

It's Quarter Time

"My life has been full of terrible misfortunes, most of which never happened"
Michel de Montaigne

This time of year, my habit is to publish a few observations regarding the year just passed. I usually intersperse these pithy remarks with some crystal ball gazing and a dose of scepticism for good measure. Not this year my friends.

It's now 25 years since we welcomed in the millennium and we now find ourselves at quarter time in the 21st century. What an opportune moment to look back at the events that have shaped us over this past two and a half decades. Given the scope of the time frame, I'll make an attempt to confine my observations to events that have, in some measure, directly impacted we Aussies, particularly those in the accommodation industry.

As always, I reserve the right to digress.

Like many major speedbumps on life's highway our first quarter time feature has its roots in the 20th century. We can thank computer programmers who were trying to save valuable coding space by using two digit dating protocols for this one. The result, a worldwide panic that upon the stroke of midnight 1999 the world would come to an end. Computers would read 00 as 1900 and aircraft would fall from the sky, financial institutions would crash and burn and we would descend into a post apocalyptic nightmare. While the Managing Director's solution was to party like it's 1999 more serious minds tried to figure out how to make a dollar, whoops, sorry, I mean fix the problem. The subsequent \$500 billion global spend certainly made the IT crowd wealthy but what if we'd done nothing. We'll never know I guess albeit a global panic, a much-hyped existential threat, huge dollars spent and no idea if it was really necessary is all sounding vaguely familiar.

Having dodged the Y2K bullet the world moved on, and rampant capitalism took centre stage. The epicentre of this Gordon Gecko, greed is good (look it up young people) mentality was surely the lofty heights of the Wall Street banks and hedge funds. The ticking time bomb that reflected excessive risk taking and questionable business practices finally got noticed in 2007 and by 2009 had well and truly exploded. The ensuing debacle brought down some of the biggest names in global banking, investment and insurance with the shockwaves making a significant impact on the Australian banking system. Let's not forget that at its core the GFC was caused by slack home loan lending standards, high risk transactions, sloppy debt service analysis and a belief that housing prices would always go up. Investment in mortgage-backed securities by domestic US banks and those abroad created a web of what was defined as contagion risk. It's the old cliché about the yanks sneezing and we all catch a cold.

It's interesting to note the recent push by regulators to free up lending standards, particularly for first home buyers. Add a hot market and 5% government guaranteed deposits and it's déjà vu all over again.

At a personal level the GFC was one of the most positive things to happen to me.....ever. With little activity in the Australian banking sector, other than blind panic, I finally bailed and went broking. In the middle of a global recession with regulators throwing the kitchen sink at tighter banking regulations this would seem a pretty dumb move. The reality is I had no choice. The MD made me do it and for that I am forever grateful. Not sure if she's braver than me or operates on blind faith but either way her judgement is often right. Quite annoying but we move on.



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Just to draw a line under the GFC I recall younger people (basically everyone I know) being super optimistic in the early 2000's. Many had never seen challenging times and some thought I was a bit negative for suggesting the good times never last. I was asked regularly what could throw a spanner in the works. My reply is as true today as it was then. It's not the stuff I can think of, we can plan for that. It's the event that comes out of left field. To quote Donald Rumsfeld, "it's the unknown unknowns". The stuff we don't know we don't know.

Then, in 2017 we had the banking royal commission, more formally titled the Misconduct in the Banking, Superannuation and Financial Services Industry. Judging by recent fines levied by various regulators and current service standards within these sectors I'm not sure the commission had the desired effect. What I do know is that it ushered in a period of victimhood among people who have a limited desire to take responsibility for their actions. Yes, I used my credit card to waste thousands on the punt but it's the banks' fault. They should have known I'm an idiot. Next thing we'll be suing car makers when a drunk uses one of their products and hurts some poor bugger. Some of the commission evidence revealed a few particularly slippery characters from the upper echelons of the banking sector and laid bare the disdain some bankers had for the finance broker profession. Interestingly post royal commission broker market share has increased while bank service standards have declined. It doesn't take a genius to join the dots here albeit it seems to me that some banks would rather brokers weren't around to hold them to account and advocate for borrowers. The MD reckons we are safe until the banks offer a superior service proposition. She has declined to hold her breath. Wise woman.

And we sure didn't know that by 2020 we would be cowering in our homes while armed police patrolled the streets and gangs of toilet paper dealers lurked in the shadows. The so-called global pandemic is fresh enough in everyone's minds that I'll skip the history and move on to some thoughts on what to make of it all. Turns out just about every official enquiry into the Covid 19 response has come to the same conclusions. That is, we have no idea how many people would have died of Covid (not with) if left to its own devices, most of the expert medical advice was flawed and the lock downs difficult, in hindsight, to justify.

While we can't know what might have happened if we'd just taken a few precautions and got on with our lives we do know some things for sure. We know that we have become culturally subservient to government. How else to explain a willingness to give up most of our freedoms and civil rights without meaningful protest. We know that the subsequent rampant money printing and support payments to citizens and businesses has left us with a weakened economy and a culture of government dependence. We know that the economic impact of our Covid 19 response resulted in a circa \$9.6B hit to our economy. Maybe we overreacted, a theme I will return to soon.

Of course, all this doom and gloom pales into insignificance when compared to the greatest catastrophe to befall us so far this century. Forgive me the chronological variation but it's important to have some context before we mention this event. I suggest send small children to their rooms and pre-warn the elderly, infirm or hysterically predisposed. I'm sure you can remember where you were, perhaps even what you were eating when you first learned of the Gallery Vie decision. The outcome of a misguided QCAT ruling would compromise bank lending, and the world would end. The MD would wake me in the middle of the night asking why I was muttering Gallery Vie in my sleep. Not sure how holding a pillow tightly to my face was assisting the waking up process but I'm sure she had her reasons. Some financiers couldn't have cared less while others blindly took positions with almost no grasp of what the decision actually meant. Needless to say solutions were found and while I'm loath to praise lawyers, I think the profession can be proud of the manner in which the challenge was met.

And now, in no particular order, some other noteworthy events before we run back onto the paddock for the second quarter.

In the past 25 years we've had two cracks at formally altering our social and political fabric. In 2017, and with 60% support via a national postal survey, same sex marriage was recognised via amendments to the Marriage Act 1961. Then, in 2023 we held a referendum designed to recognise indigenous people in our constitution. In an extraordinary statistical convergence 60% of people said no. These two events may seem unconnected but in fact they tell the same story. The majority of Aussies want everyone treated equally. In the case of same sex marriage the MD just reckons gay people have every right to be as miserable as the rest of us. She's kidding of course.....a happier more content woman would be difficult to find.

No commentary on the past 25 years would be complete without some reflection on the rise of technology. The internet, which had been around in one form or another since the eighties, became integral to our lives. The pervasive presence of social media quickly followed, aided by addictive devices like the touch screen, first introduced in 2007. At the same time the dreaded App began to appear, driven by the launch of the iPhone. Those were innocent times before we came to realise that business would use the technology to have customers work for them for free.

Of course, the excitement surrounding the potential of the internet had already claimed its first victims. By 2000 optimism regarding the use of the Web for commercial purposes was rampant with the tech and ecommerce centric Nasdaq Composite stock market index up 600%. The so-called Dot Com bubble burst in 2002 with 78% of the index value lost and many companies going under.

Exciting new tech, huge amounts of money pouring in, unproven profitable commercial applications, unforeseen consequences. Sound familiar? It's Deja Vu all over again, again.

I could go on and sometimes I do, but let's wrap up this first quarter review. It's hard to avoid the conclusion that when faced with a challenge we are prone to overreact. We also seem to learn little from past lessons and as such are bound to repeat them. For sure we mostly have good intentions but often fail to appropriately appreciate where the Genie might go once out of the bottle. The NDIS and our response to managing pollution are classic examples. Globally the post 9/11 war on terror is another.

Having outlined these first quarter challenges, it's easy to overlook some positive performances. Global poverty levels are improving as are health standards. People are living longer, and researchers are achieving wonderful results in managing disease. Global skirmishes haven't erupted into world wars and we remain a relatively civil society. If I was coaching this side my first quarter address would be to stick to the game plan, don't overreact if we are behind, try a few set plays and if you see a player wearing an Ai jersey, drop the shoulder.

And most importantly, yes we are out to win but be respectful to the other team.

BTW....if you find the Deja Vu all over again quote amusing it's widely attributed to a bloke with the unlikely name of Yogi Berra. Well worth a Google search of his history, wonderful quotes and a dispute with a certain bear.

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