

REMUNERATION TRIBUNAL

ANNUAL REPORT

1997/98

The Honourable the Minister for Finance and Administration:

Pursuant to Section 12AA of the *Remuneration Tribunal Act 1973* the Remuneration Tribunal furnishes the attached report on the operations of the Tribunal for the year ended 30 June 1998.

Dated this 12th day of November 1998.

Richard G Humphry AO

John C Conde AO

Trevor Kennedy AM

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REMUNERATION TRIBUNAL

Introduction

Membership

The Tribunal comprises three part-time members, appointed for a period of five years.

Mr R G Humphry AO was appointed as President on 4 March 1998, Mr J C Conde AO appointed as member on 18 June 1998 and Mr T J Kennedy AM was appointed as member on 5 September 1995.

Professor S F Harris AO was President of the Tribunal from 12 February 1993 until 3 March 1998 and Mr G Gleeson AC was a member of the Tribunal from 12 February 1993 until 11 February 1998.

Powers and Functions

The Tribunal's powers derive from the *Remuneration Tribunal Act 1973*. Its functions are to inquire into and determine or report upon the following:

- allowances and entitlements of members of federal Parliament;
- additional salary for Ministers and Parliamentary office holders;
- remuneration of Judges of federal courts;
- remuneration of Secretaries of Departments and most full-time and part-time holders of public offices.

The Tribunal also advises Boards and Ministers on the remuneration of Chief Executive Officers of certain Government Business Enterprises.

In conducting its inquiries, the Tribunal is empowered to inquire into and determine or report upon matters significantly related to the above matters. The Tribunal is required to conduct annual reviews and inquire into new matters referred to it by the Minister for Finance and Administration. It is also required, as soon as practicable, but without prejudice to its obligations to conduct annual reviews, to consider matters where significant changes have occurred since it last made a determination.

Ministers Powers in Relation to the Tribunal

The Minister is responsible for referring matters to the Tribunal in accordance with sub-sections 3(4) and 7(4) of the Act and tabling the Tribunal's reports and determinations in the Parliament in accordance with sub-sections 7(7) and 12AA(1) of the Act. The Tribunal's reports and determinations are required to be laid before each House of the Parliament within 15 sitting days and can be disapproved by resolution of either House.

Overview of Principal Activities

In the period 1 July 1997 to 30 June 1998 the Tribunal considered 33 submissions covering new public offices and 46 submissions seeking reconsideration of entitlements where significant changes to the nature of the work had occurred. The Minister tabled 1 report and 18 Tribunal determinations in the Parliament. None of the reports and determinations were disallowed.

The following outlines the Tribunal's principal activities for 1997/98 for the groups within its jurisdiction:

Members of the Parliament - Ministers' Additional Salary

In 1996/97 the Government accepted the Tribunal's report that alterations to the additional salaries for Ministers should be made from time to time by the same percentage amount as those made to senators' and members' base salary.

The base salary for senators and members is currently linked by legislation to that of the Senior Executive Service (SES) Band 2 level in the Australian Public Service. Since 17 October 1996 the SES Band 2 salary has remained fixed at \$81,856 per annum and any adjustments to SES salaries are being achieved through workplace agreements.

In reporting to the Minister in 1997/98 (Report 1 of 1997) the Tribunal recommended no alterations to Ministers' additional salaries as no increases had been made to senators' and members' base salary.

Members of the Parliament - Allowances and Entitlements

Determination 14 of 1997 concluded a review of the functions of the Chairman of the Joint Standing Committee on Treaties, the Whip of the second Government Party in the Senate and the Deputy Opposition Whip in the Senate. The determination introduced new functional allowances and amended definitions in order to clarify the purpose of the entitlements.

Determinations 1, 2, 3 and 10 of 1998 concluded a review of senators' and members' entitlements to expenses of office, transportation and postage allowances. In conducting this review the Tribunal's guiding principle was to provide greater flexibility where this sat comfortably with accountability, transparency and due economy.

The main changes introduced by the determinations were:

- adjustments to expenses of office entitlements to reflect actual costs;
- additional flexibility for dependent children when travelling to and from Canberra;
- more stringent reporting requirements for overseas travel; and

- greater flexibility in the use of existing entitlements for vehicles and postage services.

Determination 16 of 1998 issued on 26 June 1998 concluded an inquiry into a more practicable and accountable payment arrangement for the postage entitlements of Members of the Parliament. The determination introduced new provisions allowing for the carry-over of entitlements from one financial year to the next, limiting the amount of carry over to one financial year's entitlement.

Members of the Parliament - Travelling Allowances

In October 1997, following a reference from the Prime Minister, the Tribunal conducted an inquiry into the method of paying travelling allowances to Members of the Parliament. The inquiry arose from claims of misuse of entitlements and significant coverage in the media and debate in the Parliament.

The Tribunal found that the problems in the administration of travelling allowances had arisen in two contexts. Firstly, the inadequacy of checks on whether, and when, the travel actually took place and secondly, the possibility that claims were being made which, although strictly consistent with the existing requirements, were above the costs which would have been incurred in the circumstances. In this context, Determinations 8, 9 and 10 of 1998 introduced the following main changes to the travelling allowance system:

- a verification system for travel to and from Canberra;
- different rates covering the use of private and commercial accommodation outside of Canberra;
- new definitions for the application of capital city rates; and
- a 60 day limit on the date for the submission of claims.

In concluding the review the Tribunal stated that while it recognised that the system needed to be tightly administered, it did not wish to put in place a system so rigorous that it unnecessarily inhibited senators and members from achieving effective parliamentary and electorate outcomes. The Tribunal has undertaken to review the system and the clarity of its determinations during 1998/99.

Judges and Related Offices

Determination 12 of 1997 concluded a review of judicial remuneration by determining an adjustment of 4.5% from 19 August 1997. The Tribunal took the following factors into account in conducting the review: judicial independence, recruitment and retention of judges, productivity, remuneration comparisons and economic circumstances.

In determining the increase, the Tribunal noted that the salaries of Federal and Family Court judges remained below the levels paid in some State jurisdictions and this factor would be considered further in its 1998/99 review.

Departmental Secretaries and Full-time Statutory Office Holders

Under sub-section 5(1) of the Act, the Tribunal is required to consider the prevailing wage fixing principles and decisions of the Australian Industrial Relations Commission. Since the commencement of the *Workplace Relations Act 1996* the focus has been primarily on the award safety net and the principles and decisions no longer provide direct guidance to the Tribunal.

The Tribunal therefore draws upon the following factors as a guide to its decision-making:

- the role and performance of executives in establishing policies and driving and overseeing practices which result in productivity improvements;
- the ability of the Commonwealth to retain and recruit persons with the necessary qualities and skills;
- executive remuneration movements in the private sector and in State and Territory public sectors;
- adjustments resulting from agreement-making at agency or workplace level in Commonwealth bodies; and
- economic indicators and the need for due economy in Government expenditure.

The Tribunal has for some time recognised that the remuneration framework covering the Commonwealth's most senior executives and statutory office holders is somewhat restrictive. It has previously reported that it sees a need for pay arrangements to provide greater scope for salary packaging, linkages to performance outcomes and acknowledgement of total employment cost.

While recognising that the Tribunal has an important role to play in deciding appropriate pay levels, the requirement for precisely determined amounts for each office appears less of an imperative in cases where the full disclosure of executive remuneration is required in annual reports.

In June 1996 the Government introduced new public service legislation into the Parliament which proposed changes in the way the remuneration of Departmental Secretaries and statutory office holders had to date been fixed. The changes would see the Tribunal determining a general remuneration framework and primarily becoming an advisory body for these offices.

In July 1997, the Tribunal made an interim adjustment of 1.5% to base salaries of Departmental Secretaries and full-time Statutory Office Holders (Determination 7 of 1997). The interim increase took into account developments in workplace bargaining and agency restructuring activity since October 1996.

The Tribunal has commenced a comprehensive inquiry into a new remuneration framework to cover these offices.

Part-time Statutory Office-holders

This category covers part-time members of the Boards of Government Business Enterprises (GBEs) and Commissions, Councils, Committees and Tribunals.

Determination 16 of 1997 adjusted annual and daily sitting fees from 17 October 1997 by an average of 4%. The review took into account the role played by members of Commonwealth bodies in overseeing and providing strategic direction to the process of economic restructuring and productivity improvement, market factors and the additional responsibilities and personal liabilities flowing from legislative changes.

Government Business Enterprises

The Tribunal provided advice to Ministers and Boards of Government Business Enterprises and Statutory Corporations on the salary packages of their Chief Executive Officers as required under sub-section 5(2) of the Act.

In recommending appropriate salary packages for new CEO positions, the Tribunal takes a total employment cost approach, providing advice on the proportion of the salary package to be linked to performance, the level of employer contribution to superannuation and appropriate market benchmarks.

In advising on annual adjustments for existing CEO positions, the Tribunal generally considered increases in the order of between 4% and 5% to be appropriate. This advice was based on comparisons with private sector median increases for senior management positions of around 5.6% and growth in Average Weekly Ordinary Time Earnings (AWOTE) of 4.6%. The Tribunal sought evidence of significantly changed circumstances before advising on increases above 5%.

The Tribunal provided advice to the Minister for Primary Industries and Energy on an index percentage to be applied by Research and Development Corporations when conducting annual reviews of the remuneration of Executive Directors. The Tribunal recommended that in general increases should take into account improvements in productivity and amount to up to 4%.

Administration

Administrative Responsibility

On 18 February 1998 administrative responsibility for the Tribunal was transferred by Administrative Arrangements Orders from the Minister for Workplace Relations and Small Business to the Minister for Finance and Administration.

Members' Fees

The annual fees paid to Tribunal members are prescribed in the Remuneration Tribunal (Members' Fees and Allowances) Regulations which were last amended by Statutory Rule No. 1997/50 made on 5 March 1997. The prescribed annual fees are \$49,936 for the President and \$23,330 for the members.

Funding for Administration and Secretariat Services

Funding for administration and secretariat services for the Tribunal in 1997/98 is reported in the Public Sector Workplace Relations Program of the Department of Workplace Relations and Small Business and, following the transfer of administrative responsibility to the Minister for Finance and Administration, the Resource Management Framework Program of the Department of Finance and Administration.

Freedom of Information

The powers and functions of the Tribunal are outlined in the introduction to this report. FOI procedures are in accordance with those reported in the Annual Report of the Department of Finance and Administration. Inquiries on FOI matters may be made to the following:

Administrative Law Officer
Department of Finance and Administration
Newlands Street
PARKES ACT 2600
(Telephone) 02 6263 2646.

Publications

The Tribunal produces a report containing its decisions each calendar year. The 1997 publication, *Remuneration Tribunal 1997 Decisions and Reports*, is available through the Australian Government Information Shops.

The Tribunal's reports and determinations appear under the Remuneration Tribunal on the homepage of the internet site of the Department of Finance and Administration at <http://www.dofa.gov.au>.

The Tribunal can be contacted at the following postal address and telephone contact number:

The Secretary
Remuneration Tribunal
PO Box 281
Civic Square
CANBERRA CITY ACT 2608
(Telephone 02 6275 4350, Facsimile 02 6275 4352)