



REMUNERATION TRIBUNAL

October 2000

The Hon John Fahey MP
Minister for Finance and Administration
Parliament House
CANBERRA ACT 2600

Dear Minister

ANNUAL REPORT 1999–2000

We have pleasure in presenting you the Tribunal's annual report for 1999–2000. Section 12AA(2) of the *Remuneration Tribunal Act 1973* (the Act) requires you to cause a copy of this report to be laid before each House of Parliament within 15 sitting days of receipt.

In accordance with the Act, this report addresses the operations of the Tribunal in its determining and advisory jurisdictions over the year to 30 June 2000. The activities of the Tribunal are resourced by the Department of Finance and Administration (DOFA) under its Outcome 2 – Improved and More Efficient Government Operations.

Strategic Framework

The Tribunal has developed a strategic work plan for 2000-2002 to guide its activities and its decision making. The Tribunal has set itself the target of putting in place a Commonwealth remuneration framework that:

- supports a high performing Commonwealth public sector;
- attracts and retains the best quality people;
- supports the accountability structure of the Commonwealth;
- is consistent with the Government's broader workplace relations policies; and
- has the confidence of the Government and the nation by being independent, cost effective, competitive, flexible and transparent.

An outline of the strategic work plan appears at Appendix 1 to this report.

Ministerial and parliamentary remuneration

The current system of parliamentary remuneration continues to be set out in some six main pieces of legislation. Within this system, the Tribunal determines certain allowances for all 224 federal Senators and Members of Parliament, and the additional salary of up to 42 Ministers and holders of 43 Parliamentary offices. Many issues to do with parliamentary entitlements, however, are outside of the jurisdiction

of the Tribunal, and are determined either by the Government, through the Special Minister of State, or by the Parliament itself.

The year 1999-2000 saw amendments to the *Remuneration and Allowances Act 1990* and the *Ministers of State Act 1952*. These amendments expanded the Tribunal's advisory role to encompass the base salary for federal Senators and Members and the additional salary for a new group of Ministers designated as Parliamentary Secretary. The Tribunal also recommended a way forward on the salaries of Senators, Members and office holders, which had been effectively frozen since October 1996.

As required by the Act, the Tribunal reviewed a range of parliamentary remuneration and allowances during 1999-2000, and:

- Recommended a 9.95% increase to the base salary of Senators and Members to \$90,000 per annum (which the Government accepted and implemented in two stages – 4.45% from 7 December 1999 and 5.5% from 1 July 2000);
- Determined a range of increases from 0.2% to 7.4% for Ministers and holders of Parliamentary office, and a new additional salary rate for Parliamentary Secretaries, which it linked to the base salary of Senators and Members;
- Established a link for the base salary of Senators and Members to a reference salary in its Principal Executive Office structure, with provisions for the reference salary to be reviewed for 1 July each year following consideration of issues including general community salary movements as measured by the Average Weekly Ordinary Times Earnings (AWOTE) index;
- Adjusted the level of Electorate Allowance, Charter Allowance and the Information Delivery Services for CPI and/or price movements; increased the cap for the number of overnight stays away from home in larger electorates; and streamlined provision for residential telephones and privately-plated motor vehicles; and
- Put in place new arrangements for domestic travel (both scheduled and charter) to allow Senators and Members to better balance their parliamentary and family responsibilities.

In addition, the Tribunal conducted a detailed review of Electorate Allowance, Charter Allowance and issues to do with large electorates, which were close to finalisation at the end of the reporting year.

In handing down its various determinations, the Tribunal has sought, where appropriate, to introduce flexibility into existing entitlements for Senators and Members. In many cases, it has been able to do this within existing budget caps. The Tribunal's view is that a reasonably high degree of flexibility in entitlements will assist Senators and Members to make their own judgements about how to best serve their constituents and meet the needs of diverse electorates.

Judicial remuneration

The current system of judicial remuneration is set out in three main pieces of legislation. The Tribunal initiated a change of approach in the way it deals with judicial remuneration. Firstly, as a result of its 1999 review (the annual review required by the Act), the Tribunal consolidated all judicial and related offices into one determination. The salaries of judicial office holders, the administrative staff of the

various federal courts and the salaries of administrative tribunals can now be dealt with in the one cycle of decision making. Secondly, the Tribunal signalled that in the future it will consider productivity, accountability and responsiveness issues, and issues of performance. By addressing performance issues in their submissions for the 2000 review of judicial salaries, the courts have provided good quality information that will help the Tribunal conclude its current deliberations and prepare for a major review of judicial and related offices, which it has announced it will undertake in 2001.

During the course of the year, the Parliament passed the *Federal Magistrates Act 1999*. The Tribunal determined the base salary and other conditions of service for the Chief Federal Magistrate, Federal Magistrates and the CEO of the Court in December 1999. In its 1999 annual review of aspects of judicial remuneration, the Tribunal determined a 4% increase in the base salary for all judicial offices.

Judicial remuneration has continued to improve in real terms and is trending higher than general community salaries growth and just below executive salary movements. High quality candidates continue to accept judicial appointment, including to the new Federal Magistrates Court, and judges continue to serve close to the statutory retirement age of 70 years. The Tribunal notes the views expressed by some Courts that these indicators are volatile and that care needs to be taken to ensure that remuneration arrangements continue to attract and retain good quality judges.

The Government has agreed to supplement the budgets of the Federal and Family Courts to reflect Remuneration Tribunal decisions on judges' remuneration.

Public office holders - executive and board remuneration

The *Public Service Act 1999* and amendments to the *Remuneration Tribunal Act* contained in the *Public Employment (Consequential and Transitional) Amendment Act 1999* brought about significant changes to the Tribunal's role in this area. This included the removal of the following full-time offices from the Tribunal's determining jurisdiction and their placement into its advisory jurisdiction:

- Departmental Secretaries; and
- Heads of Executive Agencies.

There are currently 17 Departmental Secretaries. Three Executive Agencies were created in the year 1999-2000.

The legislative changes also allowed the Tribunal to initiate major reform in relation to other full-time public office holders. In December 1999, the Tribunal put in place a new Principal Executive Office (PEO) structure, which is designed to extend to the majority of full-time public office holders and their employing bodies flexibility to negotiate the fine detail of remuneration. The structure incorporates arrangements that currently apply to the Senior Executive Service of the Australian Public Service and to Departmental Secretaries. It allows public office holders to move into a total remuneration environment, with access to salary packaging and performance bonuses. The guidelines for the structure emphasise performance as the key factor in setting remuneration levels.

The Government is responsible for moving offices into this structure. Following representations from the Tribunal, the Government has agreed to amendments to the *Remuneration Tribunal Act* which make clear the relative role of employing

bodies and the Tribunal – in particular, that employing bodies are bound to act within the parameters set by the Tribunal for the PEO structure.

During 1999-2000, the Tribunal reviewed aspects of executive and board remuneration as required by the Act, and determined:

- For full-time office holders – an average 3.2% increase in base salary from 31 March 2000;
- For part-time office holders – an average 3.2% increase in daily or annual fees from 1 March 2000, and a new level of fees for members of Audit Committees and Risk Management Committees; and
- Through the consideration of individual cases, 44 new levels of salary, fees or performance bonus arrangements for new and existing public offices.

Agencies are required to fund pay increases from within their existing budgets.

Other initiatives

The Tribunal initiated a major review of travel arrangements for all offices within its jurisdiction, with a view to consolidating administrative rules and allowance rates and aligning these more closely with general community standards. The Tribunal continued its policy to ensure that its determinations are written in plain English, and that they are based on principles of common sense and equity.

Disclosure of decisions

All Tribunal decisions and reports are a matter of public record and must be tabled in both Houses of Parliament under section 7(7) of the Act. During 1999-2000, the Tribunal issued 1 report and 12 determinations (detailed at Appendix 2). All of these documents:

- Were tabled in both Houses of the Parliament by the Minister for Finance and Administration as the responsible Minister and within the timeframe required by section 7(7) of the Act; and
- Sat before each House of the Parliament for a further 15 sitting days, without a disapproval motion being initiated by any Senator or Member.

An explanatory memorandum accompanies each Tribunal determination. The Senate Standing Committee on Regulations and Ordinances scrutinises every determination of the Tribunal and every regulation issued by the Minister for Finance and Administration under the *Remuneration and Allowances Act 1990* and the *Remuneration Tribunal Act 1973*. The Committee had some comments in 1999-2000 about the information presented in explanatory memoranda, which have been taken into account by the Tribunal.

The Tribunal gives reasons for its decisions in statements that accompany its major determinations. The Tribunal generally takes into account a wide range of factors, including broad economic trends, issues relevant to the employment market, and specific workplace factors such as work value, productivity, recruitment and retention.

Copies of the Tribunal's determinations, statements and other information are available on its website at www.dofa.gov.au/remtribunal. In its first full year of operation, the site scored 13,607 hits.

Administrative and secretariat issues

Mr Trevor Kennedy resigned from the Tribunal on 7 February 2000. Mr Kennedy was appointed to the Tribunal in September 1995 and this contribution was greatly appreciated by his various colleagues over this time. Ms Janet Grieve was appointed to the Tribunal on 12 April 2000. She is the first woman to serve on the Tribunal in its twenty-six year history.

Members' terms of office and their attendance at meetings for the reporting year are as follows:

	<i>Appointment date</i>	<i>Term of office</i>	<i>Meetings held</i>	<i>Meetings attended</i>
Mr Richard Humphry AO	4 March 1998	5 years	6	6
Mr John Conde AO	18 June 1998	5 years	6	4
Mr Trevor Kennedy AM	4 September 1995	Resigned 7 February 2000	4	4
Ms Janet Grieve	12 April 2000	5 years	2	2

In addition to formal meetings, the Tribunal considered matters out-of-session on a regular basis, and consulted various interested parties in person, by telephone and in hearings conducted in Sydney, Canberra, Adelaide and Kalgoorlie. This out-of-session activity made up the large bulk of work for Tribunal members.

Members of the Tribunal are part-time and have a range of business and private interests. From time to time, members of the Tribunal absent themselves from the discussion of certain agenda items where there is the possibility of a real or perceived conflict of interests. Conflict of interest statements are updated on a regular basis.

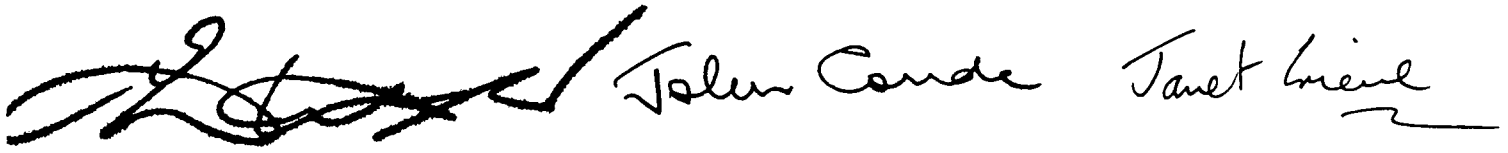
Secretariat services to the Tribunal are provided by DOFA. We would like to acknowledge the high standard of support provided during the course of the year.

Like other parts of DOFA, the Tribunal Secretariat is subject to the *Freedom of Information Act 1982* (FOI Act). One FOI request was received in 1999-2000, which involved a number of other agencies and individuals. FOI requests to the Tribunal Secretariat are handled by DOFA in accordance with its procedures and are reported in the DOFA Annual Report. For the purposes of the FOI Act, we note that the powers and functions of the Tribunal and of the Minister for Finance and Administration are as outlined in this report.

The Tribunal has no matters to report under section 74 of the *Occupational Health and Safety (Commonwealth Employment Act) 1991*, section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* or under the *Commonwealth Electoral Act 1918*.

This concludes the Tribunal's annual report for 1999-2000.

Yours sincerely

The image shows three handwritten signatures in black ink. The first signature on the left is highly stylized and cursive. The second signature in the middle is written in a more legible, cursive script. The third signature on the right is also cursive and appears to be written with a different pen or style.

Richard Humphry
PRESIDENT

John C Conde
MEMBER

Janet Grieve
MEMBER

Appendix 1

Remuneration Tribunal Strategic Work Plan 2000-2002

Objectives

- To put in place and manage a Commonwealth remuneration framework that:
 - supports a high performing Commonwealth public sector;
 - attracts and retains the best quality people;
 - supports the accountability structure of the Commonwealth;
 - is consistent with the Government's broader workplace relations policies; and
 - has the confidence of the Government and the nation by being independent, cost effective, competitive, flexible and transparent.
- To be recognised and utilised as the Commonwealth's leading adviser on public sector executive remuneration issues, valued for its technical excellence and high quality service.

Key operating protocols

To do this, the Tribunal will:

- Recognise and make decisions on the basis of the **total cost of remuneration**.
- Consider opportunities for **salary packaging** and **performance-based pay** as widely as appropriate.
- Regularly **benchmark** the Commonwealth's remuneration framework against **best practice** in other sectors, public and private, nationally and internationally.
- Introduce a **consistent approach to remuneration** across all offices in the Tribunal's jurisdiction.
- Ensure that our determinations are developed in **consultation** with relevant parties, especially employing bodies.
- Issue **determinations** that are clear, simple and written in plain English.
- Institute a program of regular review that goes to **basic principles** of productivity, job complexity and merit, not incremental adjustments.
- Enhance the Secretariat's expertise base and **build partnerships** with market experts in employment law, executive remuneration and communications strategies.

- Promote public understanding of its **independent role** in considering remuneration issues
- Improve **reporting arrangements** for public offices.

The Tribunal recognises the special nature of some of the offices in its jurisdiction, and that particular considerations apply to how these offices are remunerated and the sorts of allowances that are vital to their success. The Tribunal, in all of its deliberations, will continue to be guided by its over-riding obligation to support the effective functioning of the roles of these offices.

Key Deliverables

Tribunal's operating framework

Encourage the Government to keep under review the *Remuneration Tribunal Act 1973* to ensure that it supports and aligns with the *Public Service Act 1999*, the *Financial Management and Accountability Act 1997* and the *Commonwealth Authorities and Companies Act 1997*.

Improve dissemination of Tribunal decisions and presentation of information on the Tribunal's website.

Secretaries and Heads of Executive Agencies

Play an effective role in advising and supporting the new arrangements relating to the remuneration of these offices.

Principal Executive Offices

Manage an effective PEO structure, which supports the Commonwealth's governance framework and is consistent with the Government's objectives for a high performing and accountable Commonwealth public sector.

Support the Government's role in moving offices into the PEO structure by providing expert assistance and advice.

Support employing bodies in introducing flexible remuneration arrangements that help to attract and retain high quality people without encouraging salaries breakout.

Disseminate best-practice information to assist employing bodies in their role.

Public Office Holders

Support the Government's decision-making process on which offices should be retained in the determining jurisdiction of the Tribunal.

Ensure a consistent approach to remuneration across all offices in the Tribunal's jurisdiction.

Appendix 1

Remuneration Tribunal Strategic Work Plan 2000-2002

Ensure that those offices that remain in the Tribunal's determining jurisdiction have access to flexible and competitive remuneration, and that regular and accurate work-value assessments take place.

Establish data collection arrangements in the new devolved remuneration environment to ensure that the Tribunal continues to have access to broad remuneration data across the whole of Commonwealth.

Senators, Members and Parliamentary Office Holders

Ensure that the new system of parliamentary salary setting (and linkage to AWOTE) is functional and operates smoothly.

Continue to monitor parliamentary work value indicators and broader community salary trends relevant to parliamentarians, Ministers and parliamentary office holders.

Build flexibility into parliamentary allowances to recognise the differing needs of Senators and Members in representing their electorates.

Judicial Office Holders

In conducting a major review of judicial and related offices in 2001, consider total remuneration issues, the introduction of salary packaging and the relevance and appropriateness of performance-based pay.

Consider how the Tribunal can collect relevant productivity and work value information for judicial and related bodies and offices for use in its consideration of remuneration issues.

Consider the impact of the new Federal Magistrates Court on the role and workload of other judicial offices and any remuneration issues that arise.

Travel, leave arrangements and other allowances

Put in place a consolidated set of travel and travelling allowance arrangements for all offices in the Tribunal's jurisdiction.

Establish a regular cycle of review to ensure that travel arrangements reflect accurately the current market situation.

Ensure that other arrangements are flexible and support people in achieving a work-home life balance.

Appendix 2**REMUNERATION TRIBUNAL DETERMINATIONS AND REPORTS 1999–2000**

During 1999–2000, the Remuneration Tribunal issued the following reports and determinations. Copies of these documents can be obtained from:

1. the tabling offices of the Parliament of the Commonwealth of Australia; and
2. the Tribunal's website www.dofa.gov.au/remtribunal

<i>Document</i>	<i>description</i>	<i>Availability on-line#</i>	
2000/05	Amending determination	As signed	
2000/04	Amending determination	As signed	
2000/03	Amending determination	As signed	
2000/02	Amending determination	As signed	
2000/01	Amending determination	As signed	
1999/17	Amending determination	As signed	
1999/16	Principal determination – Parliamentary office holders - Additional salary	As signed	
	Report 1 of 1999 on Senators and Members of Parliament, Ministers and Holders of Parliamentary Office - Salaries and Allowances for Expenses of Office	As signed	
1999/15	Principal determination - Principal Executive Office (PEO) Classification	As signed	Paste-up
1999/14	Amending determination	As signed	
1999/13	Principal determination - Review of Judicial Remuneration	As signed	Paste-up
1999/12	Amending determination	As signed	
1999/11	Individual determination	As signed	

Note about on-line availability of documents

Like legislation, Tribunal determinations are amended from time to time. Current principal determinations are available in "paste-up" or consolidated form as shown above, in hypertext markup (html). Signed copies of determinations, which provide formal authority to pay, are also available in portable document format (pdf). To view these files you need Adobe Acrobat reader version 2 or higher, free from Adobe.