Australian corporate executives rake in millions

Barry Jobson, Terry Cook
26 January 2006

Use this version to print | Send this link by email | Email the author

No such standards apply, however, when it comes to the remunerations awarded to CEOs and leading executives of many of the same corporations. While workers and their families struggle every day to survive, Australia's well-heeled executives rake in millions of dollars annually in salaries, share options, retention payments and a host of other lurks and perks.

In fact, most top executives are rewarded precisely for their ability to axe jobs and working conditions to boost profits and share values. In other words, their bulging salary packages and opulent life styles are the direct result of creating ever-increasing levels of hardship for working class families.

The *Australian Financial Review's* seventh annual study of executive pay, published at the end of 2005, showed that the average remuneration for a top executive of a leading 300 company rose by nearly 20 percent to $1.9 million, up from $1.6 million in 2004.

The average base salary increased 6 percent to $686,000, or 13 times the average wage of a worker. But when bonuses, share options and other lucrative incentive payments are included, the figure jumps to 34 times the average worker's wage. One in four of the CEOs received bonuses of more than $1 million.

At the top of the pyramid, construction and project developer Leighton's chief executive Wal King received a package worth $12.8 million. He also collected deferred bonus payments for 1988 and 2000 as well as $7 million in interest, bringing his income up to $35 million. Paid as a wage, King would have received $246,000 a week, compared to the median weekly income of workers of just $660. Three of Leighton's other senior executives were paid more than $1.5 million each in bonuses alone.

Macquarie Bank CEO Allan Moss received an increase of $5.8 million, bringing his total up to $18.5 million. Of this, $17 million was paid as bonuses. Macquarie Bank investment group chief Nicholas Moore's package increased by $6.8 million to $18.2 million. The bank's executive chairman David Clarke scored $9.2 million.

Investment and "financial engineering" firm Babcock and Brown CEO Phillip Green received $10.3 million, while retailing giant Woolworth's Roger Corbett got $8.4 million. Burns Philip managing director Ted Degnan was paid $7.7 million and Lend Lease's CEO Greg Clarke received $6.5 million.

Other banking chiefs also did well. Westpac's David Morgan pulled in $7.4 million, ANZ CEO John McFarlane got $6.9 million, and the Commonwealth Bank of Australia's former CEO David Murray made $5.4 million. National Australia Bank (NAB) chief John Stewart had just renewed his contract for an extra $500,000, bringing his package up to $6.43 million.

Significantly, these banks have eliminated many thousands of jobs in recent years. NAB is currently slashing 4,000 jobs from its global organisation.

Likewise, Qantas CEO Geoff Dixon received a package worth over $6.4 million. Last year, Qantas relocated cabin crew jobs overseas to reduce its wages bill and threatened the jobs of maintenance workers unless they made substantial concessions to cut costs.

Newly appointed Telstra CEO Sol Trugillo negotiated an annual base salary worth $3 million plus up to $10 million a year in "performance" bonuses. Trugillo has already announced he will axe 12,000 jobs.

While employers rail against workers' claims for travelling allowances or shift penalties, there is no end of "fringe benefits" for company executives. Despite drawing enormous pay cheques, they insist on a whole range of extras.

Frank Lowy, chairman of multi-million dollar property firm Westfield, was entitled to 75 hours a year private use of the company's aircraft, a perk worth $365,805. Even

Qantas non-executive director James Packer obtained $4,775 worth of travel benefits. Packer has just inherited his billionaire father's media empire. Kerry Packer left behind an estimated personal fortune of $7 billion.

Coles Myer executives got free tax planning while non-executive directors received $5,825 a year to cover home-office costs—almost a quarter of the minimum wage of $25,000 a year. Myer division head Dawn Roberson was entitled to three business-class return airfares to the US every year for herself and her dependents. Kmart chief Larry Davis was entitled to six business-class airfares annually. As a matter of course, top executives at Telstra enjoyed free internet services, line rental and mobile phones.

Most senior executives are provided with cars for personal use, with free petrol. However, for some, like Publishing and Broadcasting chief executive John Alexandra, the car comes with a driver. Along with other benefits, CSR chief Alex Brennan received $42,275 in "spouse travel expenses, accommodation and corporate hospitality".

Burswood Casino CEO David Courtney received "complimentary privileges" at Crown and Burswood Casinos and annual return fares for himself and his family between Melbourne and Perth. Fosters directors got free tickets to entertainment and sporting events worth thousands of dollars, many enjoying the luxury of private boxes. To enhance the experience, they received large quantities of free wine, beer and other beverages.

Double standards also apply when it comes to severance pay. Retrenched workers are paid a pittance for years of service or robbed of their entitlements altogether when companies go bankrupt or relocate. Yet millions of dollars are given to departing senior executives, including many who presided over company failures. Many retiring executives are also retained as consultants on large retainers.

Departing Telstra CEO Ziggy Switkowski received a $5 million payout, plus shares worth $1.96 million, while NAB CEO Frank Cicutto received $14 million. CBA CEO David Murray's golden handshake was worth $25 million, and Colonial First State CEO Chris Cuffe received $32 million.

Coles Myers chief Steven Cain got a payout worth $4.6 million after working for the company for just six months. Woolworths chief Roger Corbett will get a $3 million when he retires this year and a $3 million five-star consultancy deal with the company.

Some executives receive hefty retention payments—now dubbed "golden handcuffs"—to encourage them to stay on after their contract expires.

Publisher John Fairfax Holdings offered its chief operating officer Brian Evans $500,000 to stay around last year during the transition to a new CEO. Loyalty was in short supply it seems, because Evans declined the offer and became chief executive officer with publishers PMP.

Evans's new company, which was engaged in restructuring its operations at the time, said it valued Evans for his experience in improving revenue growth at Fairfax through "cost reduction and restructuring". Last June, he gave management at two Fairfax publications, the *Sydney Morning Herald* and the *Age*, a week to come up with $50 million in cost savings.

One of the largest retention payments was to Wesfarmers former managing director Michael Chaney after his contract expired in 2002. The company handed him $2 million extra a year on top of his $6.1 million package to keep him there until June 2005.

Chaney, president of the Business Council of Australia and chairman of its employment and participation taskforce, is a strident supporter of Prime Minister John Howard's new draconian industrial relations laws, which will be used to further dismantle workers' wages, conditions and rights.

Last August Chaney told the media "increased deregulation of industrial relations means greater prosperity". Given that Chaney defends the salaries paid to executives "as reflecting the world market," it is not hard to fathom whose prosperity he is referring to.

The new laws include the establishment of a so-called Fair Pay Commission, staffed by government appointees and charged with holding down workers' wages. The legislation will ensure that executive incomes grow even faster, at the expense of the jobs and conditions of ordinary working people.