OPINION

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CEOs stand by as billions evaporate

Good corporate governance is hardly served when executives continue to be rewarded for poor performance.

The shock writedown by the National Australia Bank of almost $4 billion on its disastrous investment in Florida-based mortgage processing business Homeside has again raised the question of accountability at board and senior management level.

Corporate Australia has a long and sorry history of tolerating poor performance at the elite level. CEOs with poor track records often stay in the job for way too long. In the recent past, examples in my opinion include former Coles Myer CEO Brian Quinn (1985-92), John Prescott at BHP (1991-98) and Will Bailey at ANZ (1984-92).

A best practice contract for a CEO is said to be for 2-3 years but there have been a flurry of departures in the past 6 months of CEOs who lasted longer than this and who I think were allowed to remain for too long. They include the following:

- Pacific Dunlop's Rod Chadwick who lasted from July 1996 till early in 2001 and saw the share price plunge from $2.80 to under $1.
- Goodman Fielder's David Hearn who was brought in from England promising the world in September 1995 and took the stock from $1.20 to $2.40 before taking it all the way back to $1.10 in the disappointing last three years.
- Orica's Philip Weickhardt who lasted four years from June 1997 and took the share price from $10 to a low of $4.
- Pasminco's recently departed CEO David Stewart who held onto the job for 6 years and took the company from a share price of $1.40 to a peak of $2.80 and crashing down to its present level of just a few cents.

The question now is whether any of these CEOs will join the exclusive director's club. If we want a culture of accountability in Australia, the answer should be no.

Witness what happened to former BHP chairman Jerry Ellis after the company wrote off $10 billion over 10 years, much of which occurred in the BHP Minerals division when he was in charge.

Auto parts manufacturer Pacifica, chaired by an old BHP mate Russ Fynmore, invited Jerry to join the board in 2000 and passive shareholders voted in favour of it to the tune of 99 per cent.

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BHP wrote off more than $2 billion on its disastrous HBI plant at Port Hedland, but this did not stop the executive directly responsible for the iron ore division, Geoff Wedlock, being picked up by smaller iron ore company Portman Mining as finance director.

The same goes for Pasminco which is largely going broke because its hedge book is almost $1 billion out of the money. Pasminco parted company with finance director Bronwen Constance earlier this year but a few weeks later she popped up as finance director of Alan Jackson's equally embattled Austrim group.

Which brings us back circuitously to the Homeside disaster at NAB. Will former NAB CEO Don Argus, now chairman of BHP-Billiton and Brambles, be scarred by this write-down because it was his deal in 1997 or will his successor Frank Cicutto fall on his sword?

It is good to see NAB is bringing at least some level of accountability to the table over Homeside. Chairman Mark Rayner has resigned for the twin reasons of being conflicted through his chairmanship of Pasminco - to which NAB is now precariously exposed to the tune of $150 million - and because he was chairman at the time of the Homeside acquisition.

NAB also sacked Homeside's three top executives within days of discovering the disaster but it is a shame they can't claw back the $2.8 million paid last year to Joe Pickett - the Homeside CEO who did the deal with Don Argus and then hung around for four years running the show before bailing out in June with one final bonus payment of $764,526.

The numbers are smaller but it is the same principle as Jodee Rich and Brad Keeling collecting $7.5 million each from One.Tel in 1999-2000 - huge pay for terrible performance. ✤