

21 February 2020



Warren McCann
Chair, Victorian Independent Remuneration Tribunal
Suite 1, Ground Floor
1 Treasury Place
Melbourne VIC 3000

Submission via email to enquiries@remunerationtribunal.vic.gov.au

Dear Mr McCann

A handwritten signature in blue ink that reads 'Warren'.

**Re: Independent Remuneration Tribunal
review of executive bands in public sector entities**

Thank you for your invitation to make a submission to assist with the requirement of the Victorian Independent Remuneration Tribunal (Tribunal) to make a Determination regarding the executive salary bands of public entities. As the Chair of one such public entity, the Melbourne Convention and Exhibition Centre (MCEC), I am pleased to respond on behalf of the Melbourne Convention and Exhibition Trust (the Trust).

While the Tribunal is asking for feedback on its review of Victorian Public Service remuneration, the Trust would also like to take this opportunity to argue that proposed changes in executive salary bands – combined with the removal of the Public Entity Executive Remuneration (PEER, formerly GSERP) bonus structures – would have a detrimental effect on MCEC's strong position in a competitive global market.

The Trust will also use this submission to argue MCEC's unique standing amongst public entities, as an entirely self-funded and commercially viable entity, with strong revenue outcomes. Therefore, considering MCEC in the same way as other public entities is not conducive to the continued growth of the business and the wider economic impact it delivers to the state of Victoria.

Our response on specific issues is as follows:

1. The appropriateness of existing public entity remuneration settings and in particular whether there have been any issues with attracting and retaining CEOs and subordinate executives of the required talent to MCEC

It is important to note that MCEC is not a government funded entity. Operating as a business, we are required to achieve revenue targets with solid profit margins. As a commercial entity, it is imperative that we are able to compete for talent to ensure the success of our business,

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which generates revenues in excess of \$100 million per annum and contributes more than \$1 billion in economic impact to Victoria. Our executives are required to perform against rigorous commercial and delivery key performance indicators, and expect to be remunerated appropriately for their commercial acumen.

MCEC currently utilises a methodology devised by the Korn Ferry Hay Group to determine salary banding for the non-EBA employee cohort of our organisation, including those positions in the executive remuneration band. This methodology is well respected in the industry, and considers complex organisational and individual factors in a structured, orderly and consistent manner which takes account of the specific skills required and accountabilities of each role.

In the context of MCEC's position in a competitive global market, this method has proved most appropriate. To support this, salary benchmarking is conducted on an annual basis to ensure that MCEC's Total Remuneration Packages (TRP's) maintain competitiveness with similar businesses both locally and internationally. Given MCEC's unique position as a global destination for business events, this has been especially important when attracting and retaining top talent to executive and subordinate executive roles.

To date, this approach has allowed MCEC to attract and retain top quality talent to deliver on our strategic objectives. Should the proposed bands result in a more restricted TRP offering, and in conjunction with the removal of the executive bonus incentives which reward commercial performance, the Trust believes that MCEC will struggle to attract and retain key executives to deliver on business objectives.

2. Relevant factors and comparators that the Tribunal needs to consider in determination of remuneration bands

The Trust is of the view that there needs to be special consideration for entities with a commercial focus – the requirement to drive revenue and key targets against profit margins – to ensure these entities can remain not just competitive, but also viable, into the future.

The proposed banding work streams are heavily focused on the provision of services (financial and technical), projects and policy which do not support our business of delivering events that support economic growth for the state. The aforementioned impact of MCEC has been well documented, contributing significantly to the wider visitor economy for Melbourne and Victoria through the more than one million delegates who visit our centre every year.

A further relevant factor to consider is the combined and detrimental impact to attracting and retaining effective commercial talent, with the removal of bonus payments alongside any forced application of changes to executive remuneration at MCEC.

3. Characteristics of our executive workforce (sources of executives), length of service and separation rates

In the last three years MCEC has appointed five PEER contract employees. In addition to the CEO, our Executive Team oversee the following divisions – Sales; Finance; Operations (encompassing event delivery streams); ICT; People, Culture and Improvement and Marketing and Communications.

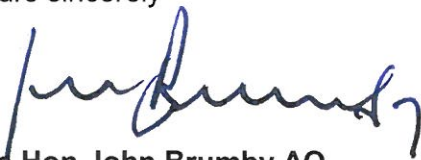
All of our current executive leadership team have significant experience gained from commercial entities – we do not typically attract high interest from public service candidates due to the strong commercial delivery requirements of our executive roles.

4. Considerations the Tribunal needs to take into account in issuing any guidelines with respect to the placement of executives within the bands

The Trust asks that the Tribunal consider the ramifications of any guidelines that may limit the capability to offer competitive TRP and executive bonuses. These are important incentives when attracting the best talent to competitive and commercial entities. The Trust would also use this opportunity to reinforce MCEC's position as a financially self-sufficient entity that consistently achieves revenue and profit targets. Without the capacity to attract leading executives, we believe our competitive position will be eroded and our potential to grow our revenues and profit diminished over time.

Therefore, the Trust respectfully asks that the Tribunal consider MCEC's unique standing when reaching a Determination on this matter. Should you have any further questions or wish to discuss these issues in more detail, please do not hesitate to contact me.

Yours sincerely



The Hon John Brumby AO
Chair, Melbourne Convention and Exhibition Trust