Letters

Shareholders' claims are legitimate

David Cowling has certainly "missed something" ("CMAC fails test on Gwalia", Letters, January 30). His analysis of the CMAC Markets Advisory Committee's report on Gwalia is misplaced and misses the point.

There may often be a class of creditors of a company who will achieve that "status" because they have made a successful compensation claim against the company for some sort of corporate misconduct that results in a significant diminution of their value. It seems as if only such creditors can be brought before the CMAC to comment on the "overriding" creditors, namely those who are also shareholders. The High Court decision that was not persuaded that it should be. Neither am I. I don't see any logic in that position. Nor did CMAC take the consequences foreseen by those parties who have an interest in the matter to be as significant as they predict. I know what the property estate to change the laws, as Cowling recommended the federal government. I hope that when the government considers this issue it will be persuaded by the committee's clear and well-reasoned report.

Gooff Applegate
Birong WA

CAMAC has failed creditors

David Cowling's letter (January 30) is right when he comments that CAMAC has failed to address the question asked of it by government - i.e., whether shareholders should be allowed to claim creditors in a liquidation.

The failure is a great pity because it resolves nothing for either the shareholders or creditors who win. Like Cowling, I was equipped to the legal politics that shareholders were the last to be paid - they took the initial risk and with that the gains that ensued, they hoped.

For better or worse, the world has moved on and everyone and dog now have a piece of the corporate shareholders' pie.

Corporations now indemnify their directors for a range of failures and on occasion that would have been borne by those directors personally.

Today it is no longer a big jump to shortcut a claim against members of a board of directors personally to becoming a claim against the corporation under its indemnity with the result that what was initially a claim by a shareholder is now a creditor's claim.

The failure of CAMAC has not assisted those now responsible for administering liquidations. In the absence of badly needed funds are held in suspense rather than being available to the benefit of others than who are owed. Sometimes their own creditors or shareholders.

Whatever the government's decision, I see it is one where CAMAC didn't.

Brian Bolton
St Ives NSW

Bank website to fix risk holes

It's refreshing to see a sensible argument in favour of short selling ("Short selling is the oxygen that markets need", Opinions, January 28). In short, more realistic valuations mean less unwanted risk. However, research fellow Sam Wylie's argument for exempting financial firms from some pricing rigour falls short. More leverage demands more pricing rigor, not less. The net effect of mimicking bank risk is obvious by now.

The downward spiral of Goldman Sachs and Morgan Stanley after a ban on short selling was lifted in August is not an argument against short selling. The reputation of Wall Street has been crushed and for good reason. Why stop the market telling the truth? Short selling will not destroy a good bank with transparent risk. Malicious rumours with no basis in fact could, however.

The single, most important financial regulation missing in the world's financial system right now is transparency risk. Financial firms' opacity and transparency is threatened when the share price may not reflect the risk, as when one side of the market is shaded.

Security for the world's economies is tied to bank risk transparency. Information is accessible to all, nothing less than a permanent back door website, a virtual place where all banks in the world market must report daily their exposure to wide-ranging movements in all the economic variables to which they are exposed. And a share price that tracks risks like a windsock.

The risk transparency idea will need strong political leadership. Yet it is a difficult concept for most lawmakers to embrace because their house of cards is not transparent. Transparency must flow from the sea of power. In a transparent parliament the issues of all MPs on big issues, including on bank transparency, are ranked live online for all to see. This will help put political positions in their dome of conscience, launched in parliament in 2002.

Ralph McKay
Neutral Bay NSW

Economist out of touch with households

In "Reality check behind rate cuts" (Market Wrap, January 29) ICAP senior economist Adam Carr says: "Let's face facts. If consumers and businesses aren't going to respond to a 4.25 per cent cash rate (the equal lowest in decades), they are not going to respond to 2.25 per cent." By his statement it underlines how out of touch Carr is with Australian households.

During the longer interest rate period many households took on mortgages that were way too big. As interest rates headed up in 2000/01 many of these households begged, borrowed and stole money from other sources to plug the gaps. Households are now breathing a sigh of relief over interest rate cuts but won't head back to normal spending. By this statement he understates how out of touch Carr is with Australian households.

Ruehl world: trash or treasure?

Heard! Heard! Don Clayton in your criticism of columnist Peter Ruehl ("For me, Poo does not Ruehl", Letters, January 29). Long ago Ruehl produced a good column - he in mind his bias on the great US America's Cup campaign. Also, how short his charity.

How most of your readers are interested in, or even bother to read (other than for the purposes of recording criticism) Ruehl's increasingly irrelevant material? His intermittent and inapposite references to North American culture - beers and other alcoholic beverages, sporting codes, muscle cars, movie stars, 1970s popular musicians... is nauseous, belonging there and not in a quality Australian newspaper. It's incomprehensible to imagine a comparable journalist in Ruehl's native country tolerating an Australian journalist churning out Anglophile Antipodean drivel. Yes, it's time to give Ruehl the Boot!

A prophecy Clayton's excellent Australian writing, how about a book (Please for your Tony Ingram, whose January 29 article is a splendid example of the style - pithy, topical, well researched, informative and presented with ease. What a treasure he is.

Ian Horrocks
Mooltan WA

Q Contrary to the views expressed by Don Clayton (Letters, January 29), I find Peter Ruehl's columns entertaining enough on many topics, and a highlight of any subscription to the AFR. On my understanding of his work, he qualifies as one of the "excellent writers in Australian", and his North American background provides a broader perspective to his world. The AFR would be worse off without his contributions.

Q Don Clayton (and many of his followers) would have you believe that Peter Ruehl is obviously a non-big fan of Peter Ruehl. Nothing could be farther from the truth. For an American, Ruehl is an excellent purveyor in the best sense of the word. For an American, Ruehl is an excellent purveyor of words and a thriller writer. Ruehl is the best writer in Australia. He will write out noisy landing in modern mathematics for those who are interested in modern mathematics. He can be pretty blunt, but his words are as clear as a bell.

Ian Rafter
St Ives NSW

Stronger maths picks up modelling errors

Peter Hagstrom's 'Experts' error' put new spin on causes of crisis (Opinion, January 23) about the failure of rationality in the global financial crisis and the inability of the people in charge to manage some of the risk, provokes questions not just about finance and banks, but also about governments. Treasurer Wayne Swan, for example, may have great political instincts, but you wouldn't necessarily expect him to have a profound intuitive feel for probabilities.

To prevent future financial disasters, our governments should be investing substantially in school mathematics education.

For decades, the proportion of teachers with a background in mathematics has been declining in the United States and Australia. This doesn't only affect the aspiring financial engineers. It also makes ordinary citizens - and politicians - vulnerable to spurious claims. It took me a long time to work out how to model even a simple cell phone, and I can't be too proud of my models. I need a computer to estimate the effect of a more complex model. The models are only as good as the data that is used to feed them.

Ian Rafter
St Ives NSW

A super return for economy, workers

The Hawke Labor government introduced the prices and income Accord and compulsory employer-funded superannuation to boost saving and to curb inflation in the 1980s. It is now time to give back to workers some of the 9 per cent superannuation levy as part of their weekly wage for the next 12 to 24 months, it would immediately boost our economy. It would not be a burden on employers and would save the government on average an cash injection of $70 a week to those workers who need the money now, and would increase the government's tax take at a time of a budget blowout.

The only loser would be the super fund but this idea could make them become more competitive anyway. Workers who have secure employment are unlikely to want to vary their pension contributions, but there are many workers who could jump at the chance to access their contributions for spending now. Such a short-term window, like Bob Hawke's Accord, could also help to moderate wage increases.

John McBriery
Lecturer Business and Public Policy Deakin University Melbourne Vic

Balance lacking

As the founder and chairman of an Australian software company, I thought the title and the statement was too selective ("Crisis, costs and downsizing", January 29). Our statement did provide a firm trading environment for all: stock prices, depreciation and amortisation formulae which is as much as 65 per cent lower than the same figure in 2007, as you brilliantly reported in two articles, but you omitted to indicate that our current overhead expenditure is reduced in EBITDA was due to "costs associated with migrating infrastructure to lower cost locations".

Since starting the company in 1991, we have lived through three economic down turns and learnt that they provided an opportunity to improve the long term competitive position of the business. Now, are currently updating our programs to reduce by relocating software staff positions from Europe to our operations in Romania and India. The resulting savings will be fully recovered in our 2009 fiscal year and will produce a saving of more than $10 million in 2010.

Ian Buddery
Executive Director
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SUBMITTING LETTERS

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