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Ministers of State Amendment Bill 2002

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No. 76 2001-02

Ministers of State Amendment Bill 2002

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Ministers of State Amendment Bill 2002

Date Introduced: 14 February 2002

House: House of Representatives

Portfolio: Finance and Administration

Commencement: Royal Assent

Purpose

To increase the annual amount payable for the salaries of Ministers from \$2.3 million to \$2.8 million.

Background

Section 66 of the Constitution provides that there be an annual sum payable for the salaries of Ministers. The Constitution states:

Section 66. Salaries of Ministers

There shall be payable to the Queen, out of the Consolidated Revenue Fund of the Commonwealth, for the salaries of the Ministers of State, an annual sum which, until the Parliament otherwise provides, shall not exceed twelve thousand pounds a year.

Parliament first legislated to increase the amount payable in 1915.¹ The current legislation is the *Ministers of State Act 1952* (the Principal Act) which specifies the maximum size of the Ministry and appropriates the amount required for ministerial salaries from the Consolidated Revenue Fund. The Principal Act is amended from time to time to cover variations in the size of the Ministry or in the amount needed for ministerial salaries. This Bill amends the Principal Act to increase the sum available for ministerial salaries by \$500 000.

Salaries of Senators and Members

The Remuneration Tribunal has a formal role in providing advice and recommendations to the Minister for Finance and Administration on the appropriate base salary for Senators

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and Members of the Federal Parliament.² The Tribunal also provides advice on the additional salaries payable to Ministers. The Government can choose to accept or reject the Tribunal's advice on these matters and must undertake the necessary action to bring the Tribunal's recommendations into force.³

In its *Report on Senators and Members of Parliament, Ministers and Holders of Parliamentary Office – Salaries and Allowances for Expenses of Office: Report 1999/01*, the Remuneration Tribunal recommended that the annual salary of parliamentarians be linked to the reference salary of Band A in the Principal Executive Office (PEO) classification.⁴ The PEO classification covers five Bands. Band A is the lowest and Band E is the highest. The 'reference salary' is an annual salary identified as a reference salary for a PEO classification in a relevant determination made by the Remuneration Tribunal. By Determination 1999/15, dated 7 December 1999, the Tribunal set the reference salary for Band A of the PEO structure at \$90 000.⁵

The Tribunal further recommended that parliamentarians' salaries be adjusted automatically on 1 July each year in accordance with the Average Weekly Ordinary Time Earnings (AWOTE) movements announced during the previous twelve months.⁶ The Tribunal issues a determination for the beginning of each new financial year to adjust all reference salaries in the PEO structure for movements in the AWOTE index announced in the previous financial year.

The Government accepted the Remuneration Tribunal's recommendation and Parliament has passed Regulations under the *Remunerations and Allowances Act 1990* to describe the linkage of the Parliamentarians' salary to a reference salary in the PEO classification structure.⁷

Additional Salaries for Ministers

Ministerial salaries are additional to the basic parliamentary salary. They are expressed as a percentage of the basic salary, rather than as a specific amount. The Remuneration Tribunal's *Report on Ministers of State – Salaries Additional to the Basic Parliamentary Salary* (Report Number 1 of 2001)⁸ which was accepted by the Government, recommends that the following percentage rates apply:

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Office	Additional % of Base Salary
Prime Minister	160.0
Deputy Prime Minister	105.0
Treasurer	87.5
Leader of the Government in the Senate	87.5
Leader of the House	75.0
Other Ministers in Cabinet	72.5
Other Ministers	57.5
Manager of Government Business in the Senate	35.0
Parliamentary Secretaries	25.0

On 5 July 2001, the Remuneration Tribunal determined new rates for the PEO classification, effective from 1 July 2001. The new reference salary for Band A of the PEO structure was determined to be \$95 600.⁹ According to the Second Reading Speech, these new rates have flowed on to Senators and Members and to Ministers.¹⁰

Additional information about parliamentary salaries is available in the following Parliamentary Library publications:

- Healy, Margaret and Winter, Geoff, 'Remuneration of Members of the Parliament of Australia', *Research Paper 30, 1999-2000*, and
- *Parliamentary Remuneration* (E-brief) at <http://wopared.parl.net/library/intguide/pol/parlrem.htm>.

Main Provisions

The effect of **item 1** of **Schedule 1** of the Bill is to increase the annual amount payable for the salaries of Ministers in a financial year from \$2.3 million to \$2.8 million.

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Endnotes

- 1 *Ministers of State Act 1915*.
- 2 *Remuneration Tribunal Act 1973* Section 5(2C).
- 3 Remuneration Tribunal, *Report on Senators and Members of Parliament, Ministers and Holders of Parliamentary Office – Salaries and Allowances for Expenses of Office*: Report 1999/01, dated December 1999 at:
http://www.remtribunal.gov.au/home/dets/report_1999_01.html
- 4 *ibid.*, p. 5.
- 5 The Government generally accepted the Tribunal's recommendations relating to the parliamentary salary increases, but decided that the increase should be made in two stages: 4.45 per cent of the recommended 9.95 per cent increase would take effect from 7 December 1999 and the remaining 5 per cent from 1 July 2000.
- 6 Remuneration Tribunal, *Report on Senators and Members of Parliament, Ministers and Holders of Parliamentary Office – Salaries and Allowances for Expenses of Office*: Report 1999/01, dated December 1999, p. 5.
- 7 *Remuneration and Allowances Regulations 1999*. 1999 No. 341 Regulation 4 at:
<http://scaleplus.law.gov.au/html/numrul/17/8544/0/NL000050.htm>
- 8 http://www.remtribunal.gov.au/home/docs/200101r-Salaries_additional_to_the_basic_parliamentary_salary.PDF
- 9 Remuneration Tribunal *Determination 1999/15: Principal Executive Office (PEO) Classification Structure and Terms and Conditions*, consolidated as at 26 September 2001 at:
http://www.remtribunal.gov.au/home/dets/det_1999_15.html
The Australian Bureau of Statistics' publication *Average Weekly Earnings*, May 2001, shows an increase in full time adult ordinary time earnings from May 2000 to May 2001 of 4.9 per cent for 'males', and 5.3 per cent for 'persons'.
- 10 Second Reading Speech, Ministers of State Amendment Bill 2002, House of Representatives, *Debates*, 14 February 2002, p. 141.

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