

STATE OWNED CORPORATIONS LEGISLATION AMENDMENT (STAFF DIRECTORS) BILL 2013

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Bill introduced on motion by Mr Mike Baird, read a first time and printed.**Second Reading**

Mr MIKE BAIRD (Manly—Treasurer, and Minister for Industrial Relations) [6.18 p.m.]: I move:

That this bill be now read a second time.

The State Owned Corporations Legislation Amendment (Staff Directors) Bill 2013 seeks to facilitate transparent board director appointments on State-owned corporation boards by removing the mandatory requirement for directors to be appointed to fill staff and union positions. Currently, the State Owned Corporations Act 1989 requires each board to have a staff director. This requirement is removed in some corporations legislation and modified by others. The Energy Services Corporations Act 1995, the Hunter Water Act 1991, the State Water Corporation Act 2004 and the Superannuation Administration Authority Corporatisation Act 1999 require that the staff director be selected from a panel nominated by Unions NSW. The Ports and Maritime Administration Act 1995 requires that the staff director be elected by employees of the port corporation. This Government has made a commitment to improve the efficiency and management of State-owned corporations. These are economically and socially significant businesses that are vital to this State and the people of New South Wales.

We must ensure that the boards making these management and operational decisions are best placed to drive the performance of these businesses and ensure the provision of quality, cost-effective services. Ensuring that the State-owned corporations have effective, accountable and suitably experienced boards is a key component to improving the performance of State-owned corporations—an important commitment the Government made in "NSW 2021: A Plan to Make NSW Number One". This bill ensures that the Government has the ability to make skills-based appointments to our State-owned corporation boards. Under the current process, the chair and board have little influence on prospective union and staff-elected directors. For both staff and union directors, the nomination and selection process does not provide for a skills-based selection process.

This Government has reformed the State-owned corporation director appointment process to bring it in line with board governance best practice. The chairs and directors are selected through a skills-based appointment process that rightly ensures they are appointed on the basis on merit, their skills and expertise required for the job. Without the removal of constraints on the appointment of staff and union directors, we cannot guarantee that we have the best constituted board possible for each of our State-owned corporations. This Government has said that we would improve the recruitment process of directors to State-owned corporation boards. We have, ensuring that all appointments are merit based and approved by the Cabinet, but more has to be done. This bill is a further step towards ensuring

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that the Government has control over those individuals who are put in these responsible positions by making certain that we have individuals of high quality with requisite skills and industry experience matched to the business.

The removal from legislation of the requirement to appoint directors to staff and union positions addresses the potential for misunderstanding around the role of these directors, who are not there to represent the interests of staff but have a fiduciary duty to the State-owned corporation. These directors have a difficult role managing their duties as directors with the expectations of staff and representative bodies, which will be addressed by the amendments. This bill addresses inconsistencies between the State Owned Corporations Act 1989 and enabling legislation of individual corporations. These have differing requirements about whether a staff- or union-nominated director is required and variations in the mechanism for their selection and appointment. While this bill will remove the legislative requirement for unions or staff directors on State-owned corporation boards, the total number of director positions will be unchanged. The bill provides for existing union and staff directors to continue in their role until a date determined by the Governor or the voting shareholders.

Merit-based appointments will be made as roles become vacant. Our State-owned corporations operate according to the principles of clear commercial objectives, managerial authority and autonomy, and rewards and sanctions for performance. These are comprised under a mandated requirement to include a staff or union position on the boards where these roles are filled without a skills-based process, input by the board's chair or nomination committee, and without reference to the requirements of the board. This Government is committed to having a corporate governance framework that is independent and robust, not one that is blurred under a mandated provision to include staff-elected and union directors. We do not see that these roles serve any social, regulatory or commercial objective. I commend the bill to the House.

Debate adjourned on motion by Mr Michael Daley and set down as an order of the day for a future day.