



No. 6 of 2020

REPORT OF THE REMUNERATION TRIBUNAL
2020 REVIEW OF THE COMMON ALLOWANCE FOR MEMBERS OF THE PARLIAMENT
OF SOUTH AUSTRALIA

INTRODUCTION

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 Tribunal to make a Determination or perform any other function required by the PR Act.
3. Section 4AA(3) of the PR Act, provides that the Tribunal must review the common allowance once per year, and if the Tribunal considers it appropriate to do so, the Tribunal may determine an increase to the amount of the Common Allowance.
4. Section 4AA(4) provides that the aggregated amount of the two components of remuneration that comprise the Common Allowance must not exceed \$42,000.

BACKGROUND

5. The Common Allowance was established by the *Parliamentary Remuneration (Determination of Remuneration) Amendment Act 2015* (“the Amending Act”) which amended the *Parliamentary Remuneration Act 1990* (“the PR Act”).
6. The Common Allowance is comprised of two monetary amounts. The first amount is provided as compensation for the loss of the annual travel allowance, metrocard special pass and subsidised or free interstate rail travel. The second amount is provided as compensation for the loss of payments for service as ordinary members of parliamentary committees.
7. The Tribunal has a statutory responsibility under the PR Act to review the amounts of the two components of Common Allowance on an annual basis.
8. The amount of the Common Allowance was last reviewed by the Tribunal in 2019. On that occasion, the Tribunal increased the amount of the Common Allowance having regard to a framework of considerations. The aggregated amount of the increase applied to the Common Allowance on that occasion was 1.74%.
9. In the course of its 2019 review, however, the Tribunal took the position that no commitment was made to automatically link the various components of the Common Allowance to any reference point.

10. The Tribunal continues to maintain its independent discretion in determining an appropriate level of Common Allowance from year to year.

PROCEDURAL HISTORY

11. 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.
12. 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.
13. 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.
14. Additionally, on 22 June 2020, a notice of the review was placed on the Tribunal’s public website.
15. The Tribunal convened for the purpose of hearing oral submissions in relation to this matter on 4 August 2020.

SUBMISSIONS

16. Written and oral submissions in relation to the Common Allowance were received from Mr Mark Parnell MLC. Those submissions are summarised as follows:
 - 16.1. Mr Parnell made a submission to the Tribunal in 2015 when the Common Allowance was introduced, however, Mr Parnell acknowledged the applicable legislation as enacted did not allow the Tribunal to deal with that submission.
 - 16.2. Whilst all Members of Parliament receive a Common Allowance of \$31,376, the degree of overcompensation is greater for Ministers as the abolished entitlements such as travel allowance and free public transport were rarely used, and, in the case of parliamentary committee payments, Ministers generally do not sit on parliamentary committees.
 - 16.3. That the Tribunal should provide advice to the Parliament in relation to the above submissions.
17. No other submissions were received by the Tribunal in relation to the review to which this Report relates.

STATUTORY CONSIDERATIONS

18. The Common Allowance is an allowance, established in 2015 by amending legislation¹, to compensate Members of Parliament for the loss of certain specified entitlements which were abolished at that time.
19. The Tribunal, in its 2015 Report in relation to the Common Allowance², listed the abolished entitlements, as follows:
 - 19.1. An annual travel allowance previously prescribed by Determination 1 of 2012 made by the Tribunal;
 - 19.2. A metrocard special pass for intrastate travel and a limited entitlement to be accompanied by a spouse on such travel;
 - 19.3. Free unlimited interstate rail travel and a limited entitlement to be accompanied by a spouse on such travel; and

¹ *Parliamentary Remuneration (Determination of Remuneration) Amendment Act 2015*

² *Report in relation to Determination 7 of 2015 – Common Allowance for Members of the Parliament of South Australia*

- 19.4. Remuneration for ordinary membership of committees of the parliament.
20. In everyday language, the abolition of specific entitlements or benefits and their replacement by monetary amounts is often referred to as “cashing out” of the entitlements.
21. Relevantly, the PR Act, as amended in 2015, provides that the Common Allowance now forms part of the *basic salary* of a Member of Parliament. That section is set out as follows:

“4AB—Basic salary

The basic salary payable to a member of Parliament is salary at a rate equal to the rate from time to time of the Commonwealth basic salary less \$42 000 plus the common allowance for the relevant year.”

22. The Common Allowance payable to a Member of Parliament is therefore considered to be a payment of remuneration to the Member, as compensation for the above lost entitlements that would have otherwise been provided to the Member, had it not been for the amending legislation abolishing those entitlements.
23. The Tribunal’s role and function in determining the amount of the Common Allowance under the PR Act is limited and specific. The Tribunal is unable to deal with the whole or all aspects of the Common Allowance. The statutory responsibility assigned to the Tribunal is confined to the making of an independent determination of the amount of the Common Allowance, on an annual basis, up to a maximum amount of \$42,000 per annum. The PR Act does not allow the Tribunal to decrease the amount of the Common Allowance. In determining the amount of the Common Allowance, the Tribunal may inform itself in any manner that it thinks fit.
24. At the time this review, the full value of the various components that make up the Common Allowance is \$31,376 per annum, which is comprised of:
- 24.1. \$17,728 for the amount of remuneration as reasonable compensation for the abolition of: annual travel allowance, metrocard special pass and subsidised or free interstate rail travel; and
- 24.2. \$13,648 for the amount of remuneration payable to all Members of Parliament for service as ordinary members on parliamentary committees.

CONSIDERATION

25. The Tribunal has noted that the submission made by Mr Parnell advances proposals which the Tribunal lacks the jurisdiction to deal with. The legislative scheme, as presently enacted, is limited and specific in relation to the Tribunal’s statutory role in setting the amount of the Common Allowance, and confines the Tribunal to conducting annual reviews in order to determine what the appropriate amount of Common Allowance ought to be.
26. In the course of its previous review, in 2019, the Tribunal had regard to movements in the costs of the abolished entitlements, which are scheduled above. The Tribunal is aware that the economic and social circumstances of the State at the time of writing are substantially more difficult than they were 12 months ago, and accordingly requires paramount consideration.
27. For the purpose of this review, the Tribunal has taken into consideration a broad range of economic data, which are outlined below.

ECONOMIC DATA

ABS Consumer Price Index

28. 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

29. 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.

30. 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

31. *“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

32. The Tribunal is of the view that the economic and social circumstances of the State at the present time are such that a sound basis for an increase to the Common Allowance payable to Members of Parliament is unable to be established.
33. Accordingly, the Tribunal has concluded that the amount of the Common Allowance will not be increased on this occasion.
34. The terms of Tribunal Determination 5 of 2019³ shall therefore continue to apply. That Determination shall remain in force until further Determination by the Tribunal.



Matthew O'Callaghan
PRESIDENT



Peter Alexander
MEMBER



Pamela Martin
MEMBER

Dated this 7th day of September 2020.

³ Remuneration Tribunal Determination 5 of 2019 – Common Allowance for Members of the Parliament of South Australia