

Who profits from our foreign aid? The untold story of GRM International

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If you ask most Australians who delivers Australian government aid overseas, they'll most likely list big, well-known Australian NGOs such as Oxfam, World Vision or Caritas. Most would be surprised to know that for nearly a decade one of Australia's most successful, although little-known, aid companies and its biggest casino operator were owned by the same company.

We've studied the company records of one of Australia's biggest foreign-aid companies — GRM International Pty Ltd. Until December last year, GRM International was fully owned by the Bahamas-based company Consolidated Press International Holdings (CIPH) — a key company in the private empire of one of Australian richest families, the Packers.

The central question at the heart of this web of complex company structuring is this: such set-ups for tax minimisation purposes are common in international company business — but is it acceptable for major recipients of Australian government contracts to operate in this way?

GRM International handles hundreds of millions of dollars worth of government contracts each year. Yet, according to its most recent financial statements, GRM International Pty Ltd doesn't make a profit and hasn't had any employees since 2005.

The company has filed identical financial accounts to Australian Securities and Investment Corporation (ASIC) since 2005. These accounts show that it hasn't reported a single cent's turnover for over a decade, despite acknowledging in ASIC documents that 94 people worked for the company in 2005.

[GRM Corporate Structure ... refer to the article's link above]

It's just one of many surprises and inconsistencies that surround the company, which was sold by the Packer family to some of the company's directors, managers and business associates in December of last year.

The accounts are surprising because, according to Australian government records, GRM secured more than a billion dollars worth of AusAID contracts between 2001 and 2010, as well as income from its agribusiness activities.

A large amount of this money has been for "technical assistance" in the form of short-term contracts for expert advisers. This form of aid is more common in Australia than in other OECD countries and has been criticised by a [recent review of Australian aid to PNG](#) as often ineffective, wasteful and lacking in accountability.

GRM's highest-profile jobs have been for managing the civilian end of the Australian-led Regional Assistance Mission to the Solomon Islands (RAMSI). GRM has received hundreds of millions of dollars to hire judges, magistrates, public servants, court officials, the Ombudsman and the RAMSI public relations team, advise on financial policy and manage the local prison.

All of these contracts are published on the [federal government's tender database](#) but details are often vague, such as just over \$350,000 over two years to "strengthen accountability" and another million for "governance and related activity".

Even the deputy managing director of GRM International, Darryn Purdy, who until the sale was its Asia-Pacific regional director, said he had no idea why GRM had filed accounts listing zero profit. He directed the ACIJ back to Consolidated Press Holdings headquarters where the company's accounts were handled.

“Maybe ASIC data is not up to date ... I guess what’s happened would be that the results have been consolidated upwards into the Packer account as opposed to being reported separately,” said Purdy. Purdy then suggested that Consolidated Press should explain the anomaly.

“We manage the business and manage the work that we have, but how that’s reported into the broader aspects of these companies, that then goes to [Consolidated Press].”

A spokesman for Consolidated Press, Glen Wein, who was a director of GRM until the sale, refused to comment on the matter, referring the ACIJ back to GRM. “I’m sure we have complied with all our legal requirements. We don’t comment on our filings, you’ll have to speak to the company about that.”

In September last year, when the ACIJ asked ASIC for an explanation of the identical GRM accounts, a spokesperson said ASIC could not comment for “operational reasons”.

Secretary of most of Packer family private companies at the time, Robert Davis, who signed the accounts, declined to speak to ACIJ. Managing director of GRM [Kim Bredhauer](#), who sat on then Minister for Foreign Affairs and Trade Alexander Downer’s Aid Advisory Council, was also not available for interview despite repeated requests from the ACIJ.

The answer to the empty accounts is explained by the fact that GRM International Pty Ltd is a trustee company, not an ordinary proprietary company. Trustee companies, which are not uncommon in the world of business, allow the company to carry on all its activities on behalf of its owner, the GRM Unit Trust, the operations and beneficiaries of which remain secret. (Only once has the existence of GRM Unit Trust been acknowledged on the tender database and this was in relation to a Department of Foreign Affairs and Trade (not AusAID) contract to manage Australian/Arab countries scholarship scheme.)

Until late 2009, GRM Pty Ltd and the GRM Unit Trust were part of a complicated chain of companies that led from Australia to the UK company GRM International Holding Company Ltd, which was owned by Australian company Revlake Pty Ltd, which was owned by another Packer company, Taringah, which in turn was owned by Consolidated Press Holdings. All these companies were until December 2009 ultimately owned by the Bahamas-based Consolidated International Press Holdings Ltd (or CIPH). (If it seems complicated, as you can see from this diagram (click on the chart for the large version) it is!

[Packer Family Trust - 'family tree' ... refer to the article's link above]

According to a 2004 Federal Court tax case, the then head of the company Kerry Packer moved CIPH to the Bahamas from the UK in 1990 following the advice of his tax advisers Ernst and Young after changes to UK laws aimed at recouping more tax from foreign companies.

From 1993 until the end of 2009, the GRM group were part of a private empire consisting of hundreds of subsidiaries including cattle stations, abattoirs, live meat and other agricultural exports, yachts, ski resorts, and property development.

Through its shareholding in public companies, CPH has played a significant role in Australia’s media, financial services and through Crown Ltd, owns casinos in Australia, Macau, Las Vegas and the United Kingdom. These interests, along with a stake in US-based debt collecting company Encore Capital were all beneficially held by the Packer family’s secret Bahamas holding company CIPH.

As Paul Barry reported last year in his book *Who wants to be a billionaire?* CIPH is the holding company for the secret family trusts set up by James Packer’s grandfather, Frank, in the 1950s. In October 2009, Packer companies withdrew from a costly bid for a US casino company on the grounds that the trusts’ secrecy, which was paramount, could be breached if James Packer’s sister, Gretel, and other family members were questioned by the Pennsylvania Gaming Board.

GRM International Holdings (UK) was previously called Asiamet (No. 1) Resources Pty Ltd. Asiamet was familiar to Australian tax lawyers because it was one of several Packer companies involved in a series of tax court cases about the transfer of losses between companies sharing a common ownership to gain maximum tax advantage. When the High Court knocked back some tax loss arrangements between another lot of Packer

companies, the Packer family's tax advisers created Asiamet (No.1) later renamed GRM. (The cases later lapsed.)

Secret trusts and complex company structuring for tax minimisation purposes are common in international company business. So is it acceptable for major recipients of Australian government contracts to operate in this way?

AusAID's contracts are managed according to the Commonwealth Procurement Guidelines. For large contracts, AusAID says it requires contractors to provide information on their financial status, ultimate ownership and other related entities and the previous three years' accounts. It hires accounting firms to assess these. So assuming it was given correct information, AusAID should have been aware of the company's structure and ultimate ownership structure.

The ACIJ asked AusAID when it was aware GRM International was owned by CIPH and if it was aware that it was based in a tax haven and that it owned casinos. A spokesperson for AusAID said: "AusAID has been aware for many years that Consolidated Press Holdings (CPH) was GRM International's ultimate owner." It did not respond to the question about the tax haven or the casinos other than to say: "AusAID has had no direct commercial relationship with CPH. AusAID's contractual dealings have been with GRM International." ACIJ has contacted AusAID to confirm that it was not aware of CIPH's role but as yet has received no reply.

GRM company records are themselves inconsistent. The UK GRM International Holding incorrectly lists the Australian company CPH as its ultimate holder. But other companies in the group, including GRM International Pty Ltd, correctly listed Bahamas-based CPH as the ultimate holding company.

ACIJ also asked AusAID about the company records showing no employees, to which AusAID replied: "AusAID has regular direct dealings with GRM personnel. How GRM reflects this in its reporting to ASIC is a matter for GRM and ASIC."

So what do others concerned about Australian aid policy think? We asked several experts to comment on the general principles.

[Transparency International](#)'s executive director Greg Thompson says that transparency of financial information and ownership is important because developing countries often don't have resources for strong tax regimes. Transparency International would prefer to see tax havens closed but where they do exist, it favours a mandatory register listing all beneficial owners. If aid companies "are receiving money including for strengthening financial systems then they should lead by example by being transparent and open about their finances".

Recognising that some will defend secrecy on the grounds of commercial confidentiality, Thompson argues "... those principles should not interfere with the more general principles of transparency and accountability. All those managing Australian government funds should be subject to the same principles of disclosure" with flows of money and terms of contracts, disclosed to those at the grassroots.

Jack de Groot, CEO of Catholic Aid Agency [Caritas](#), says that in "the aid and development area it is crucial that all actors need to aim for the highest level of transparency and accountability. While for-profit aid companies have a role to play, "... such companies must understand that government and the taxpayer, let alone the people who are living in poverty stricken communities, will demand intense scrutiny of the aid company".

"Some of the government's aid program has been about building taxation systems in developing countries that help in securing government revenues. It would be an appalling irony if a provider of such a consultancy or capacity building program squirreled its profits in a tax haven to avoid paying what is their responsibility to pay — and from the government they were receiving the funding from in the first instance," says de Groot.

Sydney University Professor of Accounting Robert Walker agrees: "In principle, agencies giving substantial grants to companies should subject them to the most rigorous accounting rules. This should involve providing full financial statements to ASIC."

Professor Walker argues that these rules should also apply to trusts whether charities, superannuation funds, age care providers or aid providers. If these rules applied, GRM would have to lodge accurate financial statements with ASIC.

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***Who profits from our foreign aid?** is a joint investigation between the [Australian Centre for Independent Journalism](#) and Crikey. Tomorrow: GRM — the Packer years.*