

SECOND READING SPEECH

PARLIAMENTARY SALARIES, SUPERANNUATION AND ALLOWANCES BILL 2012

Lara Giddings MP
Premier

I move – That the Bill now be read for the second time.

Currently the *Parliamentary Salaries, Superannuation and Allowances Act 1973* establishes the process for the setting of salaries, allowances and benefits for Members of the Tasmanian Parliament (MPs).

In 1996, Clauses 3C and 7A of Schedule 1 of the current Act empowered the Full Bench of the Tasmanian Industrial Commission to undertake a determination of:

- an appropriate basic salary for Tasmanian MPs (by reference to a percentage of the salary payable to a Commonwealth parliamentarian); and
- additional salary entitlements for specified office holders (such as the Premier, Ministers, and the Leader of the Opposition).

The determination of the basic salary was made in May 1997 and was accepted in full by the Parliament. It was implemented from 30 June 1996.

The determination was that the basic salary of a Tasmanian MP is to be 85.19 per cent of the basic salary of a Member of the Commonwealth House of Representatives (MHRs).

The current Act also provides for the Auditor-General to be responsible for determining, by 14 July of each year, the salary rate that is the equivalent to this percentage.

The determined salary is calculated by reference to the salary of Commonwealth MHRs at the preceding 30 June and applies from 1 July. This means there is a time lag between the date an increase is paid to Commonwealth MHRs and when that increase flows on to Tasmanian MPs. For example, an increase in the salary of a Commonwealth MHR in August 2010, would not flow to Tasmanian MP salaries until 1 July 2011.

The determination of the additional salary payable to MPs that held certain offices (such as the Premier, Minister, and the Leader of the Opposition) was also

made in May 1997. The amounts of additional salary were specified as percentages of the basic salary. For example, a Minister of the Crown received 70 per cent of his or her basic salary in addition to that basic salary. The full determination of additional salaries was published in the Gazette of 15 May 1997.

In August 2010 the salary of a Commonwealth MHR was increased by 4.2 per cent, which brought it to \$136,640 pa.

Without any legislative intervention this increase would have flowed on to Tasmanian MPs from 1 July 2011 by virtue of the nexus with that Commonwealth salary.

However, Members will recall that in June 2011, this Parliament passed the *Parliamentary Salaries, Superannuation and Allowances Amendment Act 2011* which set the basic salary of Tasmanian MPs for 2011-12 as 102 per cent of the previous year's salary.

The Amendment Act was silent on future years (though there was consideration during the debate on setting the next three increases at 2 per cent). Therefore without any further legislative intervention the basic salary of a

Tasmanian MP from 1 July 2012 will revert to 85.19 per cent of the base salary of a Commonwealth MHR.

There have been other developments affecting the Commonwealth basic salary that are relevant to the determination of the basic salary of Tasmanian MPs.

In 2009, the Commonwealth Government established a Committee chaired by Barbara Belcher AM to review Parliamentary entitlements. This followed a report by the Australian National Audit Office that was critical of parliamentary entitlements. The Commonwealth Government released the report about a review of Parliamentary entitlements (the Belcher Report) in April 2010.

Given the link between the Tasmanian MP and Commonwealth MHR salary some of the Belcher Report recommendations are relevant to our salaries. Of particular note the report recommended that the Commonwealth Government:

- restore the power of the Remuneration Tribunal to determine the parliamentary base salary;

- remove the Parliament's ability to disallow parliamentary remuneration determinations made by the Tribunal; and
- ask the Tribunal to:
 - conduct a work value assessment for federal parliamentary remuneration,
 - re-examine the relativities of the additional salaries paid to ministers and parliamentary office holders and determine an appropriate level of additional salary for shadow ministers,
 - incorporate the base rate of electorate allowance into federal parliamentary salary, and
 - develop suitable arrangements in place of Commonwealth MHRs' higher levels of electorate allowance from the largest electorates.

The Commonwealth Government accepted these (and all other) recommendations and subsequently, the Commonwealth Parliament passed the *Remuneration*

and Other Legislation Amendment Act 2011 (Cwlth), which amended the *Remuneration Tribunal Act 1973 (Cwlth)*, to enable the Tribunal to determine directly the parliamentary base salary.

Since then, in line with the new arrangements, the Tribunal has released its *Initial Report of the Review of the Remuneration of Members of Parliament*. In this report the Tribunal has stated that it intends to determine parliamentary base salary for an MHR to be \$185,000 per annum. This is based on a review of the work of Commonwealth MPs by John Egan and an assessment of work value and market assessment by Mercer.

The Tribunal has not issued this determination yet. This is because it has concerns about the flow on of this increase to retired members of Parliament as a windfall gain in their pensions. Presumably the Tribunal will do so once these flow on issues are resolved.

Without any further legislative action by the Tasmanian Parliament, the Auditor-General will from 1 July 2012 determine what 85.19 per cent of the new Commonwealth salary would be.

Assuming that the Commonwealth Parliament had by then passed the necessary legislation for the Tribunal to confirm its new determination, this would mean the base salary for a Tasmanian MP will be set to \$157,602 per annum; an increase of \$43,736 or 38.4 per cent.

Even if the new determination hadn't been agreed, based on the current Commonwealth MHR salary of \$140,910 per annum, the Tasmanian salary will be set to \$120,041 per annum; an increase of \$6,175 or 5.4 per cent.

Clearly, such increases are beyond community expectations, and in excess of the current wages policy that the Tasmanian Government has established for public servants and other work groups. When our economy is facing significant challenges, and the public sector has been asked to accept wage restraint, it's only fair that MPs take the lead.

In addition the Commonwealth Remuneration Tribunal in its interim report also recommends that the linkage between the remuneration of state and territory parliamentarians and assembly members and the base

salary of Commonwealth parliamentarians should be severed on the basis that this link:

- cannot be justified without a state or territory based work-value assessment similar to that conducted for Commonwealth parliamentarians;
- will include the direct flow-on of increased base salary without the elimination of certain other entitlements paid to Commonwealth parliamentarians, which elimination goes hand-in-hand with the increase in base salary; and
- may not differentiate salaries for superannuation purposes and inappropriately create a flow-on of the increased base salary to defined benefit pension benefits.

Mr Speaker, given this background the Bill I present to the House today is motivated by a desire by the Government to:

- prevent the flow on of increase in salaries to MPs from recent and proposed changes to the salary of Commonwealth parliamentarians;

- establish a reasonable basic salary for MPs, and an appropriate adjustment mechanism, in line with community expectations and the Government's current wages policy for the public service;

- remove the current nexus between the basic salaries of Tasmanian MPs and that of the Commonwealth salary; and
- exclude provisions in the current Act that are now redundant but which enabled the previous determinations about the salaries allowances and benefits payable MPs made by the Tasmanian Industrial Commission, an Allowances Tribunal and two Committees of Review established by order-in-council that have occurred since 1996.

The Bill preserves many provisions of the Act. In particular it continues provisions for:

- the entitlement of members of Parliament to be paid:
 - a basic salary;
 - an additional salary if a member is the Premier, Deputy Premier, Minister of the Crown, Secretary to Cabinet or the holder of other specified offices, with the amount of additional salary that determined by the Tasmanian Industrial Commission and published in the

Gazette on 15 May 1997 or by the Committee of Review (established by order-in-council dated 23 October 1996) and also published in the Gazette on 15 May 1997; and

- allowances and benefits determined by a Second Committee of Review (established by order-in-council dated 1 June 2006) and published in the Gazette on 23 August 2006; and
- the superannuation entitlements of members elected after 1 July 1999 (noting that the superannuation entitlements of members elected before 1 July 1999 are provided by the Retirement Benefits (Parliamentary Superannuation) Regulations 2002).

The Bill provides for new determinations of the basic salary payable to MPs.

In particular the Bill removes the link between the basic salary of Tasmanian MPs and the base salary of Commonwealth MHRs and establishes a link to 95.734 per cent of Level 1 of Range 1 of Band 9 of the General Stream of the Tasmanian State Service Award (the "reference salary").

This equates to the current basic salary of an MP (ie \$113,866 per annum).

The link means that the basic salary will adjust automatically thereafter in line with variations to Tasmanian State Service Award salaries. The effective date of the change will be the date that the reference salary changes (rather than 1 July which is applicable currently).

MPs last received an increase on 1 July 2011, and the new link means that the next increase will be paid in December 2012 (some 18 months later) when the reference salary is due to be increased by 2 per cent.

In relation to the additional salary if a member is the Premier, Deputy Premier, Minister of the Crown, Secretary to Cabinet or the holder of other specified offices, the amounts determined by the Tasmanian Industrial Commission are maintained.

However, the opportunity has been taken to make one small refinement to the provisions about the payment of additional salary and that is in Clause 2 of Part 2 of Schedule 1.

The enhancement made is to provide that if a member holds more than one of the offices specified in Clause 1,

then he or she may only be paid additional salary for one of those offices, not more than one.

The new Clause confirms that a member in these circumstances may be paid the highest of the amount of additional salary applicable to the various offices held by the member.

The Bill also ensures that those allowances and benefits payable to MPs that are specified as monetary amounts (ie the Electorate Allowance and the Motor Vehicle Allowance) are also adjusted in line with, and at the same time as, variations to the basic salary occur.

The Bill obliges the Auditor-General to determine the amount of the basic salary that is to apply when the reference salary (ie Band 9 of the General Stream of the Tasmanian State Service Award) is adjusted and arrange for this amount to be published in the Gazette within 14 days of that change. The Auditor-General is also obliged within that timeframe to determine, and arrange for the publication in the Gazette, the amounts of those allowances and benefits payable to MPs that are specified as monetary amounts which also vary when the reference salary is adjusted.

Mr Speaker, in summary the Parliamentary Salaries, Superannuation and Allowances Bill 2012:

- establishes a new mechanism for determining the parliamentary salaries, and allowances and benefits to which Tasmanian MPs are entitled in a way that removes the link between our salaries and those of Commonwealth parliamentarians;
- preserves the integrity of past determinations by the Industrial Commission and other Committees of Review;
- meets community expectations in relation to MP remuneration; and
- provides an automatic review mechanism of those salaries, allowances and benefits that aligns future adjustments with those applying generally to employees in the Tasmanian State Service.

Mr Speaker, I commend the Bill to the House.