

INTERVIEW WITH JOE O'BRIEN

ABC NEWS BREAKFAST

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SUBJECTS: Productivity Commission Report on Executive Remuneration

JOE O'BRIEN:

In other news this morning - the Productivity Commission has announced a plan to curb excessive corporate salaries, but that plan has already been attacked for going soft on the big end of town. The move against so-called corporate greed includes a new plan to allow shareholders to thwart remuneration packages. The Government will now consider the recommendations. For this we're joined by the Assistant Treasurer Nick Sherry from Sydney. Nick Sherry, good morning.

SHERRY:

Morning Joe and good morning to your viewers.

O'BRIEN:

Now some people were hoping for binding shareholder votes - that wasn't recommended. Does that mean it is definitely not on the Rudd Government agenda?

SHERRY:

Well I make a couple of points about the package that was released yesterday by the Productivity Commission. It's a draft report and there are a range of significant changes, it recommended changes in respect to board and corporate behaviour and that package is a draft and I've no doubt there will be a significant response and comment as detail is considered through to the final report due in December.

O'BRIEN:

So you are not ruling out then the possibility that binding votes could be a Rudd Government initiative?

SHERRY:

Well, the Productivity Commission came to the conclusion that binding votes have a series of practical issues that were very, very difficult to overcome. The final package that puts much greater emphasis on response to shareholder concerns and alignment with the community is complementary to the work that was highlighted at the G20 last week. It's complementary to the Government's already existing legislation which is yet to be finalised in the Senate around so-called golden handshakes or parachutes. So, it's a draft report and the community and the business community in particular can respond to that in detail in the coming months.

O'BRIEN:

Yes, I'm trying to get a feel for what you think about some of the initiatives that were rejected and adopted but two strikes and you're out policy was recommended. Chris Bowen has indicated some interest in that. Is there a danger though that this could be used by a large - by a minority of shareholders on any kind of issue?

SHERRY:

Well I think it a policy response that certainly will ensure that boards focus, I think, to a greater degree on the views of shareholders - two strikes and you're out, you're up for re-election, I think will ensure a greater response by boards. Also interestingly, it hasn't had a lot of attention, but the proposed requirement that superannuation trustees report their voting on executive remuneration, I also think, would have a powerful effect. But look, it's a draft report the Government will finalise its specific policy response when all of the details are considered in response to that draft and we'll have the final report in December. So I don't want to rule anything in or out at this stage.

O'BRIEN:

Did you conceive though that there could be problems with that 'two strikes and you're out' policy because a minority of shareholders could use it for a completely unassociated issue?

SHERRY:

Well I'm sure that any implementation issues will be considered by the Productivity Commission, as businesses and boards give a detailed response and I'm sure if they have concerns they will be highlighted and they will be taken into account, but it's a draft report and the Government will finalise its approach when we receive the final report in December.

O'BRIEN:

Well, I'm just trying to get some sort of indication of how you feel about one of the other recommendations now, and that's the board remuneration committees being independent. That seems like a bit of a motherhood statement. Will you at least this morning indicate some support for that?

SHERRY:

Well again look, I think that's an improvement in the overall governance, to maximise the independence of remuneration committees. I'd have to say, I don't think remuneration committees in some cases have been as robustly independent as they should've been. So again, I think that particular approach aimed at improving governance, particularly remuneration committees, ensuring a greater independence, vigilance, accountability, I think that broad approach is a good approach.

O'BRIEN:

Great, Nick Sherry in Sydney. Thank you very much for talking to us this morning.

SHERRY:

Morning and morning to your viewers.