

Unions' new tactic: embarrass the board

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The trade union movement is targeting AGMs as part of its corporate campaign.

Chairmen and CEOs hate it, so do some shareholders.

But the kind of union activism seen at this week's annual general meetings of BlueScope Steel and Qantas over corporate governance and executive pay will only get more common (the Commonwealth bank faces similar treatment next month).

Critics argue these "showdowns" are just grandstanding by unions. That's partly right because union-sponsored motions have little chance of getting up when the serious stuff requires a 75 per cent majority to get passed.

But it also misses the key point pulling on a blue at the AGM is only the tip of the iceberg.

What is not widely realised partly because of the historical links and with so many Aussie shop stewards still having strong English or Scots' accents is that Australian unions now mostly look to the United States for ideas.

Unions in the US developed corporate campaigning when they hit rock-bottom in the 1970s and early 1980s. They had to find new ways of fighting back, just like Australian unions now in the face of low membership, antagonistic governments and a switch from centralised wage fixing to enterprise-based bargaining.

US academic Jarol B Manheim has traced the origins of corporate campaigning to the anti-Vietnam War group Students for a Democratic Society which led the way in hybrid networking by collaborating with the National Council of Churches.

Manheim argues that widespread distrust of big business among the public and "general antagonism of journalists to business as an institution" create a special opening for corporate campaigns.

Some companies have not helped themselves in this regard.

Consider the strong community support for James Hardie to pay full compensation to victims of asbestos diseases.

The campaign template was picked up and developed by the peak US labour organisation, the AFL-CIO, along with other non-government organisations (think Greenpeace, the

Fairwear campaign against Nike).

The conservative Australian think-tank, the Institute of Public Affairs, has tracked how the chief of the AFL-CIO, Richard Trumka, spoke on corporate campaigning at the ACTU congress in 2000.

As it turned out, that year also saw the first new-look corporate campaign by Australian unions. The Construction, Forestry Mining and Energy Union took on Rio Tinto at its AGM over its opposition to collective bargaining and its environmental record and co-opted former federal Labor minister Susan Ryan to help argue its case.

Ryan was, and is, a key figure in the development of the burgeoning industry superannuation funds which, being union influenced, have therefore blurred the traditional line between labour and capital in Australia.

“That was the first time we got Australian institutional investors to put up a motion at an AGM,” she recalled this week with a laugh.

“They [Rio Tinto] were horrified, but we got a good result, even though the motions didn’t get up.”

Industry funds now comprise about 11.5 per cent (and rising) of Australia’s \$625 billion in superannuation funds under management.

The Australian Services Union is at loggerheads with Qantas over a 3 per cent pay offer and lobbied institutional investors to oppose a planned 66 per cent rise in directors’ fees.

And the Australian Council of Superannuation Investors which has 32 industry and public sector funds as clients recommended a vote against the fee increases.

But the executive director of ACSI, Phillip Stathis, says his group gave advice to industry funds whose trustees were drawn equally from employers and employee bodies based on the merits of each case.

“The funds who are our members act for the beneficial owners of these companies,” he says, “so it’s not in our interests to run campaigns that could potentially damage the name and the reputation of these organisations.”

ACSI is trying to encourage disclosure and dialogue and has been an influential player in non-union causes, such as the successful push to win changes in News Ltd’s plan to incorporate in the US state of Delaware.

“We’re not begrudging high salaries . . . but they need to be properly linked to performance,” says Stathis.

The motions at the BlueScope AGM were pushed by the Australian Workers' Union, whose national secretary, Bill Shorten, says he was satisfied with the result despite them all being voted down.

“Why we did it, and why we are going to do it again and again, is that the AWU is a major stakeholder in BlueScope,” he says.

“The CEO [Kirby Adams] and the chairman [Graham Kraehe] have not made any attempts to engage with us because they don't like what we have to say.”

An adviser to institutional investors, Corporate Governance International, did not support the AWU motions and gives BlueScope a “pretty good” rating on governance issues.

A principal with CGI, Sandy Easterbrook, says the push to insert requirements on corporate governance and pay into BlueScope's constitution would put a “straightjacket” on the board and management.

Yet Easterbrook does not support moves that may silence minority shareholders such as unions and supports the retention of the right for 5 per cent of shareholders or 100 by number, to requisition a meeting under Corporations law.

“But we do not support dressing up an agenda, which is really a political agenda, under the cloak of a governance agenda,” he says.

Easterbrook says some evidence had emerged this year that this was being done, but the way to stop abuses was for institutional investors to “vote solidly against it”.

Under the latest corporate law reforms, shareholders will get a non-binding vote on executive pay from next year.

But the Howard government, with its awesome new powers in the Senate, may well revisit the issue of who can kick up a stink at AGMs.

Corporate activism

- 2000: CFMEU protest at Rio Tinto AGM. US union leader details corporate campaigning to ACTU.
- 2003: TWU protest at Boral AGM over treatment of sacked owner-drivers.
- 2004: Unions agitate over executive pay and corporate governance at BlueScope Steel, Qantas, CBA.