

**Senate Standing Committee on Education Employment and Workplace
Relations**

**QUESTIONS ON NOTICE
Supplementary Budget Estimates 2011-2012**

Outcome 5 - Workplace Relations & Economic Strategy

DEEWR Question No. EW0556_12

Senator Edwards provided in writing.

Question

With reference to the media release by Senator the Hon. Jacinta Collins in relation to the introduction of safe rates from 13 October 2011 stating that the Safe Rates Advisory Group met on 13 October to finalise the Government's response into the Safe Rates, Safe Roads directions paper. 1. Has the Department been consulted in formulating this response? 2. If so, how? When? 3. Has the Department undertaken an economic impact analysis, a cost benefit analysis or any other any other analysis to determine the cost impact that the introduction of safe rates would have? 4. If not, why not? Will an analysis be completed? If so, when? Will it be made public? 5. If so, will this report be made public? If not, why not? If so, when? 6. What were the findings of this analysis? 7. What impact would the implementation of safe rates have on transportation costs? 8. What impact would the implementation of safe rates have on the price of goods to consumers? 9. For example, what impact would it have on the price of a litre of milk?"

Answer to questions 1-5

As announced by Senator the Hon. Jacinta Collins, Parliamentary Secretary for School Education and Workplace Relations on 13 October 2011, the Safe Rates Advisory Group was reconvened 'to help the Australian Government finalise its response to a review into safety in the road transport industry'. The department has also been advising the Government in finalising its response.

The department has assisted in a number of ways. Firstly, the Government asked the department to consult with industry stakeholders and develop models for possible reform in the industry; building on the NTC Report's finding that there was a link between how truck drivers are paid and poor safety outcomes.

Following consultation with the Safe Rates Advisory Group, established by the Government, the department released the *Safe Rates, Safe Roads* Directions Paper (the Directions Paper) in November 2010. The purpose of the Directions Paper was to seek feedback from key stakeholders, including industry, state and territory governments and the community, on the options canvassed in the Directions Paper. The consultation period concluded in February 2011 and the department analysed all the submissions.

The department commissioned economic analysis, to inform the Government's consideration of its response to the NTC Report. A preliminary analysis was commissioned in December 2010 and a subsequent Regulatory Impact Statement (RIS) was commissioned in September 2011.

The RIS was finalised in October 2011, to further aid the Government in its consideration of the issue. The RIS was approved by the Office of Best Practice Regulation (OBPR) and has been published on the OBPR register at: <http://ris.finance.gov.au/>

The department has provided advice to Government throughout development of its response to the NTC Report and the Directions Paper, which was announced on 22 November 2011.

Answer to question 6

The RIS found there are valid economic grounds for establishing a tribunal. The analysis found that establishing a tribunal with the discretion to set rates of pay and/or pay related conditions for drivers operating in sectors of the road transport industry, where necessary to improve safety outcomes, can more effectively address current unacceptable levels of safety and potential market failures.

For example, the tribunal may only set remuneration related conditions, such as an obligation on hirers, employers and the supply chain to pay owner-drivers for any waiting, loading or unloading time. Mandatory payment to owner drivers for every one hour of waiting time could, in a best case scenario, result in an economic transfer to owner drivers, with possible efficiency gains, of up to \$155 million.

The analysis is sensitive to the underlying assumptions for instance, assuming that current wages are efficient. Given that the observed average remuneration for underpaid drivers is below the national minimum wage, any move towards the minimum wage would, result in a Benefit Cost Ratio of 7.48 and a Net Present Value of \$210.9 million.

Answer to question 7

The impact on transportation costs is uncertain and would depend on the nature of any order made by the tribunal. In performing its function, the tribunal will be required to have regard to the likely impact of any order on businesses in the road transport industry, the national economy and the movement of freight across the nation.

Answer to questions 8-9

The impact on the price of goods is uncertain and would depend on the scope of any order made by the tribunal. In performing its functions, the tribunal will be required to have regard to the likely impact of any order on businesses in the road transport industry, the national economy, the special circumstances of rural and regional areas and the movement of freight across the nation.

Research by the Bureau of Transport and Regional Economics (2000) has found that transport costs contribute to just under 5 per cent of grocery retail prices in the major cities, between 5.5 per cent and 6 per cent in rural and remote areas.