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Freight giant repays (NZ) JobKeeper

It was Prime Minister Scott Morrison who first warned business that the way they acted in the COVID-19 crisis would reverberate for a long time to come.

"How you support your customers, suppliers and employees during the next six months will say more about your company, your corporate values and the integrity of your brand than anything else you could possibly do otherwise," Morrison said at the AFR Business Summit way back on March 20.

There's no question that the business community has largely stepped up and played its role in the Team Australia bargain.

But unfortunately, reporting season has highlighted one particular crack.

Companies, including furniture retailer Nick Scali, homewares chain Adairs and bulbar maker ARB received tens of millions of dollars in pandemic wage subsidies, mainly the Australian government's JobKeeper scheme and the New Zealand government's equivalent.

But their profit results in recent weeks have showed initial sales drops were followed by rebounds strong enough to let them either maintain pre-COVID-19 dividend payments or, in the case of Nick Scali and Adairs, increase them.

This has drawn sharp criticism from politicians and business commentators, who have questioned the optics of what is arguably a transfer of taxpayer dollars to shareholders.

But from across the Tasman comes an example of a very different approach.

Mainfreight is a 42-year-old transport and logistics business based in Auckland run by executive chairman and founder Bruce Plested and Don Braid.

Even a quick scan of the \$4.2 billion group's recent NZSX announcements tells you this company is a bit of an outlier – in the best possible way.

Lots of companies talk about culture, but very few live it as vividly as Mainfreight appears to.

Despite posting a record profit in the year to March 31, Plested's address at the group's recent annual general meeting spent exactly 77 words on financial results – before quickly moving on to weighty matters, including climate change and the importance of social housing.

And every few months, Mainfreight publishes a report on the exchange written entirely by its team members, talking about the business and their roles. July's document was 72 pages long.

All this might sound a little corny, but it clearly translates to strong performance. Mainfreight's share price has more than trebled over the past five years.

So when Prime Minister Jacinda Ardern put the country in an aggressive lockdown in March as New Zealand tackled the pandemic, Mainfreight's first thought was for its people.

Braid says he watched turnover sink between 40 per cent and 50 per cent in the initial weeks of the crisis, and the fear was that such conditions could continue.

With the New Zealand government supporting businesses through the lockdown with generous wage subsidies, Mainfreight hesitantly applied – but only after putting through wage cuts for senior staff, and stipulating only those earning less than \$NZ200,000 (\$182,000) would be able to tap the subsidies.

"It didn't sit right, but we thought if this might save jobs, let's take it," Braid explains.

The money – some \$NZ10.6 million for 1526 staff – arrived much faster than expected.

But Braid and Plested still weren't comfortable, so they put it in a separate bank



Mainfreight has done some heavy lifting as a good corporate citizen. ILLUSTRATION DAVID ROWE

account and thought of it as a sort of emergency buffer. Happily, the business started to turn around quickly as New Zealand adjusted to life under lockdown, and Mainfreight's geographic spread across 26 countries provided welcome diversification.

Revenue in New Zealand and Europe was down across April and May, but it was stronger in Australia and stable in the US. Braid said in late May he was cautiously optimistic about the year ahead.

So Mainfreight decided to hand back the untouched wage subsidies.

"It was the most important thing we do. We felt we didn't deserve it," Braid says.

The logic was simple. The New Zealand government had done the right thing by Mainfreight and the country, and the executive team were unanimous in their view that other businesses needed assistance more than they did.

"It's about integrity and it's about what we stand for," Braid says. "We are a pretty proud business and we see those things as important."

Hilariously, the idea was easier said than done. In this case at least, the bureaucracy was geared up for giving, not taking. "It was harder to give it back than it was to take it – they didn't know what do with it," Braid laughs.

He's suitably diplomatic when asked for his views on those companies that have taken JobKeeper and still paid healthy dividends. "Each to their own. But I know what's important at Mainfreight."

Mainfreight's fine example needn't necessarily be a model for all companies. JobKeeper 1.0 was designed to run as a six-month stimulus program, so it's completely reasonable that recipients take it for that full period and use it to stimulate their business – even if their operations have rebounded.

But surely a Team Australia approach would be to explicitly exclude such payments from dividend calculations and use any unneeded subsidies as either a buffer for the future or a source of stimulatory business investment.

As Don Braid and Scott Morrison would say, these things matter to the way a company is remembered.

Woolies and Qantas share crisis lessons

When Woolworths reports an expected 22 per cent increase in supermarket earnings on Thursday, to about \$2.3 billion, it will only hint at the extraordinary role the retail giant has played in sustaining the country through the COVID-19 crisis.

For many Australians, the humble supermarket became not just a source of essentials, but also our main connection with the outside world (for those of us in Melbourne, that's still the case).

As such, we have come to recognise the

endurance and, frankly, the bravery of workers throughout the grocery supply chain.

Woolworths supermarket boss Claire Peters is full of praise for the efforts of her team and the resilience they have shown throughout a busy and at times trying period.

Woolies will reward about 100,000 team members with \$750 worth of shares, while some staff will receive another \$250 in vouchers.

But while Peters is first and foremost proud of her own staff, she is also quick to acknowledge the special role played by 25000 reinforcements that Woolies welcomed from companies forced to stand down workers because of the pandemic.

One of the largest groups of reinforcements came from Qantas. The relationship between the two companies, who are partners in each other's loyalty schemes, saw Qantas redeploy a range of staff from across its nearly shuttered business, including cabin crew and pilots.

The Qantas team – many of whom continued to wear their Qantas name badges, with Woolies' blessing – have made a big impression, particularly with their approach to customer service.

"We've definitely found some learnings that we will take from them, and they have been kind enough to share," Peters says.

Some of the biggest lessons have been around the resilience required to deal with customers in stressful situations.

Qantas cabin staff, for example, are used to dealing with frazzled customers who have had flights delayed or cancelled. So in the heat of the COVID-19 crisis, when panic buying was occurring and registers were banked up, these staff were able to use those skills to support Woolworths' frontline staff, particularly those younger workers at the start of their career.

"Having that nice blend of experiences coming together, we've definitely seen that reflected in some of our customer service scores," Peters says.

She says the gelling of the two cultures is a credit to the Qantas staff's willingness to muck in, and the Woolies team's willingness to welcome their new colleagues. "I don't think a 17-year-old team member who replenishes shelves would ever think they would be training a Qantas pilot – but that's exactly what happened."

While there was an adjustment period for the Qantas team – Peters says many opted for more sensible shoes after their first day, and some had to train themselves to stop welcoming customers aboard – there are still about 1300 working regular shifts at Woolworths.

Peters says some lessons will go back from Woolworths to Qantas, too. "We've definitely been able to listen to them and learn. And they will hopefully learn a bit in retail too."