italian parents Franco and Amina had yet to amass what would become a vast fortune off the back of the nation's post-war regeneration. Here was a pioneering migrant family of bulldozers, concrete mixers and steel by day, but also one enlivened by art shows, fine dining and community building by night.

The family, synonymous with Transfield, have put in place the robust sinews of our cities and built the supply lines taking power to factories and homes. The iconic company, started by Franco and Carlo Salteri in 1956, which has morphed and multiplied over six decades, built the Sydney Harbour Tunnel, Melbourne's City Link toll road, hydro-electric and coal-fired power stations, concert halls, oil rigs, sugar mills and the Anzac class frigates.

An architect by training, Belgiorno-Nettis has absorbed his father's romantic variations on infrastructure – that ubiquitous grey-ugly word, no matter how you polish it. The engineer as hero, fusing Italian artistry with Australian can-do, is the telltale Belgiorno-Nettis flourish.

"My father saw no distinction between the artist and the engineer in as much as both are trying to manifest their ideas and feelings," says the second of three sons of the late magnate, bon vivant and arts enthusiast. Long-time friends and business associates see parts of Franco in the three boys. Well-rounded and a bit dreamy, Luca is the son with the supplest mind.

In his low-lit office at a revamped timber wharf on Sydney Harbour's Walsh Bay, the fair and trim Belgiorno-Nettis is effusive with his hands yet pin-point deliberate in voice; he strains to find the right adornment to a thought, pauses to search for a reference from academic works and leavens his pitch with humour and warmth.

On this morning, just within reach is a white mug he's been drinking coffee from, decorated with the crushing, corporate truism: "A rich man's jokes are always funny". It's a piss take on the stereotype, of course, but also a nudge that beneath this man's understated elegance and easy courtesy there is serious financial grunt. Still, there's a sense of an ending in the workers' area outside his office – sparsely populated, subdued, a mini-city of document boxes piling up on desks. Belgiorno-Nettis is in the middle of a personal and business transition, a reinvention and disruption, which is at the core of modern commerce.

The founding families went their separate ways in 1995. Transfield Services, the operations and maintenance part of the empire, was floated in 2001. At the time there was also a highly public split in the family, with eldest son Marco, who changed his surname to Belgiorno-Zegna, referencing his mother's maiden name, going his own way.

Last September, the Belgiorno-Nettis family sold its remaining stake in the listed company, which, among several large-scale industrial and resources projects, runs the immigration detention centre in Nauru. The Transfield name is receding into the background; the trademark is shuffling back to the family's sole



control, while the listed venture will present a new name to shareholders. Transfield Holdings is essentially a cashbox for joint projects between Luca and younger brother Guido, who are each establishing a portfolio of interests. The family's wealth was estimated at \$564 million in last year's *BRW* Rich List, a tumble from pre-GFC levels when they were paper billionaires.

According to Belgiorno-Nettis, his father saw the Transfield businesses as "both a castle and a cage". "So we virtually had no options as young boys," says the only son who did not go straight from university into the burgeoning construction and engineering company. He says there's no such obligation on the next generation, including Luca's own son and daughter, both at university, with the empire now likely to become a series of forts and outposts. Selling the construction arm and closing the fabrication business were traumatic events for Franco, who died in 2006. "Guido and I are very happy with what's been achieved since we took over," says Luca, citing successful investments in property group Charter Hall, student-housing developer Campus Living Villages, the Perisher ski fields (which the family, like

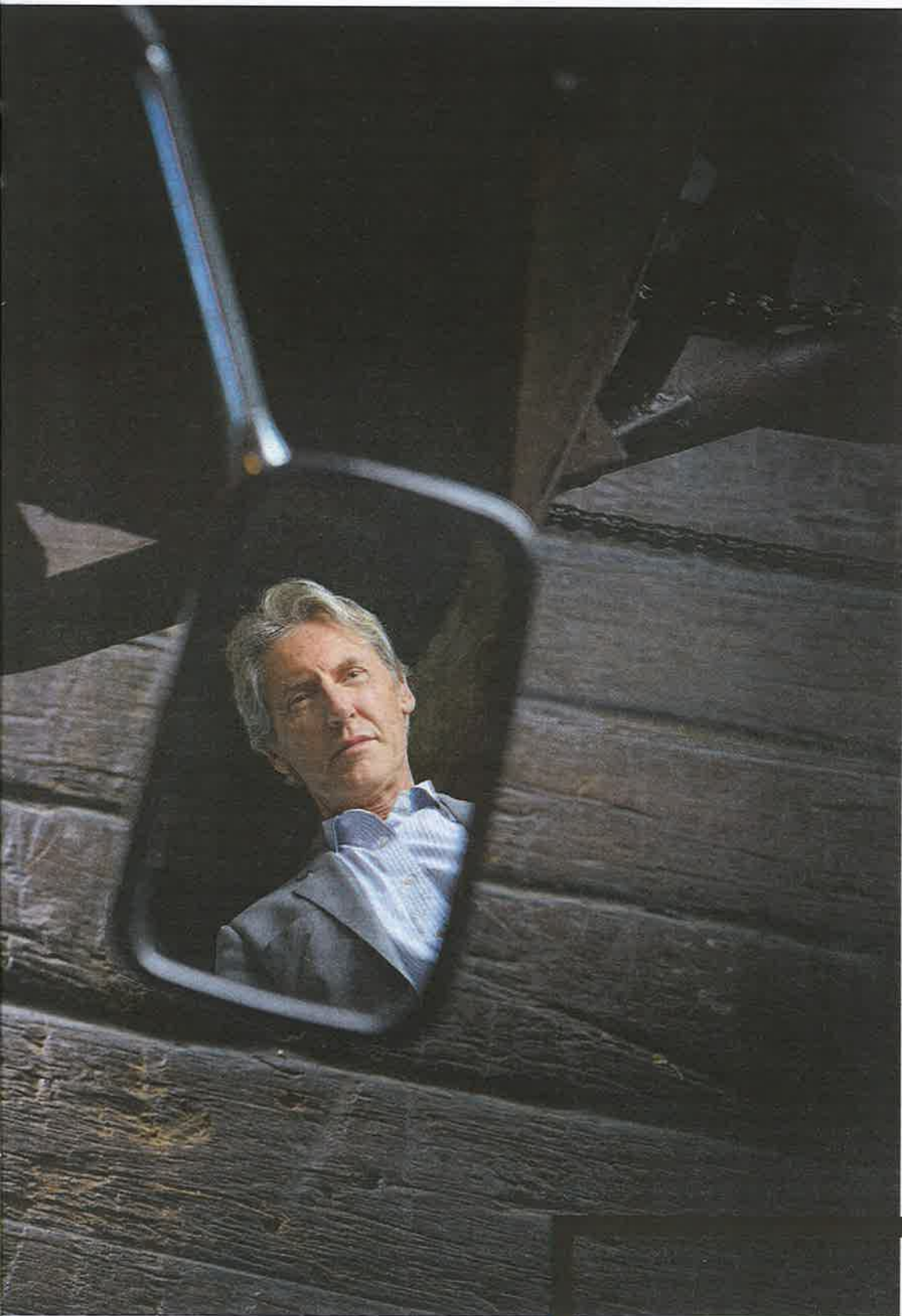
James Packer, has recently sold out of) and Novatec, an industrial-scale solar utility in Spain.

Despite its ups and downs, Belgiorno-Nettis maintains Transfield Services has been a good business for the family. "Our father, like many fathers of his generation, may have wished us to shoot the lights out and be in the billions," he says. "I don't think he'd be disappointed."

Now is a good time, he says, to take some cash off the table. "I've never had financial investments outside of Transfield," says Belgiorno-Nettis. "I'm in the fortunate position of no longer needing to do things I don't want to do."

"I don't need to, but I actually want to do business. From a wealth perspective I'm more than comfortable, but doing business is as much about feeling worthwhile – making a contribution – in Adam Smith's conception of it."

His main target for new ventures is in information technology, the "disruptive space" as he calls it. "It's plain that every business needs to be tech savvy or connected, whatever you want to call it, or they'll be run out of town. No exceptions. I'm especially



interested in new ways that enable people to have better enterprise conversations: mobile. There's a whole world of non-desk-top workers who have been largely neglected to date."

What he brings to the IT table are general business skills, which are always relevant: identifying revenue streams, understanding the customer base and knowing how to work within organisational structures. But he won't be rushing into the start-up killing fields of tech, per se. Rather, he'll build on things he knows about, such as a mobile platform for construction safety, identifying hazards on the job, freeing site managers from laborious paperwork and compliance.

"I'm not hungry enough to eat other people's lunches; so I need to associate myself with others who are. My strength is to recognise this weakness but moreover, to identify partners who appreciate my years of business experience, especially in joint ventures, and of course need capital to grow."

David Gonski, who has known the family for 25 years, believes Luca, like his father, has a mind "totally open to new ideas". "That approach is very valuable," says the well-connected company and

"SOME PEOPLE THINK SOCIAL DARWINISM RULES, THE SURVIVAL OF THE FITTEST ... THE DEEPER TRUTH, HOWEVER, IS THAT WE WANT TO CO-OPERATE"

philanthropic director. "Rather than being button-holed into a particular thing, Luca's mind and person are adaptable. If he remains healthy, Luca will have as much fun in his 70s as he did in his 30s because he is open to things and he will have as much influence in them as he did in business."

At an age when his peers and mates are retiring, the veteran of hard infrastructure also has his sights on refashioning our governing institutions through the newDemocracy Foundation, a broad group of eminent former politicians, academics and civic leaders he founded in 2006.

Belgiorno-Nettis shifts into a spruiker's voice, settling into a tried and tested spiel on what ails our body politic. He thinks our key piece of political infrastructure is broken; democracy has become an adversarial contest rather than a co-operative forum to solve problems. He says federal politics is like "B-grade high school debating", is dominated by party hacks and is prone to "sub-optimal" decision making.

Where's the proof? Witness the logjam of legislation in the Senate, the gaming for votes in state upper houses, and the debased notion that the best we can hope for in democracy are "free and fair elections". Belgiorno-Nettis argues our public policy apparatus is no longer delivering the goods. He wonders whether Australia is sliding towards the same divisive "toxic politics" that hobble the United States.

"We are interested in organising ourselves for no other reason but for ourselves," he says. "So however we want to organise ourselves is up to us. If we think this is a good way of organising ourselves, the current system, fine."

"I would say, hey, we're in this new world, every organisation is looking at how to do things better, particularly in this new technological environment. It's clearly smashing the old hierarchies. We need to have a good look at the way we do our parliaments."

Belgiorno-Nettis got his first taste of failing systems when he ran Transfield's Southeast Asian operations in Malaysia from 1992 to 1999. He saw first hand what happens to public trust when officials and politicians are corrupt and vowed to watch for the signs of such decay when he returned to Australia.

"I certainly believe in debating and rigorously questioning all aspects of public policy but I don't believe it's achieved by an adversarial electioneering contest," he says. "It frustrates collaboration from the outset."

Belgiorno-Nettis says public policy development is about trade-offs. For instance, an urban transport problem may require a combination of road, rail, tram and bike paths. Political parties are forced to take absolutist positions, with any concessions to opponents seen as a weakness. "What you've got to create in a political forum is the capacity to make trade-offs without compromising the actors in that process," he argues.

As he sees it, the solution is to have citizens' juries, randomly selected people with deliberative power. Given the right information and environment, a panel of ordinary, representative citizens can come up with answers that are close to the prescriptions of experts. Such bodies, with say 42 members on rotation, could replace the nation's upper houses.

He cites the example of the Public Accounts Committee of the NSW Parliament that used a regional and urban panel of citizens to consider the state's future energy options. The panels came up with recommendations that were in line with the supposedly arch neo-liberal economists at the Productivity Commission. The special ingredient amid the clamour and chatter of the public sphere, however, is that the citizens provided the legitimacy pointy-heads will never have.

"This is where the genius of the jury system comes about," says Belgiorno-Nettis. "Democracy was never conceived to be an adversarial contest, yet we have no understanding of that."

"I'm trying to envisage models that facilitate collaboration. We have a system that is sub-optimal and, like the method of corporal punishment that existed in schools, is unproductive. We have these people, politicians and others, who are trying to manufacture their differences just to be able to distinguish themselves. It has become a farce and people are increasingly seeing it as such. Trust in politicians is at an all-time low."

As with other areas of life, technology is smashing old hierarchies across the board and Belgiorno-Nettis believes "governments are the last stronghold of these hierarchies". Naturally politicians believe they are in touch with the grass roots – it is their core expertise, some argue – so the proposition of citizens' juries is a redundant one in their eyes.

Still, in South Australia, Premier Jay Weatherill has used deliberative democracy to come up with proposals for liquor trading hours in central Adelaide. The Melbourne City Council has boldly experimented with the jury system for long-range budget planning. During the 2010 election campaign Julia Gillard proposed a citizen's assembly on climate change policy and was



Clockwise from top left: Franco Belgiorno-Nettis; Luca with Franco and brother Guido; with wife Anita; Franco (front with camera), Carlo Salteri (front, left) and crew celebrate the completion of TCN Channel 9 studios in Sydney in 1956; Luca with Guido and mother Amina at the Art Gallery of NSW



played by her opponents, commentators and the broader political class; it was seen as a gimmick, a soft option when divisiveness on the issue was red hot.

Geoff Gallop, professor and director of the University of Sydney's graduate school of government, is on the new Democracy Foundation research board. He was premier of Western Australia from 2001 to 2006 and used citizen juries in the areas of infrastructure and planning. He believes they could be useful in conflicts between levels of government, where there are powerful vested interests or to solve so-called "wicked" problems. Gallop's diagnosis of party politics is similar to the group's founder, although he also puts business people on notice for being fixated on market-purist solutions unpalatable to the broader community. Still, the former player isn't prepared to go as far as Belgiorno-Nettis in his advocacy of citizens' juries to replace upper houses. "They are a very good part of a public policy toolkit, because they bring energy to the process," argues Gallop. "Any serious politician who doesn't trust ordinary citizens to participate in problem solving is missing out on what you might call public interest creativity."

In the area of infrastructure, Belgiorno-Nettis believes he can finally speak freely about the impediments to better delivery for taxpayers. People are beginning to understand that having a dialogue with the community is the first step in the process. "One of my favourite old men of urban culture is Lewis Mumford. He talks about great cities having the illumination of consciousness, the stamp of purpose and the colour of love." Belgiorno-Nettis says great cities "function not just for work, they make human life not only habitable but pleasurable...After all, cities are there for the people." Yes, that's lofty and dreamy, but what about congestion? He says the way to do infrastructure properly is to enhance the way we co-operate on limited resources. Again, ask the people what they want. Perhaps it's not a question of rail versus roads versus bicycles. The proposition might be "and and and". "As Nick Greiner says, 'The era of the 'great man' reformer is over'. You can't have one person who gets up and says, 'This is good for the state'. Even as trustworthy as a Mike Baird might be, it's kind of not enough because we've built this mistrust into the system. It really is now about building an alliance of voices and that's more difficult because there's a lot more chatter out there."

On a sparkling Sydney morning, Belgiorno-Nettis has parked his sensible Volvo in the spot on the wharf where brother Guido usually leaves his Ferrari. Small of frame, dressed casually in

subdued tones, Luca is carrying a squat piece of art he wants to speak about. On a side table in the funky lobby of Transfield Holdings he plonks down *Paper Machine* (2012) a work by Mumbai-based Reena Kallat. To complete this fibreglass reinforced panelled tank, Belgiorno-Nettis squeezes into the turret a long tube, the weapon. Voila.

The tank is fashioned, origami-style, from a map of the disputed Kashmir region in the Himalayas. Wiping off a coffee-stain from the work with spit, the arts champion revels in inquiry. For him, this work is not only about the struggle over territory between India and Pakistan but the wider story playing out on climate change and the receding Siachen glacier, which feeds the Indus Valley, the largest irrigation system in the world.

"Some people think Social Darwinism rules, the survival of the fittest, that we want to get on top of one another," he says in reference to Kallat's tank. "The deeper truth, however, is that we want to co-operate somehow on these limited resources."

It's easy for a rich man, blessed with life options, creature comforts and the chance for self-realisation to tell us all to chill and get on, but Belgiorno-Nettis is neither a wealth hoarder nor a social recluse. In fact, his life has been the opposite. Gonski sees a man, like his father Franco, interested in all things and building a social legacy. "The wealth he has got is very useful to him, to pursue those things that are important to him," says Gonski. "He is clear about what he wants to do and create."

Luca's great-grandfather was a blacksmith, his grandfather a locomotive engine driver who fixed guns and watches; Franco painted and sculpted into his 90s, Guido is good with his hands mechanically. Luca likes to dabble in art, fix things around the house and is handy with bikes and sailing craft. His wife Anita is involved in filmmaking.

Art and philanthropy bind the family. Observes Rupert Myer, chair of the Australia Council for the arts and scion of a family likewise inclined to multigenerational support: "For Luca arts patronage is not a solemn duty. He is completely present in this and I can tell it gives him a real buzz."

Last year, Belgiorno-Nettis found himself at the centre of controversy. He was long-time chairman of the Sydney Biennale, an event his father started in 1973, but was forced to step down and withdraw sponsorship when artists threatened to boycott the show because of Transfield Services' detention centre contract. The Biennale's funds came via the Transfield Foundation, a joint effort of the listed entity and the family holding company. A year

on, Belgiorno-Nettis believes there could have been a more civil discussion; he maintains the artists' position was simplistic, aggressive and wrong headed. Still, although it was an awkward time, he is fine with the outcome: "I was actually hoping to introduce a new sponsor and looking for a successor as chair." No regrets at all.

He says the energy, drive and creativity of his parents, brothers, wife and children remain his inspiration. "Happiness is more than just a sense of purpose; life has to be fun, pleasurable. To have a happy life it has to be broader and richer than just business. I've been able to ride this wonderful wave of pioneering spirit that is Transfield. As owners we have had a privileged position, but it's been built by the team effort of the tens of thousands of people who have worked with us."

Luca's team is now a lot smaller, a group of trusted advisers is being assembled to manage the coming disruption and to put the capital to good use. A hard hat, safety vest or shovel may not be part of the transition, or a desire to run large organisations. But collaboration excites him more than ever; it gets his blood pumping and his hands moving. Now in his seventh decade, he plans to keep his well-worn fixing fingers busy, to repair some ailing political machinery and to leave a lasting imprint. **D**



UP CLOSE AND PERSONAL

Ruth Ostrow talks to Luca Belgiorno-Nettis about life, love, family and forgiveness.

Go to www.theaustralian.com/business/the-deal-magazine to see exclusive video

