

EXPLANATORY STATEMENT

Select Legislative Instrument 2008 No. 76

(Issued by the authority of the Minister for Employment and Workplace Relations)

Remuneration and Allowances Act 1990

Remuneration and Allowances Amendment Regulations 2008 (No. 1)

Section 8A of the *Remuneration and Allowances Act 1990* (the Act) provides that the Governor-General may make regulations prescribing matters required or permitted by the Act to be prescribed or necessary or convenient to be prescribed for carrying out or giving effect to the Act.

The purpose of the proposed Regulations is to freeze federal parliamentarians' base salary as at 1 July 2008 for a period of 12 months. The Prime Minister announced this measure in the House of Representatives on 14 February 2008.

The Act sets out the annual base salary payable to Senators and Members of the House of Representatives. Paragraph 1(2)(b) of Schedule 3 to the Act provides that the annual base salary of Members of Parliament is equal to the percentage (not more than 100%) of a reference salary, as prescribed by regulations. 'Reference salary' is defined as the annual salary identified as the reference salary for a principle executive classification, in a determination of the Remuneration Tribunal under subsection 5(2A) of the *Remuneration Tribunal Act 1973*.

Subclause 1(3) of Schedule 3 to the Act provides that before the Governor-General makes a regulation for the purposes of paragraph (2)(b), the Minister must consider advice from the Remuneration Tribunal about the proposed regulation.

Regulation 5 of the *Remuneration and Allowances Regulations 2005* (the Principal Regulations) currently provides that the base salary of a Member of Parliament is equal to 100% of the reference salary for Band A of Principal Executive Office (PEO) Classification as set out in Remuneration Tribunal Determination 2005/19 (the reference salary). The Remuneration Tribunal adjusts the reference salary for PEO classifications each year by amendment to the 2005/19 Determination. Any increase to the Band A reference salary would flow through to parliamentarians' salary.

The amending Regulations amend regulation 5 to reduce the percentage of the Band A reference salary used to calculate parliamentarians' annual base salary for the financial year commencing 1 July 2008 and for each subsequent financial year.

The practical effect of the amendment is that any increase made by the Remuneration Tribunal to the reference salary for the 2008-2009 financial year (in dollar terms) will not flow on to the parliamentarians' base annual salary in that financial year and subsequent years.

The Remuneration Tribunal has been consulted about the proposed approach to framing the regulation, as required by subclause 1(3) of Schedule 3 to the Act.

The Regulations commence on 1 July 2008.

The Regulations are a legislative instrument for the purposes of the *Legislative Instruments Act 2005*.