

CEO Group Hits US Bill on Shareholder Pay Votes

Reuters

March 8, 2007

WASHINGTON, March 8 (Reuters) - A lobbying group for corporate CEOs on Thursday criticized as misguided a move to let U.S. shareholders vote on CEO pay packages.

"Corporations were never designed to be democracies ... While shareholders own a corporation, they don't run it," said John Castellani, president of the Business Roundtable, at a hearing before the House Financial Services Committee.

Legislation introduced by Massachusetts Democratic Rep. Barney Frank would give shareholders the right to cast annual, nonbinding advisory votes on executive compensation plans.

"We do not support this proposal," Castellani said at the hearing focused on the Frank bill and executive pay issues.

Median U.S. CEO pay in 2005 was \$13.5 million, up 16 percent from 2004, said Corporate Library, a research group.

In 2003, the average CEO got roughly 500 times as much pay as the average worker, compared to a multiple of 140 in 1991, said Harvard Law School Professor Lucian Bebchuk.

"There is concern among the American people about the level of executive pay," said Alabama Rep. Spencer Bachus, senior Republican on the committee, at the hearing.

People worry that boards and CEOs "are sort of all in collusion, and all taking care of each other, but in the process the average employee is not being taken care of ... They wonder about the equity of it," Bachus said.

Executive pay is a perennial issue in U.S. business, resurfacing each spring when companies report compensation packages awarded to top managers in the previous year.

This year, renewed attention focused on the issue amid news of massive CEO paydays at Home Depot Inc. (HD.N: [Quote](#), [Profile](#), [Research](#)) and Pfizer Inc. (PFE.N: [Quote](#), [Profile](#), [Research](#)). Former Home Depot CEO Robert Nardelli quit recently and walked away with \$210 million. Former Pfizer CEO Hank McKinnell is leaving with a payment of \$198 million.

"Obscene pay packages" are undermining U.S. economic trust, said Georgia Democratic Rep. David Scott. "Corporate executives should certainly be adequately compensated. However, I am concerned that executive pay has become dangerously outsized."

The U.S. Securities and Exchange Commission last year imposed new pay disclosure rules on U.S. corporations.