



## REMUNERATION TRIBUNAL

### Statement on Principal Executive Office (PEO) Holders: Determination 2001/16

1. The Remuneration Tribunal has determined a classification structure and provided advice in relation to the terms and conditions (including remuneration) of Principal Executive Offices as required under sub-sections 5(2A), 7(3D) and 7(4) of the *Remuneration Tribunal Act 1973*. This Statement provides advice on the outcome of this review.

#### **Application**

2. This determination has effect on and from 1 July 2001 and amends the Principal Determination, 1999/15.

#### **Review Process**

3. Under the terms of Determination 1999/15 the Tribunal each year determines:
  - the extent to which a PEO's remuneration can be increased or decreased without reference to the Tribunal; and
  - adjusts the maximum Total Remuneration for each PEO band in proportion to certain factors including appropriate wage and remuneration indicators.

#### Variation in remuneration

The Tribunal has determined that in the 2001-2002 financial year, a PEO's remuneration can be varied by their employing body by up to 5% of Total Remuneration without prior reference to the Tribunal, where the employing body can demonstrate that productivity or work value changes have occurred and where the office is not subject to additional scrutiny by the Tribunal (clauses A6 and D1 of Determination 1999/15). The variation of up to 5% of Total Remuneration can occur provided that the increase does not move the PEO outside the band in which they have been placed.

This variation is consistent with the projected growth in remuneration for Chief Executive Officers in both the private and public sectors in the 2001-2002 financial year.

#### PEO bands and reference salaries

The Tribunal is required to adjust the maximum Total Remuneration of the PEO bands on and from 1 July each year to ensure that the PEO bands keep pace with current market remuneration trends (clause D3 of Determination 1999/15). Total Remuneration is inclusive of salary, allowances, compulsory employer superannuation contributions and other benefits including non-cash benefits provided mainly or solely for private use.

The Tribunal has also adjusted the reference salaries contained within the PEO bands (sub-section 7(3D) of the *Remuneration Tribunal Act 1973*). The reference salaries, unlike the PEO bands, are a measure of cash salary only.

In undertaking both reviews and deciding on an appropriate adjustment, the Tribunal has taken into account factors including (but not limited to):

- Key economic indicators;
- Specific indicators such as the Wage Cost Index (WCI) series;

- Wage outcomes in the public and (to a lesser degree) private sector; and
- the principles of wage determination and decisions of the Australian Industrial Relations Commission.

In previous years, the Tribunal has used the Australian Bureau of Statistics' (the ABS) Average Weekly Ordinary Time Earnings (AWOTE) index as its principal indicator of wage movement. In February 2001, the ABS announced that it was replacing AWOTE with the WCI as its principal wages indicator. The Tribunal has considered the rationale for the change and agrees that the WCI is a more appropriate source of data and has therefore agreed also to adopt it as its principal indicator of wage movement.

After taking into account the relevant indicators the Tribunal has determined that both adjustments (PEO band maximums and reference salaries) should be increased by 3.9%. The actual increase may be slightly higher due to the effects of rounding (all numbers are rounded up to the nearest \$100).

### **More Information**

4. Determination 2001/16 will be tabled in Parliament, as required by sub-section 7(7) of the *Remuneration Tribunal Act 1973*. It will also be made available on the Tribunal's web-site at [www.finance.gov.au/remtribunal](http://www.finance.gov.au/remtribunal).