

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

10 – 11 February 2010

Question: aet 64

**Topic: PC Report 'Executive Remuneration in Australia'
– Stress Testing Of Draft Report**

Hansard Page: Written

Senator CAMERON asked:

At p. XXXII, the Pc says that it "stress tested" the reforms proposed in the discussion draft.

1. What exactly does a "stress test" involve? Who is subjected to stress; the PC or the parties subject to the proposed reforms?

Answer:

Stress testing (p. XXXIII) refers colloquially to the public inquiry process under which the Commission makes public its draft recommendations and subjects those recommendations to the scrutiny of experts, interest groups and members of the community generally. As part of this process, it receives public submissions and explores criticisms of its work at public hearings. Given the potential for unintended consequences, such public testing of its analysis and recommendations is desirable to ensure appropriate outcomes. It is the draft recommendations and the Commission's analysis which are subjected to such scrutiny.