

My background is that, while I hold a B Econ from Sydney and an MBA from Stanford, USA, my business career has been as a proprietor of small to medium sized enterprises. At one time I was the Chairman of The Small Business Development Corporation of NSW and a member of the Federal Government Small Business Council. My interest in the inquiry is that of a concerned citizen who has observed the excesses of those in charge of our corporations and who wishes to see equity restored.

1. Clearly, it should not be the case that those in control of a public company are able to set their own remuneration from the available funds without limit. It is in a Chairman's interest to see that Directors are over-paid as it will affect his or her own remuneration. Similarly, high Directors' fees can be more easily justified if the senior executives are highly paid. At the same time, wages of those at the operative level are held down to compensate and to show the shareholders that the executives are doing the job they are paid for.

2. It has been suggested that shareholders could control abuses if remunerations had to be approved at a General Meeting. However, this alone will not solve the problem. Even where the results are not binding, as under the present system, you will rarely get a clear indication, for two reasons:

a) There is insufficient information provided to shareholders, who would need to know the salary levels, responsibilities and performances throughout the company, compared not only to like companies, which are probably equally guilty of excesses, but to other professions and organisations, including government. It is hard to see how this level of information and complexity could be assessed at a general meeting, unless a shareholders remuneration panel was appointed to report to the meeting. Rather than every company establishing such panels, with varying degrees of competence & commitment, perhaps a single panel could review all public companies. If this was not possibly annually, then every few years with increases limited to inflation in the meantime.

b) When one enters a typical Annual General Meeting, the video screen already lists the proxies held by the Chairman, usually 90% plus in favour of each resolution. The success of the resolutions is a foregone conclusion. The proxies are lodged by institutions who are not taking their responsibilities seriously, partly because they don't wish to take the time or to 'rock the boat' for their fellow executives and, where the resolution relates to remuneration, partly because they may be guilty of the same excesses.

If AGMs are to be used as a means of control, then the vote must be binding and any one voter should be restricted to no more than say 1% of the votes.

3. The only direct method of effectively controlling excessive remuneration is to set quantitative limits. These can be related to minimum wages in the community, average wages in the industry, the total package of the nation's head of state or simply set by a remuneration panel, with these levels in mind. For example, if it was established that our Prime Minister's total package was, say, \$600,000, then why should any executive receive more than several times this figure?

No one on earth is worth \$5 million per annum; let alone ten, twenty or thirty million dollars as has been the case recently. In the case of high-earning entertainers or sportsmen, or even private entrepreneurs, at least they have earned it by their own endeavours and at personal risk and hopefully contribute more than their share of taxation.

4. Any restriction has to be set internationally. This should be possible, as most developed countries are considering the issue. The international accounting standard is a case where international co-operation has established minimum standards.

I have attached two the forms you require.

Yours sincerely,  
John Lance