



No. 7 of 2021

REPORT OF THE REMUNERATION TRIBUNAL
2021 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 2020. On that occasion, the Tribunal provided no increase in the amount of the Common Allowance.

PROCEDURAL HISTORY

9. Section 10(2) of the Act provides that prior to the making of a Determination, the Tribunal must allow an affected person, or persons of an affected class, a reasonable opportunity to make submissions orally or in writing to the Tribunal.

10. Section 10(4) of the Act provides that 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.
11. On 28 June 2021, the Tribunal wrote to the Members of Parliament, notifying of the Tribunal's intention to conduct a review of its Determinations in relation to Members of Parliament. The Tribunal invited written submissions with a closing date of 16 July 2021.
12. On 28 June 2021, the Tribunal wrote to the Honourable Premier of South Australia ("the Premier"), as the Minister responsible for the Act, inviting submissions in the public interest, with a closing date of 16 July 2021.
13. In addition, on 28 June 2021, a public notification of the review was placed on the Tribunal's website.

SUBMISSIONS

14. A submission was received by Ms Frances Bedford, MP who put to the Tribunal the view that it is not essential or necessary for her to receive an increase in the Common Allowance.
15. No other submissions were received by the Tribunal in relation to the review to which this Report relates.

LEGISLATIVE CONSIDERATIONS

16. 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.
17. 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."*

18. 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.
19. 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:
 - 19.1. \$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
 - 19.2. \$13,648 for the amount of remuneration payable to all Members of Parliament for service as ordinary members on parliamentary committees.

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

ECONOMIC DATA

ABS Consumer Price Index

20. The latest Consumer Price Index (“CPI”) data for the year ending June 2021 reflects **2.8%** in the all groups Adelaide index.

ABS Wage Price Index

21. The latest Wage Price Index (“WPI”) data the year ending March 2021 reflects an increase of **1.7%** for the Public Sector in South Australia.

Reserve Bank of Australia - Statement on Monetary Policy – Economic Outlook – August 2021:

22. RBA inflation forecasts for the year ending:

- December 2021: 2.5%
- June 2022: 1.5%
- December 2022: 1.75%
- June 2023: 2%
- December 2023: 2.25%

Reserve Bank of Australia, Monetary Policy Decision, 3 August 2021

23. *“The CPI inflation rate spiked to 3.8 per cent for the year to the June quarter, largely reflecting the unwinding of some earlier COVID-19-related price declines. In underlying terms, inflation remains low, at around 1¾ per cent.*

Looking forward, a pick-up in both wages growth and underlying inflation is expected, but this pick-up is likely to be only gradual. In the Bank’s central scenario, it takes some years for the stronger economy to feed through into wage and price increases that are consistent with the inflation target. In underlying terms, inflation is expected to be 1¾ per cent over 2022 and 2¼ per cent over 2023. One source of uncertainty is the behaviour of wages and prices at the low levels of forecast unemployment, including because it is some decades since Australia has sustained an unemployment rate around 4 per cent.”

CONSIDERATION AND CONCLUSION

24. The Tribunal notes the submission received from Ms Frances Bedford, MP that the Common Allowance not be increased on this occasion. The Tribunal is conscious that, in 2020, the Common Allowance was not increased by the Tribunal due to the effects of the COVID-19 pandemic. The Tribunal acknowledges that many pandemic related challenges remain for the State, but is of the view that a modest increase to the level of the Common Allowance in keeping with inflation is warranted on this occasion.
25. The Tribunal has reviewed the previous framework of considerations used to determine the Common Allowance in the making of Determination 5 of 2019 and is of the view that the disruption brought about by the COVID19 pandemic has changed the use case for that methodology. For example, specific CPI indices used within Determination 5 of 2019 have been severely distorted due to the effects of the pandemic, and certain transportation costs, such as interstate rail, have been restructured to demand based pricing models. The Tribunal will therefore adopt a much more straightforward approach this year by applying an inflationary adjustment.
26. The Tribunal notes the headline inflation figure for Adelaide of 2.8% as quoted by the Australian Bureau of Statistics includes items which have been highly volatile due to the COVID-19 pandemic. In that respect, the Tribunal took the view that the underlying inflation figure of 1.75%, as stated by the Governor of the Reserve Bank of Australia, was a more suitable measure of inflation for present purposes, as underlying inflation excludes short term pandemic related volatility.
27. Accordingly, the Tribunal has concluded that the amount of the Common Allowance shall be increased by 1.75%.

OPERATIVE DATE

28. The accompanying Determination shall have operative effect on and from 1 October 2021.



Matthew O'Callaghan
PRESIDENT



Deborah Black
MEMBER



Peter de Cure
MEMBER

Dated this 20th day of September 2021.