

**EXECUTIVE OFFICER REMUNERATION (GOVERNMENT ENTITIES)
LEGISLATION AMENDMENT BILL 2015**

Introduction and First Reading

Bill introduced, on motion by **Mr C.J. Barnett (Premier)**, and read a first time.

Explanatory memorandum presented by the Premier.

Second Reading

MR C.J. BARNETT (Cottesloe — Premier) [10.11 am]: I move —

That the bill be now read a second time.

As members will recall, I indicated in my statement to Parliament in February this year when outlining the government's legislative and policy priorities for 2015 that legislation would be brought forward to give the independent Salaries and Allowances Tribunal responsibility for setting remuneration for chief executive officers of government trading enterprises. This bill gives effect to that undertaking. It has long been the view of the government that although some flexibility in this area for the management boards of GTEs is desirable, a mechanism needs to be in place to ensure that salary packages and increases in remuneration for CEOs are kept within reasonable bounds. The bill therefore takes the approach that the tribunal should be primarily charged with setting the framework or limits, as it were, through the use of a band or bands within which the relevant boards will have some discretionary authority to fix remuneration levels for their CEOs. If special circumstances, which I anticipate to be extremely rare, require that remuneration matters for a particular GTE be dealt with outside the tribunal's jurisdiction, remuneration for the CEO may be set or varied by the management board only on the direct recommendation of the responsible minister. In this event the board will be bound by the minister's recommendation; that is, it will not be able to act otherwise than in accordance with the minister's wishes. The active involvement of the minister on such a basis will ensure that any associated remuneration outcomes are acceptable to, and are effectively owned by, the government of the day.

Turning now to the specifics of the bill, the revised remuneration arrangements are achieved through amendments to the Salaries and Allowances Act 1975 and the enabling legislation of the relevant GTEs. In relation to the former, the principal changes involve a new section 7C under which the tribunal will be made responsible for determining the minimum and maximum amounts of remuneration—that is, one or more remuneration bands for the CEOs in the listed GTEs. It will be noted that the scheme is significantly similar to the current arrangements under section 7A of the act related to remuneration setting for local government CEOs. It is expected that the tribunal will issue guidelines to assist boards in determining the appropriate place in a remuneration band.

A new schedule 2 to the Salaries and Allowances Act will list the affected GTEs. These are bodies established under the Electricity Corporations Act 2005, being Synergy, Western Power and Horizon Power; bodies established under the Water Corporations Act 1995, being the Water Corporation, Bunbury Water Corporation and Busselton Water Corporation; bodies established under the Gold Corporation Act 1987, being the Gold Corporation, GoldCorp Australia and Western Australian Mint; bodies established under the Port Authorities Act 1999, being the Fremantle Port Authority, Southern Ports Authority, Mid West Ports Authority, Pilbara Ports Authority and Kimberley Ports Authority; and certain other bodies, being Racing and Wagering Western Australia, Western Australian Land Authority and Western Australian Treasury Corporation. Some bodies that might otherwise have been taken to fall into the GTE category dealt with by the bill, being bodies that operate at arm's length from government and are required under their enabling legislation to produce a statement of corporate intent for their minister's agreement, are not captured by the reform because they are, with one exception, senior executive service organisations, and the remuneration of their CEOs is already covered by the tribunal or, in the case of the Lotteries Commission, under the provisions of the Public Sector Management Act 1994. It is to be noted that in the case of SES organisations, the employer of the CEOs is the Public Sector Commissioner. These excluded bodies are the Chemistry Centre (WA), the Forest Products Commission, which is not an SES organisation, the Government Employees Superannuation Board, the Insurance Commission of Western Australia, the Lotteries Commission and the Western Australian Land Information Authority. A listed GTE will not automatically fall under the jurisdiction of the tribunal. It has first to be prescribed under the Salaries and Allowances Regulations. As such it will be a function of the minister responsible for the Salaries and Allowances Act, which is currently me as Premier, to determine which GTEs are placed or will remain in future under the tribunal's jurisdiction. As already indicated, at this stage I do not anticipate there being any exceptions to this inclusion.

The bill inserts common provisions into the enabling legislation of each listed GTE, setting out the arrangements that are to apply in the alternative events of a GTE not being prescribed or of a GTE being prescribed under the Salaries and Allowances Regulations. When a GTE is not or ceases to be prescribed, the remuneration of the

CEO must be as recommended by the responsible minister. This will apply from commencement of the Executive Officer Remuneration (Government Entities) Legislation Amendment Act. It will not, however, require the boards to re-determine remuneration of CEOs in place at the time of commencement of the act, but the need for the minister's recommendation will apply to any subsequent variations. When a GTE is prescribed, the board will be responsible for setting remuneration within the range or band determined by the tribunal. It is envisaged that the board will be guided in that task by associated criteria set by the tribunal. For those CEOs the subject of contracted remuneration arrangements already in place at the time of prescription, their remuneration will not be subject to the tribunal's jurisdiction during the balance of their current term of office. However, any variation during that time can be made by the board only on the recommendation of the responsible minister.

The bill also deals with other associated minor changes, such as the updating of definitional references in the Salaries and Allowances Act, the provision of supporting advice to the tribunal in its new area of responsibility, and adjustments to the Constitution Acts Amendment Act 1899 insofar as that act deals with disqualification from membership for Parliament of certain public office holders.

I commend the bill to the house.

Debate adjourned, on motion by **Ms S.F. McGurk**.