

Two Gerry Harvey transcripts from November 27 – interview with Elysse Morgan and interview with Alan Jones.

Extended interview by ABC TV's Elysse Morgan with Gerry Harvey – watch it [here](#).

Wednesday, November 27, 2019

Elysse Morgan: And I spoke with chairman Gerry Harvey after the heated AGM. Gerry Harvey, that was an extraordinary annual general meeting. You called Stephen Mayne an idiot, questioned whether he's a sexual predator. Is this the approach and the language appropriate for an ASX 200 chairman?

Gerry Harvey: No. No. But Stephen Mayne's been having a go at me now for 20 or 30 years. He's never said one nice thing to me. He's made derogative comments about me all the way through, never stops. So when the boot's on the other foot and I'm the chairman and I can have a go at him, I'm going to take that opportunity because this bloke deserves to cop some of the crap that he heaps on other people back onto himself.

So I wouldn't do that to anyone I can think of except Stephen Mayne. Now I regard him as 100% idiot, 100% pest, right? And he comes to an annual general meeting, not just Harvey Norman. He goes there to disrupt for his own benefit and to try and hurt, damage the company so he can look good. He has got no interest in Harvey Norman or any other company. All he's interested in is Stephen Mayne and he should be called out for what he is and he buys 25 shares (sic) in Harvey Norman and he can come and disrupt our meeting.

Elysse Morgan: To be fair, Stephen wasn't particularly disruptive. He did raise his hand. He wanted to ask questions when the AGM rules state that any shareholder is allowed to ask questions. His questions were polite and did address the matter at hand, which was the company's performance or the suitability of the directors.

Gerry Harvey: But there's not a problem with the company's performance. It's one of the best performances in Australian history, one. Two, the directors are doing a fantastic job, and so he's addressing something as if there's some problem. There is no problem, Stephen, so why are you here? There was no valid reason for him to be at that meeting other than to enhance whatever is running around in his loose head.

Elysse Morgan: We'll get to whether there's a problem or not in a moment, but firstly, you were also extremely dismissive of the Australian Shareholders Association, telling them that their questions and views were irrelevant and labelling them agitators and idiots as well. Do you not accept, though, that part of being a listed company in Australia is that you do have to take into consideration the views and thoughts of all shareholders, big and small?

Gerry Harvey: I'm happy to talk to any shareholder, genuine shareholders, right? The people that are on the Australian Shareholders' Association at the moment are troublemakers and they're agitators, and they're trying to enhance their own position in life. So a genuine shareholder, I'm not going to go on like that, but where I've got

people out here that are agitators, and they say they're not, but they obviously are, I'm going to call them out for what they are.

Now, most people in my position won't do that, but I'm not going to run away from it. If they come to my meeting and they're agitators and they've got no shares and they're only there for their own benefit, not for the benefit of the shareholders, guess what? I'm going to call them for anything I like.

Elysse Morgan: There is clearly an issue with the company or with the way that it's being run...

Gerry Harvey: No, hang on a second. What issue?

Elysse Morgan: For large for a large amount of shareholders...

Gerry Harvey: No there's not.

Elysse Morgan: Not just the smallest ones. You've had two strikes. Today, the strike got a 47.5% vote against the remuneration report of the board, which is really the only real way that shareholders can voice disapproval with how the company's being run. So it's not just a fringe bunch is it?

Gerry Harvey: The thing is that they voted against the remuneration report, they say, because the Proxy Advisor said to do that because you haven't got enough independent directors on your board. We really haven't got any problem with the remuneration report, but this is a way to make you put more independent directors on the board.

And I'm saying one size does not fit all. I've got enough independent directors on the board. I don't need any more. The board functions very well. We've performed, probably outperformed most other public companies in Australia in the last 30 years. We'd be in the top 1% or 2%, right? We do not need board change, but they think we should. So this is their way of getting at you. Now, I think those proxy advisors should be regulated, right, because they are not... Why should they be able to get away with the crap they go on with and give that to super funds and the super funds say, "Oh, we don't just take notice of the proxy advisors. We make our own decisions, too."

But the fact is some of them are very lazy, those super funds. They take notice and don't do any research themselves. The proxy advisor runs free and to do as much damage as they like to enhance their own reputation. So the super funds say, "We need proxy advisors." So I'm very well aware of how all this works. All I'm saying is it stinks, and the financial system should regulate those proxy advisors, and they shouldn't be allowed to make a lot of the assertions, false assertions, that they make.

Elysse Morgan: Almost 50% of your shareholders, excluding your family, voted against this report saying that they have...

Gerry Harvey: No, no, that's has nothing like right. I'm sorry. All right?

Elysse Morgan: 47.5%?

Gerry Harvey: Yeah, that's 47...

Elysse Morgan: Of shareholders?

Gerry Harvey: No. 47.5% that didn't count our shares, right? So it was 47.5% or 45%, so it was a bit over 20%. So 80% are in favour and 20% against and you're saying it's 47%. It's 20%.

Elysse Morgan: Excluding the related shares.

Gerry Harvey: Hang on. It's 20% of the total. There's 1.2 billion shares on issue, right? And I think 189 million or something voted against it. In fact, it's less than 20% it's 17% or something like that. So that means there's 83% voted in favour of the remuneration report.

Elysse Morgan: So I'll take it that you're not going to be covered by this second strike if you won't be changing anything about the way that the company's run.

Gerry Harvey: No. What I will do, and I'm not on our remuneration committee, and I will say to our remuneration committee, "Maybe you should look at our remuneration and how we do it." Because when we talk to these people, institutions, they say, "Look, we haven't got any trouble with you, any problem with your remuneration. We haven't got any problem. It's really the independent directors we've got a problem with." And we're saying, "Well, you know, that's a funny way to attack it, and we're not going to change the way we do business. We've been doing business like this forever and our business is hugely successful and you want to change something that's really successful. That makes no point. We're not going to do that to make you happy."

Gerry Harvey: The only thing we're interested in doing is making Harvey Norman one of the best companies and the best retail companies, not only in Australia, but in a lot of other countries.

Elysse Morgan: You were very firm today. You made it very clear that the business is a family business and you ran the AGM thus. There'd be questions that perhaps that's why there has been some pretty duff investments over the past couple of years...

Gerry Harvey: No, no, no. We...

Elysse Morgan: Including the dairies...

Gerry Harvey: And what else?

Bull semen, et cetera...

Gerry Harvey: Hang on. What else?

Elysse Morgan: Which have lost several hundred million dollars for shareholders.

Gerry Harvey: No, no, no. It's nothing like that. Let me tell you exactly what it is, all right? Over the last 10 years, we have lost \$75 million in one dairy investment, right? Then you get someone comes out there, like Stephen Mayne, and says it's \$150 million. He's doubled it. All right?

Then he says, mining companies have lost all this money. Over the period of the mining companies... They'll actually make money, okay? So there's not \$150 million. So this one thing that they've labelled in the last 10 years called a dairy that lost \$75 million, we admit it was stupid, okay? We're past that. The dairy's gone. All right?

So we're not making lots of investments out there that are bad for Harvey Norman. We're making lots of investments that are great for Harvey Norman. So they don't come to an annual general meeting and say, "Wasn't it a wonderful idea to open in Singapore or Malaysia or Slovenia, Croatia, Ireland, New Zealand? How much money you made."

They never do that. They're out there looking for "You did that wrong, all right? And we're going to punish you." And then they exaggerate that as well. And I'm supposed to cop that and then smile? Okay. The big thing I've got in my favour is that I control 55% of the shares in Harvey Norman, right? I am not a director out there that is responsible to the board like some others are, and they will not give you their true views and they'll be bullied by people, right?

Guess what? They know they can't bully me. Guess what? They try as hard as they can and they won't give up on me. I know they won't give up on me, but I'm sending a message back to them. "I'm not giving up on you, either." And there's an awful lot of people out there contacting me daily and Katie daily saying, "Whatever you do, don't give up, right? Because you're talking for all of us, all of us that run public companies in Australia that have all these interruptions by these idiots trying to venture way out of their... Wherever they come from. So I'm just sick of it, sick of it, and I've got a lot of support behind the scenes. But they won't tell you the truth, all those people. You know that.

Elysse Morgan: Your sales update today shows that Australian sales up only 0.4% for the period. JB Hi-Fi, your main competitor in the period, saw sales rise by 3.3% over the same period.

Gerry Harvey: No, no. JB Hi-Fi are not our main... Hang on. You say things. You're getting as bad as Ownership Matters and Stephen Mayne. You're better than this. Like, our main competitors out there, JB Hi-Fi are in a market segment that represents, I don't know, 20% or 30% of our sales. They're not our main competitor. They are a competitor in that area. There's another mob they own, called Good Guys. There's a competitor in in white goods, but we're also in carpets, home improvements, furniture, bedding, and you know, we're in a lot of categories that they're not. So we can't be compared to JB Hi-Fi.

You can say, "Okay, let's compare your sales in those categories to JB Hi-Fi." But then they sell a lot of categories we don't. So it's hard. So if you just compare television sales for instance, you can go out and say, "Where's Harvey Norman's market share in television? We watch it daily." So we're losing market share. We're

gaining market share. We look at our sales in refrigeration, washing machines, air conditioners, and on and on. And we look at this daily as to where our market share is and whether we're outperforming underperforming or what, and I can assure you we are not underperforming. We're holding in there very strongly, thank you.

And so we get people that say these things, you hear it, and then you take it as gospel. You're just wrong. And so are they.

What's your outlook for Australian sales?

Gerry Harvey: Very difficult.

Elysse Morgan: Given where the economy is.

Gerry Harvey: Yeah. Well, at the moment, we're looking at Christmas, and I think Christmas will be better than last year, but marginally. And then going into next year, I'm thinking, "Is this going to continue?" So, you know, I gave a New Zealand... I was in New Zealand last week, and our sales there for the first four months are better than they are in Australia. That can't be right. They've got the same problems. Why is New Zealand doing a little bit better than Australia? It's a mystery. I can't get it there.

Singapore's down a bit on last year. Why? We think we know. Malaysia is up the blazes, Croatia, Slovenia, Ireland, and a lot of those countries have got over double the GDP that we've got. So their economies, like Ireland's, pretty much on fire at the moment. I've just come back from there. And then you think, "Wow, we lost all that money in Ireland." When you look at what we lost in the dairy, you think, "Well, that was \$75 million, but we lost \$200 million in Ireland."

And so we've stayed there for 10 years, right, to get us back into a position where we're making money. Look, this has been terribly hurtful to us, but now we're expanding. We're opening more shops in Ireland.

Elysse Morgan: So how do you think you're going to be able to convince Australians to spend more in your stores? How do you think any retailer can convince Australians to spend more in their stores? Because it's not just Harvey Norman. It's...

Gerry Harvey: Everyone. I know.

Elysse Morgan: ...Consumer confidence is right off.

Gerry Harvey: I know. So it's very difficult. And you know, we work on it all the time and it's the quality of your people, your salespeople, the presentation in your stores, all those sort of things. So we're constantly working on that. And we've done these flagship stores now, upgrading our stores, hoping that people will walk into a Harvey Norman store where we're displaying the goods we display, and think, "That's a nice display." And then the sales person that walks up to them is a really good quality person.

So, you know, retail is all about those sort of things. The quality of the sales people, your merchandising, the quality of your product, your brand name, your reputation and so we work on that all the time. But so our opposition are, too. I mean they're not... You know, JB Hi-Fi is a very good retailer. The Good Guys are a good retailer. Nick Scali is a good retailer. These people are not idiots. They're damn good at what they do. And, you know, they're my opposition. So from my point of view, you know, I'm trying to beat them, but they're trying to beat me, too, and it's a hard game. It's very competitive. But I'm a competitor.

Elysse Morgan: One more that will annoy you. There were questions during the AGM in regards to bad debts, and I guess that becomes more relevant as we see consumer confidence drop and your sales slip to 0.4% growth. You've got 540 franchisees in Australia. Roughly 25% to 30% either go broke or leave each year.

Gerry Harvey: No, that's not right. Again...

Elysse Morgan: Again?

Gerry Harvey: Again, wrong. Assertions...

Elysse Morgan: So what is that figure?

Gerry Harvey: I don't know what it is. It's nothing like that. With our top 200 franchisees, you'd be lucky to see 2% change hands every year.

Elysse Morgan: Okay. Well, what about the bottom?

Gerry Harvey: Well, the bottom hundred, there might be 30% of them change hands every year because they're just not making any money.

Right.

Gerry Harvey: But in the top 200 franchisees, they don't change. So when you've got a franchise that's making a lot of money, you don't leave. So again, you've got proxy advisors and your Stephen Maynes making assertions that are just not true. So when a franchisee leaves that store and he decides to go a better one because he's done so well, that's a change. But that's only him, you know, just improving his or her improving their position.

Elysse Morgan: But leaving an underperforming store.

Gerry Harvey: No, not an underperforming store, because they don't get to go to a better store unless they... See, if you're a franchisee in Harvey Norman, you go into a store that's not doing too well, and if you can't improve it, you probably can't stay. But if you improve it and you do really well, you get a better store.

So you get a franchisee and he doesn't do that well in that store, but he does do better than the guy before him, then he gets a better store. So the fact that he left and went from that store to the next door just means that...

See, from our point of view, my whole thing, search for a star. I'm looking for people that are exceptional retailers out there. There aren't many of them. So you can get people that have never done retail in their life and they're just fantastic. They surprise themselves. They surprise us. And you talk to them a couple of years later, five years later, and say, "Did you ever think could you be making \$500,000 a year? Because when you started with us, you are making \$45,000." They say, "No, and I exceeded my own expectations. I'm very happy. I love Harvey Norman. And now I'm looking to go into an even better store. And in fact, I wouldn't mind going into head office."

Elysse Morgan: They're great stories, but the fact of retail is that some don't work out. How many don't work out a year? And why don't you tell your shareholders that?

Gerry Harvey: Hang on a second. What's it got to do with anyone? All right. The whole thing is that what...

Elysse Morgan: Well, it has got to do...

Gerry Harvey: Hang on. No, no, no, no, no.

Elysse Morgan: Because it's... I mean, if you have underperforming stores...

Gerry Harvey: All the shareholders are concerned with one thing: how much money are you making? What are your market shares? And are you doing better than last year? And is my share price going up? Now, from my point of view, if I've got 600 franchisees out there today, and this year, 50 of those are not performing and they're not making any money, then obviously they're going to move on.

Now, if it's 50 or 60 or 80, none of our shareholders care about that. They only care about what the big picture is. So when those people leave, I'm looking for someone that's better than them, quality individuals that love retailing, that are keen on that as a career, and they want to do well in our business. Because when I've got people that are not good at retail running their business, I get complaints. I get customers that don't want to come back to my stores. The relevant thing is, is for me to lift the standard and the quality of the people at Harvey Norman.

So when I get feedback from a customer, they're saying, "I went into your store, and the person I spoke to was wonderful." Or they walk into the store and say, "I had problems in your store, but when I went to the guy or woman running the store, they fixed it up straight away," or "They didn't fix it, and I went to head office, and I spoke to Katie Page or Gerry Harvey, and guess what? They fixed it very quickly." Because the customer comes first, second, third, fourth, fifth, sixth, and et cetera, et cetera. So we live, we know, it's our life and blood. Don't you understand that?

Elysse Morgan: Gerry, it's always fun with you. Thank you so much for your time.

Gerry Harvey: Thank you.

ENDS

Transcript of discussion between Alan Jones and Gerry Harvey during a live 2GB outside broadcast from the Wagga Wagga Harvey Norman store on Wednesday, November 27 at 7.45am – starts 2 hours into [this podcast](#).

Alan Jones: Well look, we wouldn't be in the bush if it wasn't for our sponsors. One of them is Harvey Norman. Gerry Harvey won't thank me for saying this. These are two remarkable Australians, Gerry Harvey and Katie Page, outstanding.

Here, this wonderful store, all these things, the silent auction by the way. Silent auction. Sign up, you'll finish up with something but look at the way it is presented: "Dubbo fund raising auction".

They've done all those posters, all around the store. There are 30 staff here, terrific for local business. And for all of those in the store today, don't leave without checking out something here on the silent auction. More than \$30,000 worth of goods and the winners will be announced at 4 o'clock this afternoon. All the money goes to the CWA who do a fantastic job as well.

And Gerry actually has remembered to ring me, this is a surprise. Gerry, good morning to you.

Gerry Harvey: You're unforgettable, I tried not to but I thought, okay, I'll ring the poor bugger.

Alan Jones: Now look, you're angry, I'm angry, what is this attack on your magnificent wife, one of Australia's great Australians, one of the most successful business women but she doesn't go down the sort of climate change gender equity path, so they're after her.

Gerry Harvey: Yeah, well that's what happens. There's minority groups out there as you well know, you've seen them. And they bolt onto brands, whether it's individuals or companies to get their own publicity, to further their rather strange careers. We've got one absolute weirdo called Stephen Mayne who has got that many loose bolts in his head you can't count them and he wakes up every morning figuring out how he can be nasty to somebody. If he'd only learn, that if he woke every morning and tried to be nice to somebody he'd actually have a better life.

Alan Jones: I know, it's terrible. You've got this AGM today. All will be well, I have to say but you can do without all that nastiness and I'm saying this seriously Gerry. I'm on boards with Katie as you know, this is a wonderful woman. I'm just saying to people who are listening to this. This Katie Page is a wonderful, wonderful woman. She works like a tyrant, she goes around the world, she's proud of the stores, she talks to customers, she pioneers products, you couldn't get anyone any better and for her to have to suffer this crap today is annoying to all of us. But the good news is, you will prevail Gerry, look thank you for what you've done here. How many of these stores do you have in Australia?

Gerry Harvey: Oh we've got a store in every town in Australia with 10,000 people or more. So we've done that thing with the CWA around, I think it's 12 stores or something. We've given \$400,000 to the CWA to help the CWA. They distribute it as they see fit, we have no say in it. And you know, it has been helping an awful lot of

people in rural Australia over the last few months, so with Paul Whittaker and Paul Murray, you know they've done a wonderful job and it's been, you know, like we went over to Broome and did the Broome thing. And when you go all over the country and you talk to country people and you're doing it now.

Alan Jones: Yeah, wonderful insights.

Gerry Harvey: it's something everyone should do because in the old days, we all grew up, if we didn't grow up in a country town we had a direct relationship with the country. Today, a big percentage of people don't have that and, you know, when they take a holiday, instead of going to Bali, go out to Dubbo, you know, go over to Alice Springs, go somewhere in Australia and have a look at rural Australia.

Alan Jones: Absolutely wonderful stuff, Gerry before you go. You most probably are too busy this morning. I don't know whether anyone has drawn your attention to p13 of *The Australian* newspaper, I would urge everybody whose listening to me to go to page 13 of *The Australian* because the son of Bill Leak, Johannes Leak, is a wonderful cartoonist. Now, here we are Gerry Harvey is facing an AGM today and the brilliantly successful Katie will be under all sorts of siege. She can handle it, Katie, she's as tough as nails. However, very successful, why, because Gerry Harvey and Katie Page stick to the core business, the core retail business. Amazingly successful, their profits and turnover almost double that of all of their competitors including David Jones.

But the cartoon has a social responsibility department calendar on it for Westpac. This is the clever way of highlighting.

On Monday at Westpac it would be a wear purple day. On Tuesday a reconciliation picnic. On Wednesday a climate change fun run. On Thursday, a gender equality training, all day. And on Friday, a trans awareness workshop.

You see, but when you don't stick to the knitting and when you ignore your core business, you come unstuck, as Westpac have come unstuck, it won't happen to Harvey Norman.

Thank you for all you do Gerry, thank you for ringing in, have a wonderful day, love to Katie.

Gerry Harvey: All the best, thanks.

Alan Jones: talk to you soon, talk to you soon mate. There he is, there he is, it is 11 and a half to 9.

ENDS