



Patrick Corporation needs to lift its game

IN HIS EXCLUSIVE COLUMN CRIKEY'S STEPHEN MAYNE ASKS HOW MUCH REWARDING DOES CHRIS CORRIGAN NEED?

The first big AGM of the year takes place on February 4 in Sydney when the shareholders of Patrick Corporation gather at the company's headquarters and there are several troubling matters to consider from a corporate governance point of view.

Firstly, managing director Chris Corrigan is being issued another 1 million free options with no performance hurdles besides a very marginal premium to the current share price. He can exercise one third of them in the first year and two thirds within two years, hardly locking him in for the long term.

As he is already the proud owner of 4 million ordinary shares worth more than \$50 million and a further 1 million options, this latest issue is just excessive.

The three man board of Patrick is very cosy. Corrigan, Peter Scanlon and 74-year-old chairman Gilles Kryger are old friends and have been directors of Patrick together for more than 10 years. Chris Corrigan even sits on his own remuneration committee awarding the new options packages. In fact, Corrigan has only just removed himself from the audit committee.

Patrick's is audited by PricewaterhouseCoopers, which was auditing Fos-

ter's at the time Scanlon and colleagues including John Elliott were charged with theft and conspiracy. These charges were eventually withdrawn.

Whilst Scanlon and Corrigan are proven business performers, both have had their share of controversies and Corrigan proved he was prepared to lie during the 1998 docks dispute, although many argue it was understandable given the secrecy needed for the Dubai training operation.

Institutions have injected more than \$600 million into Patrick over the past three years to fund its aggressive expansion program into businesses like National Rail and Virgin Blue.

The Commonwealth Bank, NAB, Permanent Trustees, Merrill Lynch and AXA are all substantial shareholders and together control more than 60 per cent of the company so it is time they dragged Patrick into the modern corporate governance era.

There are not enough checks and balances in Patrick Corporation, just reputations that are in favour at the moment with an investment community too easily satisfied by a rising share price.

THE 100 SHARE RULE

Whilst we continue to debate the 100 share rule as it relates to the calling of extraordinary general meetings, it is

worth considering how easy it is for shareholders to put forward resolutions at annual meetings in the US.

All you need is less than \$10,000 worth of shares and any mum or dad Australian shareholder could force the Microsoft board to send a resolution to all its shareholders for debate at the AGM next November.

The 2002 Microsoft AGM last November had two such shareholder resolutions. The first asked the company to wind back its Chinese investments and attracted 7.47 per cent of the vote and the second proposed capping non-audit fees at 25 per cent of total audit fees and was supported by 9.13 per cent of the votes.

Importantly, an incredible 86 per cent of Microsoft's 5 billion shares were voted so you see that American shareholders invariably do bother to lodge their votes.

The NRMA debacle has amply demonstrated why 100 signatures is too easy for the calling of an EGM which can cost millions of dollars. This loophole should be closed.

The AGM is the right forum for debate so there should be a compensating change to make it easier for shareholders in Australian companies to put up resolutions at AGMs. This is a rarity in Australia at the moment because securing 100 signatures is too difficult.

Or maybe it is just that we are all too apathetic. When the Wilderness Society got proposals on the notice paper to change the constitutions of the



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Commonwealth and National Australia Bank, they were supported by an impressive 25 and 21 per cent of the votes respectively.

PROGRESS FROM MURDOCH

The word from inside the News Corp board is that Rupert Murdoch is finally beginning to take notice of corporate governance. Expect to see no more options for non-executive directors in future years. The standard issue of 12,000 options at market prices to all the NEDs last year was almost defeated from the floor and opposed

might even see a reduction in management options this year or possibly some options with performance hurdles.

Throw in a genuinely independent chairman of the audit committee and we are starting to see some real progress at News Corp.

GET RID OF CEO PENSIONS

The most unusual feature about Brian Gilbertson's salary package at BHP Billiton was that lucrative \$1.3 million a year pension entitlement for life.

Unlike the UK, pensions are not common in Australian CEO packages

It is the same principle which is seeing retirement benefits for non-executive directors being phased out by major companies such as Lend Lease, BHP Billiton, Westpac and the Commonwealth Bank.

Executives and directors should get their full entitlement as they perform their duties. Any form of deferred payment, especially determined by years of service, simply distorts the process.

PERPETUAL BLAZES THE TRAIL

The departure of high profile activist fund manager Peter Morgan from Perpetual has done little to dampen the independence of its proxy voting now that former Fairfax journalist John Sevier has taken over as head of equities.

The most adventurous position taken during last year's AGM season saw Perpetual vote about 30 million shares against the re-election of National Australia Bank director Ken Moss on the grounds that NAB needs more directors with financial services expertise.

Given that NAB is Australia's second biggest fund manager and adopts a "manager of manager" approach, it was a brave move by Perpetual to risk future commercial dealings with the NAB by taking a stand at the AGM.

Whilst Perpetual didn't further inflame the situation by speaking at the AGM, the direct lobbying and voting caused chairman Charles Allen to publicly commit to seek new directors with relevant industry experience. Well done Perpetual. That's progress. ❖

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by 33 per cent of the proxy votes.

And Murdoch is currently working up ways to pay out the \$170 million loan from News Corp he has enjoyed for years through Queensland Press.

When asked about this last year at the October AGM, Murdoch said: "The Queensland Press loan has been there for many years and it is our intention to make certain that it is repaid in the very near future, which the company can certainly do. You will see next year."

And with the News Corp executive options issued at the most recent AGM now comfortably in the money, we

as you normally pay out executives up front.

The last time a CEO's pension became an issue in Australia was when the Commonwealth Bank paid \$8 billion for Colonial and Peter Smedley walked out the door with a pension for life of \$837,333 a year, on top of almost \$19 million in cash and shares that he collected up front.

A typical Australian CEO only lasts about four years in the job so the idea of paying them and a surviving spouse a pension for life once they've gone is unsupportable.