

Australian Industry Group

# 4 YEARLY REVIEW OF MODERN AWARDS

**Further Submission**  
District Allowances  
(AM2014/190)

**26 April 2018**

**Ai**  
GROUP

## 4 YEARLY REVIEW OF MODERN AWARDS

### AM2014/190 DISTRICT ALLOWANCES

#### 1. INTRODUCTION

1. The Australian Industry Group (**Ai Group**) files this further submission with respect to claims made by the Shop, Distributive and Allied Employees' Association (**SDA**) and the Australian Municipal, Administrative, Clerical and Services Union (**ASU**) (collectively, **Unions**) to insert new district allowances in 12 modern awards.
2. Specifically, the Fair Work Commission (**Commission**) granted Ai Group an opportunity to file further written submissions in relation to material filed by the SDA on 12 April 2018 (**Exhibit 24**); that is, the final day on which this matter was heard by the Full Bench.<sup>1</sup>
3. This submission deals with Exhibit 24.

#### 2. EXHIBIT 24

4. Exhibit 24 relates to the *Regional Price Index 2017*<sup>2</sup> and is said to be “a spreadsheet prepared by the WA Government that sets out the data relied upon since 2000”<sup>3</sup>. Little more was put to the Commission during the proceedings which might have explained the source of the data or how it has been compiled.<sup>4</sup>
5. The absence of any evidence as to the source of the data or an explanation as to how it was compiled significantly undermines the value of this material.

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<sup>1</sup> Transcript of proceedings on 12 April 2018 at PN2105.

<sup>2</sup> Exhibit 12.

<sup>3</sup> Correspondence from Mr David Scaife to the Commission dated 12 April 2018.

<sup>4</sup> Transcript of proceedings on 12 April 2018 at PN1443 and PN2903 – PN2904.

6. In any event, there is little that can be made of Exhibit 24. It purports to identify the ‘regional price index’ (**RPI**) in various Western Australian regions at certain intervals between 2000 – 2017.
7. There is some doubt as to the extent to which the data can be relied upon to compare the RPI over time. This is because:
  - a) The “household supplies and services” category of goods was discontinued in 2007 and the relevant “items [were] amalgamated into other categories”<sup>5</sup>. It is not clear whether and how that amalgamation affects the comparability of the data.
  - b) The 2017 RPI excludes the cost of education,<sup>6</sup> which appears to have been included when calculating the RPI in earlier years. The 2017 RPI publication states that accordingly, the results for the “recreation” category are not directly comparable with the previous years’ results<sup>7</sup> (i.e. the 2015 results). In our submission, by extension, the “recreation” category cannot properly be compared with any earlier year in which it included education costs and, importantly, potentially underpins the extent to which the overall RPI can be compared over the years. There is no evidence or material that explains the extent to which the removal of the educational expenses has a bearing on the comparability of the total RPI.
  - c) The 2017 RPI publication states that “the 2007 Regional Price Index used a smaller basket than in previous projects, but was substantial enough to provide a respectable comparison of prices”<sup>8</sup>. It is unclear what a “respectable comparison” is and the extent to which that can be

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<sup>5</sup> Note at cell H2 of Exhibit 24.

<sup>6</sup> Government of Western Australia, Department of Primary Industries and Regional Development, *Regional Price Index 2017* at page 4.

<sup>7</sup> Government of Western Australia, Department of Primary Industries and Regional Development, *Regional Price Index 2017* at page 4.

<sup>8</sup> Government of Western Australia, Department of Primary Industries and Regional Development, *Regional Price Index 2017* at page 3.

relied upon for the purposes of exercise here being undertaken by the Commission.

d) The size of the basket of goods used for the 2011 RPI was increased “to approximately 500 goods and services (similar to the baskets used from 1998 to 2000)”<sup>9</sup>. In 2017 it was again increased to include “more than 600 goods and services”<sup>10</sup>. This again calls into question the comparability of the RPI over time.

8. Accordingly, at its highest the data *might* demonstrate that the RPI in the various regions has fluctuated over time and that by extension, it is neither consistently increasing or decreasing.

9. For instance, the table below extracts from Exhibit 24 the RPI for five locations that are covered by the Unions’ claims:

Year	Broome	Carnarvon	Halls Creek	Karratha	Port Hedland
2000	113.2	105.9	Not available	110.8	111.6
2007	117.2	102.1	Not available	123.1	117.6
2011	115.2	106.7	118.0	137.5	136.1
2013	116.0	108.5	116.6	118.8	121.8
2015	114.0	108.7	121.3	118.0	117.2
2017	109.1	105.2	116.8	110.4	113.5

10. The sample of the data above demonstrates that:

a) The RPI in any given year is not uniform across the various locations. As we have previously submitted, this renders the method for fixing the allowances sought by the SDA and ASU inappropriate. It highlights the rather crude methodology proposed by the Unions and makes good the proposition that the quantum of the allowances sought are arbitrary. They do not take into account the differences in the cost of

<sup>9</sup> Government of Western Australia, Department of Primary Industries and Regional Development, *Regional Price Index 2017* at page 3.

<sup>10</sup> Government of Western Australia, Department of Primary Industries and Regional Development, *Regional Price Index 2017* at page 3.

living in the different regions in which the allowances proposed would be payable.

b) The extent to which the RPI has varied year to year is not uniform across the various locations. Indeed, the nature of the variation (i.e. whether the RPI has increased or decreased) is not uniform either. For instance:

- i. Whilst the RPI increased in Broome between 2000 and 2007, the RPI decreased between the same years in Carnarvon.
- ii. Whilst the RPI in 2017 was lower than the RPI in 2000 in Broome, Carnarvon and Karratha, it was higher in Port Hedland.
- iii. Whilst the RPI increased in Carnarvon by 4.6 points between 2007 and 2011, it increased in Karratha by 14.4 points.
- iv. Whilst the RPI fell by 4.1 points between 2000 and 2017 in Broome, it fell by 0.4 points in Karratha.

11. As earlier canvassed, the reasons for these fluctuations are not clear. The material before the Commission does not enable it to identify the factors causing the fluctuations in the RPI over time. This includes the inability to assess whether and the extent to which they are due to changes to the constitution of the basket of goods used to derive the RPI and/or whether it relates to actual changes to the cost of goods and services.

12. The relevance of the data is further undermined when consideration is given to the composition of the basket of goods and services upon which the RPI is based.

13. In light of the matters addressed during the hearing before the Full Bench on 12 April 2018<sup>11</sup> regarding the 2017 RPI publication<sup>12</sup> and questions asked by

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<sup>11</sup> Transcript of proceedings on 12 April 2018 at PN1824 – PN1835.

<sup>12</sup> Exhibit 12.

the Commission regarding the “housing” category included in the RPI, Ai Group has undertaken further investigation in order to assist the Commission with its consideration of the issue.

14. Page 4 of the 2017 RPI publication states:

The basket of goods consisted of items which are then divided into eight broad categories. The eight categories are derived from the Australian Bureau of Statistics Consumer Price Index and include:

...

**Housing:**

Rates and charges, rents, cost of utilities, credit charges and insurance.<sup>13</sup>

15. It is Ai Group’s understanding that the eight categories used by the Australian Bureau of Statistics (**ABS**) for the purposes of the Consumer Price Index (**CPI**) includes a “housing” category, which incorporates:

- a) Rent;
- b) New dwellings purchased by owner-occupiers (e.g. the cost of building a new home, excluding the cost of the land upon which it has been built. The CPI does not include, for instance, the cost of purchasing an established house on its own block of land because land is deemed an investment for the purposes of the CPI. Accordingly, the CPI does not include mortgage repayments (including interest) on the purchase of such a property);
- c) Maintenance and repair of a dwelling;
- d) Property rates and charges (as stated above, this does not include mortgage repayments (including interest) on the purchase of, for instance, an established house on its own block of land but may include bank fees associated with a mortgage);

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<sup>13</sup> Government of Western Australia, Department of Primary Industries and Regional Development, *Regional Price Index 2017* at page 4.

- e) Water and sewerage;
  - f) Electricity; and
  - g) Gas and other household fuels.
16. By extension, the 2017 RPI also does not include housing costs associated with mortgages and interest repayments for the purchase of any existing property and a piece of land, or land only.
17. In our submission, this seriously calls into question the extent to which the 2017 RPI provides a holistic representation of the cost of living in the relevant Western Australian regions. It excludes a significant expenditure, the precise extent of which varies across Australia. The RPI therefore does not enable the Commission to assess the cost of living in the relevant regions inclusive of an key cost of living which potentially constitutes a significant proportion of the total expenses incurred by an award-covered employee.
18. As submitted by Ai Group during its oral submissions, we seriously doubt the appropriateness of basing an award-derived entitlement on a comparison between the various Western Australian regions and Perth for all of the reasons there articulated.<sup>14</sup> The clarification provided above as to whether the 2017 RPI includes mortgage repayments only serves to bolster those submissions.
19. Whilst residential property prices increased by an average of 5% across all Australian capital cities between December 2016 and December 2017, residential property prices in Perth fell by 1.7% and in Darwin they fell by 6.3%.<sup>15</sup> Over the same period of time, residential property prices in Melbourne and Hobart increased by over 10%.
20. Relying exclusively on a comparison between regional Western Australia and Perth for the purposes of considering whether to introduce district allowances

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<sup>14</sup> Transcript of proceedings on 12 April 2018 at PN1624 – PN1647.

<sup>15</sup> Australian Bureau of Statistics, *Residential Property Price Indexes: Eight Capital Cities* (Cat 6146.0), December 2017.

in a national modern awards system is clearly inappropriate and unfair. That is particularly so in the face of material that demonstrates that if a comparison were drawn between the relevant regions and some other part of Australia or a nationally weighted average, the results may appear very different. Indeed it may be the case that if a comparison of that nature were undertaken, it would become apparent that the cost of living facing those in the relevant regions is less than those who live in other capital cities or regional areas.

21. During Ai Group's oral submissions, questions were asked by the Full Bench as to the existence of any information that compares the cost of living in different capital cities: (emphasis added)

[MS BHATT:] So I if turn firstly to consider what is before you, I think this material falls into two categories. The first is a report titled, "The Regional Price Index", which as the Full Bench has today observed deals exclusively with Western Australia. It's relied upon by both the SDA and the ASU. In our submission the relevance of that report is undermined upon a closer examination of what it in fact conveys. That report draws a comparison between the cost of a basket of goods in Perth versus various regional areas in Western Australia. What the report doesn't do is explain how the cost of goods in Pilbara compares to the cost of goods in Sydney or Melbourne or Hobart or Cairns or Albury or anywhere else, nor is there any comparison to some sort of national aggregate or average. We say that the report therefore leaves open the distinct possibility that if the cost of a basket of goods in Carnarvon was compared to the cost of a basket of goods somewhere else - take for example Sydney - that that might in fact paint a very different picture.

Indeed, arguably because Perth has been selected as the relevant comparator or is the comparator for the purposes of that report, the results might be somewhat skewed and I'm not suggesting that that is intentional, that's just what the report does. It may in fact be the case that if the cost of a basket of goods in a regional area of Western Australia is compared to another capital city, that it might be proven that the cost is in fact lower. We just don't know.

DEPUTY PRESIDENT BULL: Does that information exist?

MS BHATT: I have endeavoured to try to locate information of that nature that could readily be handed up from the bar table and I've - time has got the better of us and I haven't been able to present such information. I know there is information available about how CPI figures compare in different capital cities which is very readily available but CPI is a measure of how cost increases or decreases over a period of time. It's trend data, it doesn't tell us what the cost of a basket of goods is at a particular point in time. I decided not to hand it up because I didn't think it was going to assist the Full Bench.

COMMISSIONER BISSETT: What does that show in terms of - I appreciate what you say but what does that show in terms of - at least at a comparative level - changes in CPI from Perth compared to Sydney, for example?



MS BHATT: Commissioner, the data that I reviewed compared - it used 2011 to 2012 financial year as the base year and compared up from that. It showed that CPI had increased to the greatest extent in Sydney first. I think Melbourne was after that and Perth was the second-lowest increase.

DEPUTY PRESIDENT KOVACIC: Is that largely on the strength of housing costs?

MS BHATT: I don't know the answer to that. I don't know what the underlying factors are.

...

DEPUTY PRESIDENT KOVACIC: Ms Bhatt, I acknowledge that CPI data does capital cities. Does it also - I can't recall, it's been a long time since I've looked at ABS CPI data - does it also compare some regional locations as well or is there any breakdown within, beyond those sorts of national and capital city levels?

MS BHATT: Deputy President, I think that that information is not publicly available. But I think that there may be - I was in my organisation who have access to that sort of data.

DEPUTY PRESIDENT KOVACIC: Yes.

MS BHATT: If it's of assistance to the Commission we can make enquiries as to whether or not that can be obtained. But on my admittedly rudimentary review of the information publicly available, it did not appear to be there.

DEPUTY PRESIDENT KOVACIC: Well, it might be something you might want to conflate in the context of any response to the RPI data that the SDA provided this morning.<sup>16</sup>

22. In response to the above exchange, we confirm that the CPI is published only for each of the eight State and Territory capital cities and for a weighted average of those cities.<sup>17</sup> CPI in relation to regional areas does not appear to be available.
23. Further, consistent with our earlier explanation, we can now confirm that the CPI does not include a consideration of mortgage repayments for the purchase of any existing property and a piece of land, or land only.
24. Further, the most recent CPI data for the March quarter was published after the hearing of this matter, on 24 April 2018. We accordingly seek to update

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<sup>16</sup> Transcript of proceedings dated 12 April 2018 at PN1625 – PN1641.

<sup>17</sup> Australian Bureau of Statistics, *Consumer Price Index FAQs, What geographic regions does the CPI cover?*

the information provided by Ai Group during the hearing regarding the CPI of the capital cities.

25. The most recent release provides the following comparison between capital cities:<sup>18</sup> (our emphasis)

**All Groups CPI, All groups index numbers and percentage changes**

	Index number(a) Mar Qtr 2018	Percentage change	
		Dec Qtr 2017 to Mar Qtr 2018	Mar Qtr 2017 to Mar Qtr 2018
Sydney	113.6	0.3	2.1
Melbourne	113.3	0.9	2.2
Brisbane	112.4	0.1	1.7
Adelaide	111.6	0.4	2.3
Perth	110.0	0.1	0.9
Hobart	111.1	0.7	2.0
Darwin	109.7	0.0	1.1
Canberra	111.2	0.8	2.4
Weighted average of eight capital cities	112.6	0.4	1.9

(a) Index reference period: 2011-12 = 100.0.

26. The ABS explains that increases in costs of certain goods and services in Perth have been “partially offset by falls in new dwelling purchase by owner-occupiers (-1.8%) and rents (-1.6%). The fall in rents is due to a continuation of excess housing stock leading to high vacancy rates”<sup>19</sup>.

27. As can be seen, comparing the March 2018 results to the index reference point of 2011 – 2012:

- a) The CPI in Perth is less than the weighted average CPI of the eight capital cities; and
- b) The CPI in Perth is less than the CPI in Sydney, Melbourne, Brisbane, Adelaide, Hobart and Canberra. The CPI in Perth is higher than the CPI in Darwin only.

<sup>18</sup> Australian Bureau of Statistics, *Consumer Price Index, Australia* (Cat 3401.0), March 2018.

<sup>19</sup> Australian Bureau of Statistics, *Consumer Price Index, Australia* (Cat 3401.0), March 2018.

28. Further, the percentage increase to the CPI in Perth and Darwin is the lowest when considered between December 2017 – March 2018 and March 2017 – March 2018.
29. This again reinforces the inappropriateness of relying on the 2017 RPI as a sound indicator of the comparative cost of living in the relevant regions in Western Australia. We continue to rely on the submissions made during the hearing on 12 April 2018 in this regard.<sup>20</sup>

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<sup>20</sup> Transcript of proceedings on 12 April 2018 at PN1624 – PN1647.