



No. 5 of 2020

REPORT OF THE REMUNERATION TRIBUNAL
2020 REVIEW OF ELECTORATE ALLOWANCES FOR MEMBERS OF THE PARLIAMENT
OF SOUTH AUSTRALIA

INTRODUCTION AND BACKGROUND

1. Section 14 of the *Remuneration Act 1990* (“the Act”) provides that the Remuneration Tribunal (“the Tribunal”) has jurisdiction to determine the remuneration, or a specified part of the remuneration, payable in respect of certain offices, if such jurisdiction is conferred upon the Tribunal by any other Act or by the Governor by proclamation.
2. Section 3A(2) of the *Parliamentary Remuneration Act 1990* (“the PR Act”) confers jurisdiction on the Remuneration Tribunal to make a determination or perform any other function required by the PR Act.
3. Section 4(1)(c) of the PR Act provides that electorate allowances form part of the remuneration of members of Parliament.
4. Section 4(2)(a) of the PR Act provides that the Tribunal must, in determining electorate allowances and other remuneration for members of Parliament, have regard not only to their parliamentary duties, but also to:
 - 4.1. Their duty to be actively involved in community affairs; and
 - 4.2. Their duty to represent and assist their constituents in dealings with governmental and other public agencies and authorities.
5. In 2019, the Tribunal conducted its annual review of electorate allowances for members of Parliament, resulting in a 1.3% increase being applied to the levels of those allowances.

PROCEDURAL HISTORY

6. Section 10(2) of the Act requires that before the making of a Determination affecting the remuneration of a particular person, or persons of a particular class, the Tribunal must allow that person, or persons of that class, a reasonable opportunity to make submissions.
7. Section 10(4) of the Act provides that the Honourable Premier of South Australia (“the Premier”), as the Minister responsible for the Act may intervene, personally or by counsel or other representative, in proceedings before the Tribunal for the purpose of introducing evidence, or making submissions, on any question relevant to the public interest.
8. The Tribunal wrote to the Premier, as the Minister responsible for the Act, and the Members of Parliament on 22 June 2020, notifying of the Tribunal’s intention to conduct

its annual review of Determinations for Members of Parliament. The Tribunal invited written submissions with a closing date of 23 July 2020.

9. Additionally, on 22 June 2020, a notice of the review was placed on the Tribunal's public website.

SUBMISSIONS

10. No submissions were received by the Tribunal in relation to the review to which this Report relates.

NATURE AND PURPOSE OF ELECTORATE ALLOWANCE

11. At the time of this review, paragraph 2 of the Tribunal's Determination¹ in relation to electorate allowances contains the following text in relation to the purpose of the Electorate Allowance:

"There shall be payable to a member of Parliament, in respect of the expenses associated with discharging duties in the electoral district the member represents, an electorate allowance at the following annual rate."

12. The Tribunal notes that the type of remuneration determined within the Tribunal's Electorate Allowance Determination is not *salary* but rather an *allowance*. The Tribunal considers that the payment of an electorate *allowance* is distinct from *salary* in that the allowance is provided for the purpose of meeting expenses in relation to a Member's parliamentary, electoral or community duties. The allowance is payable regardless of the actual amounts of such expenses incurred. Definitions of parliamentary, electoral or community duties have been included within the Tribunal's Determination.
13. In the course of this review, the Tribunal has considered whether party political duties are an appropriate and reasonable use of the electorate allowance payable to Members of Parliament. The Tribunal is of the view that the electorate allowance is not provided for party political purposes and that the electorate allowance should be directed at benefits in relation to a Member's electorate. The Tribunal has included provisions to that effect within its accompanying Determination.
14. The Tribunal has made the observation that Electorate Allowance forms part of a Member of Parliament's remuneration and Members in receipt of Electorate Allowance may receive a tax deduction against that allowance for permissible expenses subject to the applicable Australian Taxation Office Tax Ruling² for Members of Parliament ("the ATO ruling"). That said, however, taxation arrangements are strictly a matter between the Member and the ATO and the Tribunal has no official mandate in relation to taxation.
15. The Tribunal notes that the terms of its Determination for Electorate Allowance provide Members of Parliament with flexibility and discretion in relation to the nature and types of parliamentary, electoral or community expenses that may be met by the allowance. Allocation of such expenses against the Electorate Allowance is therefore a matter for each Member, according to the unique circumstances of their individual electorates, which differ greatly according to a varying range of factors.
16. The Tribunal is aware that, due to a range of circumstances, some Members of Parliament may in practice not expend all of the annual amount of Electorate Allowance provided in any given year, whilst such expenditure of other Members may exceed the amount of Electorate Allowance provided any given year. This is comparable with Electorate Allowance arrangements in other jurisdictions throughout Australia, which presumably contemplate the differing circumstances of each electorate, and the differing levels of parliamentary, electoral or community expenditure required from year to year depending on the needs of the electorate. Whilst the Tribunal considers this flexibility

¹ Remuneration Tribunal Determination 6 of 2019 – Electorate Allowances for Members of the Parliament of South Australia

² TR/1999/10 – Income tax and fridge benefits tax: Members of Parliament – allowances, reimbursements, donations and gifts, benefits, deductions and recoupment.

and discretion to be appropriate, Members must have due regard for the purpose of the allowance within the Tribunal's accompanying Determination.

ECONOMIC DATA

17. In considering the appropriate levels of Electorate Allowance, the Tribunal has given due regard to a range of economic data, which are set out below.

ABS Consumer Price Index

18. The latest Consumer Price Index ("CPI") data for the year ending June 2020 reflects **-1.0%** (annualised decrease) in the all groups Adelaide index.

ABS Wage Price Index

19. The latest Wage Price Index ("WPI") data the year ending June 2020 reflects an increase of **2.2%** (annualised increase) for the Public Sector in South Australia.

Reserve Bank of Australia - Statement on Monetary Policy – Economic Outlook – August 2020:

20. RBA inflation forecasts for the year ending:

- December 2020: 1.25%
- June 2021: 3.0%
- December 2021: 1.0%
- June 2022: 1.25%
- December 2022: 1.5%

Reserve Bank of Australia, Monetary Policy Decision, 4 August 2020

21. *"The Australian economy is going through a very difficult period and is experiencing the biggest contraction since the 1930s. As difficult as this is, the downturn is not as severe as earlier expected and a recovery is now underway in most of Australia. This recovery is, however, likely to be both uneven and bumpy, with the coronavirus outbreak in Victoria having a major effect on the Victorian economy. Given the uncertainties about the overall outlook, the Board considered a range of scenarios at its meeting. In the baseline scenario, output falls by 6 per cent over 2020 and then grows by 5 per cent over the following year. In this scenario, the unemployment rate rises to around 10 per cent later in 2020 due to further job losses in Victoria and more people elsewhere in Australia looking for jobs. Over the following couple of years, the unemployment rate is expected to decline gradually to around 7 per cent."*

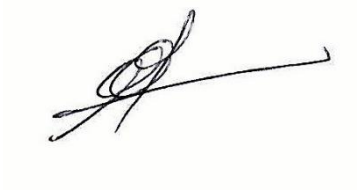
CONCLUSION

22. The Tribunal has had due regard to the necessary statutory considerations under section 4(2)(a) of the PR Act. Those considerations include the nature of parliamentary duties, the duty for Members of Parliament to be actively involved in community affairs, and the duty for Members of Parliament to represent and assist their constituents in dealings with governmental and other public agencies and authorities.

23. The Tribunal has concluded that the economic and social circumstances of the State at the time of this review are such that the Tribunal is unable to establish a sound basis for an increase to the Electorate Allowance payable to Members of Parliament.

24. Accordingly, the Tribunal has concluded that the rates of Electorate Allowances applicable will not be increased on this occasion.

25. The Tribunal will issue the accompanying Determination 5 of 2020, which provides definitions in relation the nature and purpose of the Electorate Allowance.



Matthew O'Callaghan
PRESIDENT



Peter Alexander
MEMBER



Pamela Martin
MEMBER

Dated this 7th day of September 2020.