

REPORT ON SENATORS AND MEMBERS OF PARLIAMENT, MINISTERS AND HOLDERS OF PARLIAMENTARY OFFICE – SALARIES AND ALLOWANCES FOR EXPENSES OF OFFICE – DECEMBER 1999

Consistent with the requirements of the *Remuneration Tribunal Act 1973*, the Tribunal has pleasure in presenting its 1999 report on parliamentarians' remuneration and allowances for expenses of office.

This report is wider in scope than other recent Tribunal reports on these issues. Amendments to the *Remuneration Tribunal Act 1973* and the *Remuneration and Allowances Act 1990* in the recent package of the public service reform legislation have broadened the Tribunal's role. This report addresses:

- the salary of Senators and Members;
- the additional salaries of Ministers and other office holders of the Parliament; and
- allowances relating to expenses of office, including transportation and postage.

Federal parliamentarians have not had a pay increase since October 1996. Past increases in parliamentary remuneration and allowances have been greeted with harsh criticism by some sections of the community. They have attracted a level of publicity that is usually reserved for major events. The persistence of such attitudes seems to be a curious feature of Australian political life. We expect our politicians to work hard and over long hours for the public good, to be astute leaders and legislators, and to manage the affairs of our nation with vision and the highest degree of integrity. Yet there is often adverse reaction when asked to remunerate them at an appropriate level.

There is no reason to deny parliamentarians access to pay increases that are available to other sections of the community. Indeed, it is the Tribunal's job to ensure that parliamentarians are properly paid for the work that they do and properly resourced to perform their public functions.

In considering the remuneration and allowances of parliamentarians, the Tribunal has considered:

- the nature of the job of a parliamentarian;
- the conditions under which the work is performed;
- how the job compares with the similar jobs in the marketplace; and
- the principles governing workplace relations policies.

Process

The Tribunal wrote to all Senators and Members in December 1998 to advise that it had commenced its annual review of allowances and to invite submissions. It received a number of individual submissions on allowances during the year, as it did submissions from both of the major parties: the Australian Labor Party on 18 May 1999 and the Government on 15 November 1999.

From 5 December 1999, following the enactment of the Government's public service reform legislation, the Tribunal has a formal role in advising the Minister for Finance and Administration on an appropriate base salary for Senators and Members of the Federal Parliament. The Tribunal cannot issue a determination on this matter – it can only provide advice, as it does on the additional salaries

payable to Ministers. The Government can choose to accept or reject the Tribunal's advice on these matters and must undertake the necessary action to bring the Tribunal's recommendations into force.

In its submission, the Government has asked the Tribunal to:

- report on the current base salary for Senators and Members and how it might be adjusted in the future;
- review and report on the additional salaries for Ministers and parliamentary office holders; and
- consider a number of issues to do with allowances for expenses of office.

The Tribunal has decided to deal with all of these issues in the one statement. These issues need to be resolved through different mechanisms – some through decision of Government, others through regulations made by the Governor-General or Determinations issued by the Tribunal - but they are interconnected. The Tribunal contends that the way in which public money is allocated between remuneration and allowances for expenses of office for our elected representatives needs to reflect our representative system of Government and our high expectations of the role parliamentarians play.

Tribunal's approach

The Tribunal recognises that parliamentarians, in order to serve their electorates properly, must attend to legislative duties and be actively involved in the life of their electorates and in political party activities. These activities, only some of which are resourced by the Commonwealth, are nevertheless part and parcel of the life of Senators and Members. They affect the focus of their energies and the way in which they work.

In framing its recommendations, the Tribunal has had regard to these diverse pressures and to a range of considerations, including:

Remuneration issues

- *Work value* – the complexity of the work of Senators and Members, Ministers and parliamentary office holders, their responsibilities and accountabilities, and their contribution to a better governed and more prosperous nation.
- *Productivity* – the range of duties undertaken by Senators and Members, Ministers and parliamentary office holders and changes in the quantity and quality of the various key outputs they deliver, including legislative, executive and management outputs.
- *Total remuneration* – in considering the salaries of Senators and Members, Ministers and parliamentary office holders, the Tribunal has taken into account their total remuneration package, which includes superannuation and a private-plated motor vehicle.
- *Community wage and salary movements* and remuneration trends in specific market segments, especially the public sector.

Allowances for expenses of office

- *Flexibility* – allowances must be sufficiently flexible to recognise the varying needs of different electorates and to allow Senators and Members to respond to these needs. The Tribunal is committed to ensuring that, over time, it can deliver Senators and Members greater flexibility in how they can utilise their expenses of office within appropriate parameters.
- *Accountability* – the expenditure of public funds by Senators and Members must at least meet the normal standards of accountability that apply to the expenditure of public funds in general and may sometimes be subject to other arrangements.
- *Fairness* – allowances should be structured to preclude any real or imputed favour to any particular parliamentary grouping or party.
- *Supporting quality service* – allowances should support Senators and Members in providing quality services to their constituents as their elected representatives.
- *Work/family balance* – allowances should be structured to support Senators and Members in achieving a better integration of work and family responsibilities and should reconcile their family commitments with their formal duties, which require frequent and prolonged absences from their families and their family home.

SALARIES

Salaries of Senators and Members

The Tribunal has been asked to report on the current base salary for Senators and Members and to identify a reference salary and a mechanism for adjusting parliamentarians' salaries.

Under the *Remuneration and Allowances Act 1990*, the salary for Senators and Members is linked to the minimum award salary of a middle ranking senior executive in the Australian Public Service. This link was consistent with the findings of a detailed work value analysis conducted for the Tribunal in 1988 by Mercer Cullen Egan Dell, and tested again in 1999.

A middle ranking senior executive is designated in the legislation as a Senior Executive Service (SES) Band 2, and the salary point for parliamentarians is the minimum salary for a public servant at that level. The SES Band 2 award salary has been frozen at \$81,856 a year since 17 October 1996, as SES officers now obtain pay rises through workplace agreements. Although not strictly comparable, public servants at the 25% quartile point in this Band are currently paid a base salary of around \$102,000 a year.

Following amendments to the *Remuneration and Allowances Act 1990* as part of the public service reform legislation, the Government now has a choice in creating a linkage point for the base salary of Senators and Members. It may leave the

existing link in place to SES Band 2 officers, or prescribe a new reference salary that is up to 100 per cent of either:

- the annual salary of a public office; or
- a salary identified as the reference salary for principal executive officer.

In framing its recommendations, the Tribunal has considered wages growth during the period October 1996 to October 1999. Since October 1996, Mercer Cull Egan Dell's comparable general community market rates have moved between 14 and 17 per cent and increases in the Average Weekly Ordinary Time Earnings (AWOTE) index, published quarterly by the Australian Bureau of Statistics, have totalled 9.5 per cent. Over the same period, the Tribunal has awarded increases of 8.5 per cent to full-time public office holders, 11 per cent to judges and 13.5 per cent to departmental secretaries.

The Tribunal is conscious that parliamentarians are expected to model restraint to the rest of the community in the salary increases they accept. The Tribunal has received submissions from parliamentarians that emphasised that they did not wish to be put in a position where they are out of step with broad trends in the community. Against this background, the Tribunal recommends a salary for Senators and Members that reflects movements in the AWOTE index. These movements have been:

- 2.55 per cent for the period November 1996 to June 1997;
- 4.20 per cent for the period July 1997 to June 1998; and
- 2.73 per cent for the period July 1998 to June 1999.

These movements are closely aligned with the three per cent annual wages growth achieved by many workplace agreements in recent years, including those in the Australian Public Service.

As a result, the Tribunal has set a reference salary in Band 1 of its new principal executive office structure of \$90,000 a year, and recommends to the Government that this be adopted as the new base salary for Senators and Members. Consistent with principles the Tribunal has applied generally to salaries in its jurisdiction, it does not recommend any retrospective adjustment of parliamentarians' salaries.

The Tribunal acknowledges that despite the fact that parliamentarians have had no adjustment to their salary for three years, a single increase of this magnitude may be unacceptable to parliamentarians and the public alike. The Tribunal prefers a single increase and recommends that the Government set parliamentarians' base pay at 100% of the reference salary in Band 1 of its new principal executive office structure with effect from the date of this report.

An alternative approach was also put to the Tribunal, which would see the increase introduced in stages. The Tribunal is not attracted to this approach as it extends unreasonably the period that parliamentarians are required to exercise significant wages restraint.

To avert future controversy over parliamentarians' remuneration, the Tribunal recommends an adjustment mechanism that links Senators' and Members' salaries to movements in the AWOTE index. Consistent with agency budgeting and performance reporting cycle of 1 July to 30 June, the Tribunal recommends that in future parliamentarians' salaries be adjusted automatically on 1 July each

year in accordance with AWOTE movements announced during the previous 12 months.

The Tribunal will issue a determination for the beginning of each new financial year to adjust all reference salaries in the new principal executive office structure, together with the maximum salary of each principal executive office band, for movements in the AWOTE index announced in the previous financial year.

The Tribunal notes that the automatic linkages that most States have put in place to take advantage of any increase in federal parliamentarians' salaries will mean that salaries for parliamentarians across Australia will continue to be closely aligned.

Salaries of Ministers and other parliamentary office holders

The Tribunal has also been asked to review and report on the additional salary for Ministers and parliamentary office holders.

The Government wrote to the Tribunal on 30 November 1999 advising that it intended to amend legislation to allow for the appointment of Parliamentary Secretaries as officers under Section 64 of the *Constitution*. This removes the anomalous situation that the Tribunal commented on in its review in 1997, where the roles and responsibilities of Parliamentary Secretaries had developed significantly, but they could not, for Constitutional reason, receive additional salary. Parliamentary Secretaries are bound by Cabinet rules, introduce legislation, attend to administrative and departmental matters and generally represent Ministers. Their appointment under Section 64 of the *Constitution* is consistent with their role and Tribunal's recommendations include a provision for additional salary for such appointments should they be made.

In framing its recommendations on additional salaries for Ministers, the Tribunal has considered ministerial roles and responsibilities and the relativities between Federal and State Ministers. The Tribunal notes again that, because of the way in which most States have linked automatically their Ministers' and other parliamentary office holders' salaries to parliamentarians' base pay, Commonwealth increases will flow through to these positions and current anomalies will remain. For example, State Ministers performing less complex duties than Federal Ministers will continue to earn larger salaries unless some further adjustment is made.

The Tribunal considers that the duties of Ministers and those of political party leadership positions are more extensive, constant and onerous than those of Senators and Members. In recent years, changes in work value have occurred in executive offices as they have had to deal with issues and new roles arising from changes to financial management and accountability legislation and the new accruals-based outcomes and outputs framework. The Tribunal has taken into account the complexity of the task performed by persons occupying these positions and their scope of their responsibility.

The Tribunal ranks the role and responsibilities of Federal Cabinet Ministers above those of State Cabinet Ministers, yet it notes that the average salary for State Cabinet Ministers (excluding the Territories) is \$143,140, whereas a Federal Cabinet Minister has a salary of \$135,775. This means that Federal Cabinet Ministers would need a pay increase of 5.4 per cent to match the average of their state counterparts.

The Tribunal recommends that the Government address these anomalies. It recommends that additional salary for Federal Ministers and Parliamentary office holders be expressed as a percentage of Senators and Members' salary, consistent with the current practice in NSW, Victoria, Western Australia, South Australia and Tasmania. This means that additional salaries will be adjusted at the same time as parliamentarians' base salary.

In moving to a percentage-based approach, the Tribunal recommends minor adjustment to the level of Ministers' and parliamentarians' salaries. These recommended adjustments are shown in Tables 1 and 2 below.

TABLE 1: ADDITIONAL SALARY OF MINISTERS

<i>Office</i>	Existing		Proposed	
	<i>% of Base Salary</i>	<i>\$ a year</i>	<i>% of Base Salary</i>	<i>\$ a year</i>
Prime Minister	150.6%	\$123,309	160.0%	\$144,000
Deputy PM	97.7%	\$80,009	105.0%	\$94,500
Treasurer	79.7%	\$65,209	87.5%	\$78,750
Leader of Govt in the Senate	79.7%	\$65,209	87.5%	\$78,750
Leader of the House	70.7%	\$57,869	75.0%	\$67,500
Other Ministers in Cabinet	65.9%	\$53,919	72.5%	\$65,250
Other Ministers	52.7%	\$43,136	57.5%	\$51,750
Other section 64 officers	-	-	25.0%	\$22,500

Under the proposed arrangements, the additional salaries for Ministers will range from \$144,000 a year for the Prime Minister to \$22,500 a year for other section 64 officers. Cabinet Ministers will receive an additional \$65,250, or a total salary of \$155,250 a year, which is still considerably less than the salaries for Cabinet Ministers in NSW and Victoria. Parliamentary office holders holding leadership positions in the major political parties will have their salaries adjusted on a similar basis to Ministers.

Other parliamentary offices will be rounded to the nearest full percentage. The exceptions are the President of the Senate and the Speaker of the House of Representatives, whose salaries will be increased to ensure that their additional salary remains above that earned by a Cabinet Minister.

TABLE 2: ADDITIONAL SALARIES OF PARLIAMENTARY OFFICE HOLDERS

<i>Office</i>	Existing		Proposed	
	<i>% of Base Salary</i>	<i>\$ a year</i>	<i>% of Base Salary</i>	<i>\$ a year</i>
Leader of the Opposition	77.61%	\$63,528	85.0%	\$76,500
President of the Senate	72.78%	\$59,575	75.0%	\$67,500
Speaker of the House	72.78%	\$59,575	75.0%	\$67,500
Deputy Leader Opposition	51.08%	\$41,811	57.5%	\$51,750
Leader of the Opposition - Senate	51.08%	\$41,811	57.5%	\$51,750
Leader of the Third Party - House	41.40%	\$33,886	45.0%	\$40,500
Leader of non-Government party of 5 or more members	37.48%	\$30,682	42.5%	\$38,250
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Chief Government Whip - House	25.89%	\$21,191	26.0%	\$23,400
Chief Opposition Whip - House	22.83%	\$18,689	23.0%	\$20,700
Deputy President & Chair Senate Cttees	19.97%	\$16,344	20.0%	\$18,000
Deputy Speaker in the House	19.97%	\$16,344	20.0%	\$18,000
Deputy Leader Opposition - Senate	19.17%	\$15,694	20.0%	\$18,000
Government Whip Senate	19.17%	\$15,694	20.0%	\$18,000
Opposition Whip Senate	17.34%	\$14,195	18.0%	\$16,200
Chair - Parliamentary Committees (Level 1)	15.97%	\$13,074	16.0%	\$14,400
Second Deputy Speaker - House	12.94%	\$10,596	13.0%	\$11,700
Government Whip - House	12.94%	\$10,596	13.0%	\$11,700
Opposition Whip - House	11.42%	\$9,344	12.0%	\$10,800
Chair - Parliamentary Committees (Level 2)	10.13%	8,293	11.0%	\$9,900
Leader in the Senate - NP	10.13%	8,293	11.0%	\$9,900
Third Party Whip - House	10.13%	8,293	11.0%	\$9,900
Whip in the Senate of a party of at least 5 members	8.57%	7,015	9.0%	\$8,100
Deputy Government Whip - Senate	4.28%	3,507	5.0%	\$4,500
Deputy Opposition Whip - Senate	4.13%	3,384	5.0%	\$4,500
Whip Senate 2nd-Govt Party Senate	4.13%	3,384	5.0%	\$4,500
Chair - Parliamentary Committees (Level 3)	2.79%	2,284	3.0%	\$2,700
Deputy Opposition Whip - House	2.69%	2,199	3.0%	\$2,700
Member Speaker's Panel - House	2.06%	1,683	3.0%	\$2,700
Deputy Chair - Senate Committees	2.06%	1,683	3.0%	\$2,700
Third Party Whip - House	2.01%	1,648	3.0%	\$2,700

In the interest of preserving relativities between Ministers and parliamentary office holders, the Tribunal will issue a determination in relation to the parliamentary office holders shown in Table 2 once the Government has decided its response to the Tribunal's recommendation on Ministers in Table 1.

ALLOWANCES RELATING TO EXPENSES OF OFFICE

Major issues raised in submissions to the Tribunal included the level of the allowances paid to Members representing the electorates largest in area, charter issues, the introduction of more flexibility within existing entitlements to assist Senators and Members balance their work and family responsibilities and the budget for the Information Delivery Services entitlement. In considering the various submissions put to it, the Tribunal has accepted some proposals, rejected others and made a series of decisions that go to addressing certain issues raised.

Electorate Allowance

Submissions received by the Tribunal sought increases to Electorate Allowance, Charter Transport allowance and travel entitlements within the electorate for the 15 largest-sized electorates to deal with the pressures and difficulties that these Members face in meeting the expectations of their constituents. Electorate Allowance was last adjusted in October 1997 and Charter Transport allowance in January 1998.

Electorate Allowance is an expense of office allowance payable to Senators and Members to reimburse them for costs necessarily incurred in providing services to their constituents. There are three categories of Electorate Allowance for Members based on electorate size, and a single category for Senators. They range from \$26,467 to \$38,380 a year. Expenses expected to be met from the Allowance include attendance at electorate functions; expenditures such as donations to appeals and organisations; presentations for school speech days, sporting clubs, senior citizens awards; replacement of home office facilities and certain travel costs.

The Tribunal acknowledges that there are a number of factors that impact on how Members service their electorates, including geographic and socio-demographic characteristics such as size, language, income, education and age. The Tribunal is not prepared to deal with Electorate Allowance issues only for the electorates largest in size without examining issues relating to all electorates, including those with other special needs.

Electorate Allowance was last reviewed in detail in 1988. To update its understanding of how parliamentarians service their electorates, the services expected by constituents of their elected representatives and expenditure patterns, the Tribunal will examine Electorate Allowance issues in the first half of the year 2000 and provide all Senators and Members with an opportunity to make a submission. In the meantime and consistent with previous practice, the Tribunal has adjusted the annual amounts of Electorate Allowance by 3.1 per cent in line with annual movements in the Consumer Price Index since the last adjustment.

Charter Transport

The Charter Transport allowance enables Members representing electorates of 10,000 square kilometres or more in size, and all Senators except those from the Australian Capital Territory, to travel within their electorate for electorate business purposes where scheduled commercial services are not available or not suitable to the time of travel. There are three levels of Charter Transport allowance for Senators and five for Members, based on the size of the state or electorate they represent. The highest level of Charter Transport allowance is

\$51,3000 a year and the lowest \$8,900. There are currently 35 electorates of 10,000 or more square kilometres and 74 Senators who are eligible for Charter Transport allowance.

The Charter Transport allowance was last adjusted in 1997 by 10 per cent for all categories and again in January 1998 by 16 per cent for electorates of 300,000 square kilometres or more in size and for Senators from the Northern Territory.

Submissions on this issue sought a further increase to the existing entitlement for electorates of 100,000 square kilometres or more and a new entitlement for some electorates of less than 10,000 square kilometres. Other submissions raised the particular circumstances of electorates with inhabited islands or towns that are separated by considerable distances, and the possibility of using the charter travel allowance for car with driver services in home capital or regional cities.

To deal with the full range of issues relating to Charter Transport allowance, the Tribunal will conduct an in depth review of Charter Transport allowance in first half of the year 2000 and provide all Senators and Members with an opportunity to make a submission. In the meanwhile, the Tribunal has adjusted the maximum annual levels of reimbursement in the Charter Transport allowance across the board by 5.7 per cent, based on its survey of cost increases since its last survey of charter operator charges in 1997.

Overnight stays in electorates

Submissions sought an increase to the number of overnight stays for travel within the ten largest electorates. The Tribunal has examined actual usage and supports an increase. It notes that an increase in the existing entitlement may encourage greater efficiency in Charter Transport allowance usage.

Information Delivery Services

The Tribunal has examined issues to do with the Information Delivery Services Allowance, which has not been adjusted since 1991, despite changes in electorate sizes, costs and technology (including the introduction of the Internet). It has decided to increase the size of the Information Delivery Services allowance from \$22,000 to \$25,000 a year.

Balancing Work and Family Life

Consistent with the Tribunal's intention to provide greater flexibility within existing allowances, it will put in place new, cost neutral, arrangements for spouse, nominee and dependent child travel. These build on existing provisions by pooling annually the total value of the spouse, nominee and dependent child(ren) travel entitlement and allowing Senators and Members the discretion to use the pool for family travel within Australia. The new pooling arrangements will accommodate and recognise the range of modern families.

In addition, a dependent child may now accompany their parents on Charter Transport where such travel is cost neutral. These changes, will allow Senators and Members to better balance their work and family responsibilities and represent a practical way of reconciling the need for parliamentarians to be away from home for long periods with their family obligations.

Other matters

The Tribunal has discussed the introduction of limited overseas travel for Opposition shadow ministers. The Opposition is, in effect, the alternative Government, and those who occupy positions dealing with a number of key portfolio areas – for example, financial services and regulation, trade and foreign affairs – should have the opportunity to inform themselves of overseas developments in an increasingly global economy. One possible arrangement is for the Leader of the Opposition to be provided with an annual overseas travel budget, which he would administer. This reflects the approach that occurs in the Government, where the Prime Minister approves overseas travel by Ministers. The Tribunal will consider options in relation to this proposal in the New Year.

The Tribunal has agreed to a small number of other changes to make consistent or clarify existing allowances. These will be contained in the Determination on allowances and entitlements to be issued shortly by the Tribunal.

The Tribunal declined to determine a number of issues raised in submissions. These included providing for additional mobile phones, providing for meal costs in certain circumstances and extending existing travel arrangements for some offices.

Conclusion and future issues

The Tribunal has recommended a new salary for Senators and Members based on work value and community wage and salary movements. Should the Government accept the Tribunal's finding and regulate a new salary of \$90,000 a year, the Tribunal is satisfied that the total remuneration package for Senators and Members (salary, superannuation and vehicle) is now competitive.

In the future, the Tribunal will consider options for introducing a total remuneration approach for Senators and Members, including salary packaging. The Tribunal recognises that this may take time, as it will need to consider a range of complex issues, including the constraints posed by the current parliamentary superannuation scheme, public accountability and transparency. Nevertheless, the time has come to align parliamentary remuneration with broad community practice. Consistent with the approach adopted by the Tribunal for other public offices, it will also consider productivity and performance issues.

Against this background, the Tribunal intends to issue a single, plain English determination covering all parliamentary allowances in the first half of next year. In simplifying its determination, the Tribunal intends to make a clear distinction between those components, which make up the remuneration of Senators and Members, and allowances relating to expenses of office.

As advised above, the Tribunal will conduct a major review of Electorate Allowance and Charter Transport allowance in the first half of the year 2000 to examine whether the nature and structure of these allowances continue to meet the needs of Senators and Members.

