

Opening Statement of Representative Gwen Moore
House Financial Services Committee Hearing, "Protecting Investors and
Fostering Efficient Markets: A Review of the S.E.C. Agenda"
May 25, 2006

I am proud to be a cosponsor of The Protection Against Executive Compensation Abuse Act. This legislation includes several provisions that would significantly protect the interests of investors by providing substantial disclosure of the company's executive compensation policies. Specifically, it would require:

- Full Disclosure of Top Executive's Compensation including *any and all* types of compensation paid (or to be paid) to top executives (such as pensions, golden parachute agreements, personal use of private jets/company apartments and other currently hidden compensation);
- Full Disclosure of Compensation Policies for Top Executives including the short and long-term performance measures or targets that will be used to determine the top executive's compensation (and whether such measures were met in the preceding year); and
- A Company Policy for Recapturing Any Form of Incentive Compensation That Subsequent Financial Results Show Are Unjustified such as when the company pays bonuses/grants stock options to executives for meeting performance targets only to later learn that these numbers were inaccurate and must be restated.
- Clear and Simple Disclosures of Compensation Statements on the Company's Website, including disclosures on the company's compensation filings made to the SEC.
- Separate Shareholder Approval of Golden Parachute Packages. The bill would also require that shareholders separately approve any additional compensation for top executives that coincides with the sale or purchase of substantial company assets.

Excessive executive compensation has recently hit home in my district. Earlier this year, Delphi Corp. announced it would shut down their plant in Oak Creek, which employs 1,200 workers in the Milwaukee area. After the announcement, Delphi proceeded to file a motion with a federal bankruptcy judge to cancel its labor contracts with the United Auto Workers (UAW) in response to the UAW's recent rejection of Delphi's offer to slash workers' wages and benefits.

However, under its Key Employee Compensation Program, Delphi would give 600 executives and managers \$510 million in compensation, while rank-and-file workers lose their jobs. The Delphi executive incentive plan includes six-month performance bonuses that could result in executives earning a bonus for half a year's good results regardless of whether the company operates at a loss for the full year.

In addition, there is also an "emergence bonus plan" under which executives can earn cash bonuses up to 250% of their salaries if the reorganizes or sells a large portion of its assets.

Clearly, shareholders need to have greater understanding and oversight of these matters. I am sure they would be interested to know of the glaring inequity between Delphi's treatment of its retiring executives and laid off workers. I am especially outraged at Delphi's blatant misuse of the bankruptcy process as a tool to throw out the wage and benefit plans negotiated by its rank and file employees in good faith.

The most egregious aspect of their plan is the executive severance program. Delphi's severance plan would provide 21 officers with 18 months of salary and bonuses, 89 senior managers would receive a year of pay and bonuses, and 373 executives would be eligible for a full year's salary. If just 30% of executives took their severance, the cost would be \$30.5 million, enough to provide each of the 1200 Oak Creek employees with over \$25,000.

This legislation must be advanced in order to provide a more transparent and fair deal to the shareholders of all publicly traded companies, especially those workers who own a stake in their company.