

Parliamentary Salaries and Allowances Determination 2003

Pursuant to section 16 of the Civil List Act 1979 and to the Remuneration Authority Act 1977, the Remuneration Authority makes the following determination (to which is appended an Explanatory memorandum).

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Determination

1 Title

This determination is the Parliamentary Salaries and Allowances Determination 2003.

2 Commencement

This determination comes into force on 1 November 2003.

3 Expiry

This determination expires on 30 June 2004.

4 Interpretation

In this determination,—

member of the Executive means a member of the Executive Council or a Parliamentary Under-Secretary

party means a parliamentary political party whose members in the House include at least 1 member elected as a constituency or list candidate for that party.

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5 Salaries

- (1) The salaries payable under section 16 of the Civil List Act 1979 are those set out in Schedule 1.
- (2) No member of Parliament may, at any 1 time, be paid, under any of the provisions of Schedule 1, more than 1 salary and, if a member holds 2 or more positions, the salary payable to that member is that payable for the position for which the highest salary is payable.

6 Allowances

- (1) The allowances payable under section 16 of the Civil List Act 1979 are those set out in Schedule 2.
- (2) The allowances are paid to the recipient for the purpose of reimbursing the recipient for expenses which arise from that recipient's official and parliamentary duties and which are not otherwise covered by the determinations made under section 20A of the Civil List Act 1979.

7 Revocation

The Parliamentary Salaries and Allowances Determination 2001 (SR 2001/392) is revoked.

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Schedule 1

cl 5 (1)

Salaries payable under section 16 of Civil List Act 1979

Note: No member of Parliament may be paid more than 1 salary under this schedule.

Office	Yearly rate of salary payable on and after 1 November 2003
	\$
<i>Members of the Executive</i>	
Prime Minister	305,000
Deputy Prime Minister	218,000
Each member of the Executive Council who is a Minister of the Crown holding 1 or more portfolios and who is a member of Cabinet	195,000
Each member of the Executive Council who is a Minister of the Crown holding 1 or more portfolios, but who is not a member of Cabinet	165,000
Each other member of the Executive Council	145,000
Each Parliamentary Under-Secretary	130,000
<i>Officers of the House of Representatives</i>	
Speaker of the House of Representatives	195,000
Deputy Speaker	140,000
Each Assistant Speaker	120,000
<i>Leader of the Opposition</i>	
Leader of the Opposition	195,000

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Office	Yearly rate of salary payable on and after 1 November 2003
	\$
<i>Other Party Leaders and Deputy Leaders</i>	
Each member of Parliament who is the Leader of a party—	
Base salary	120,000
plus For each additional member of the party up to a maximum of 5	1,500
plus For each additional member of the party over 5 and to a maximum of 23	1,000
plus For each additional member of the party in excess of 23	500
Each member of Parliament who is the Deputy Leader of a party whose members in the House number not less than 25	120,000
<i>Whips</i>	
In respect of each party whose members in the House number not less than 6,—	
One Whip	
Base salary	120,000
plus For each member of the party in excess of 6 up to a maximum of 24	1,000
plus For each member of the party in excess of 24	500
In respect of each party whose members in the House number not less than 25,—	
One Junior Whip	120,000
Plus, if a Whip referred to in 1 of the provisions under this heading <i>Whips</i> is also the Senior Government Whip	3,000

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Office	Yearly rate of salary payable on and after 1 November 2003
	\$
<i>Chairpersons of select committees</i>	
Each member of Parliament who is—	
(a) the chairperson of the Regulations Review Committee; or	
(b) the chairperson of a subject select committee specified in Standing Order 190 of the Standing Orders of the House of Representatives	120,000
<i>Deputy chairpersons of select committees</i>	
Each member of Parliament who is—	
(a) the deputy chairperson of the Regulations Review Committee; or	
(b) the deputy chairperson of a subject select committee specified in Standing Order 190 of the Standing Orders of the House of Representatives	112,500
<i>Other members of Parliament</i>	
Each other member of Parliament	110,000

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cl 6(1)

Schedule 2

Allowance payable under section 16 of Civil List Act 1979

Allowance

Expenses allowance

Each member of Parliament is to be paid an expenses allowance in accordance with the following table:

Office	Yearly rate of expenses allowance \$
Prime Minister	17,000
Speaker	16,000
Each other member of Parliament	12,815

Dated at Wellington this 28th day of October 2003.

H. D. Peacock, Chairman.

B A Wakem, Member.

David Oughton, Member.

Explanatory memorandum

This memorandum is not part of the determination but is intended to indicate its general effect.

1 Introduction

1.1 The determination this year is different from previous years. The main reasons for the different approach are—

- the passing of the Remuneration Authority (Members of Parliament) Amendment Act 2002:
- the Inland Revenue Department reassessing what portion of members' allowances constitutes remuneration and what portion covers expense recovery:
- the Authority now being supplied with data as to the level of benefits being utilised by members.

1.2 This has allowed the Authority to determine the remuneration of members on a total package approach as it does for all its other clients. This was not possible previously as the Authority did not know the level of benefits being received, nor the breakdown between expenses and remuneration of some allowances and benefits.

1.3 The Authority has completed this determination after consultation, as required, with the Commissioner of Inland Revenue, the Speaker of the House of Representatives and the Minister responsible for Ministerial Services. The key principles behind the determination are—

- transparency:
- package approach in setting the level of remuneration:
- benefits should be valued inside the package:
- equitable remuneration for different positions.

2 Approach

2.1 The Authority has placed a value of \$142,700 on the total remuneration level that is appropriate for an ordinary member of Parliament. In arriving at this figure the Authority has considered an evaluation report on a number of Parliamentary positions undertaken by the Hay Group, the level of remuneration paid to members of Parliament in other countries, the submissions of members, the level of remuneration paid to positions of similar responsibilities within the Public Service, as well as other factors.

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- 2.2 The value thus established represents the gross cost to the employer and, accordingly, the Authority has deducted the value of any other benefits from this total before arriving at the appropriate salary level to be paid to the ordinary member or backbencher. In arriving at the value of benefits, the Authority has had to use the average value from past experience as supplied to it by either Parliamentary Service or the Department of Internal Affairs.

3 Value of benefits

Constituency allowance

- 3.1 The average allowance paid to constituency members was \$18,025 and the Inland Revenue Department (**IRD**) assessed 62.11% of this as being remuneration. Accordingly, the remuneration element for these members is \$11,195 and it is now included in the base salary for all members.

Basic expenses allowance

- 3.2 The basic expenses allowance for an ordinary member is currently \$8,477. The IRD has assessed that \$3,787 of this is remuneration and it is now included in the base salary.

Daily allowance

- 3.3 The average amount received by members eligible for this benefit was \$11,444. The IRD has assessed that 29% of this allowance constitutes remuneration or \$3,319, and it is now included in the base salary.

4 Other benefits

- 4.1 Parliamentary Service has supplied the authority with details of members' spending on the following benefits. The Authority has not applied the cost of the benefit on an individual basis but has used the average expenditure to assess the deduction to be made from members' remuneration.

Members' domestic air travel

- 4.2 The average cost of this per member is \$30,296. The IRD has assessed that 5% of this cost constitutes remuneration or \$1,515, and that amount has been deducted from the total package value.

Spouses' domestic air travel

- 4.3 The average cost of this per member is \$7,516. The IRD has assessed that 45% of this cost constitutes remuneration or \$3,382, and that amount has been deducted from the total package value.

Current members' and spouses' private international air travel

- 4.4 The average cost of this per member is \$5,780. The IRD has assessed that all of this constitutes remuneration, and it has been deducted from the total package value.

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Dependants' domestic air travel

- 4.5 The average cost of this per member is \$2,208. The IRD has assessed that all of this constitutes remuneration. The Authority has made no allowance for this in the calculation of the package value as it believes that members should be able to have their children visit them in Wellington at the taxpayers' expense.

Retired members' and spouses' domestic air travel

- 4.6 The average cost of this per eligible retired member is \$1,249. Whilst this all constitutes remuneration, the Authority has made no allowance for the future value of this benefit in the package value on the basis that there is no certainty that it will continue in future and the Authority has been assured that service as a Parliamentarian will not count for this benefit after the next election.

Retired members' and spouses' international air travel

- 4.7 The average cost of this per eligible retired member is \$3,356. Whilst this all constitutes remuneration, the Authority has made no allowance for the future value of this benefit in the package value on the basis that there is no certainty that it will continue in future and the Authority has been assured that service as a Parliamentarian will not count for this benefit after the next election.

Personal use of a vehicle

- 4.8 Where a member has been supplied with a car, we have assessed the value of this as 47% of the cost of the car, including GST, as per the Authority's car policy, and this has been taken into account.

Superannuation

- 4.9 Members who joined Parliament before 1 July 1992 are eligible to remain members of the Government Superannuation Fund (**GSF**). The Government Actuary has assessed that the inherent subsidy in the Parliamentary section of the GSF is currently 23% gross.
- 4.10 For members who joined Parliament after 1 July 1992, the available subsidy is limited to 16% gross of a backbencher's salary. Parliamentarians do not have any security of tenure. To the contrary, there is a high turnover of members. Recognising the need for Parliamentarians to provide for their future and in order to get more equality between the 2 groups, the Authority has raised the available subsidy to post-1992 members to 20% gross.

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5 Comparison of remuneration

5.1 The result of a gross package of \$142,700 is best illustrated in a table form showing the current position and the new remuneration of a backbencher as determined by the Authority.

	Before 1 November 2003				From 1 November 2003			
	Constituency MP		List MP		Constituency MP		List MP	
	GSF \$000	Not GSF \$000	GSF \$000	Not GSF \$000	GSF \$000	Not GSF \$000	GSF \$000	Not GSF \$000
Salary	90.5	90.5	90.5	90.5	110.0	110.0	110.0	110.0
Constituency allowance	11.2	11.2	-	-	-	-	-	-
Basic expenses allowance	3.8	3.8	3.8	3.8	-	-	-	-
Daily allowance	3.3	3.3	3.3	3.3	-	-	-	-
Members' domestic air travel	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Spouses' domestic air travel	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Members'/spouses' international air travel	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8
Superannuation	20.8	14.5	20.8	14.5	25.3	22.0	25.3	22.0
Gross Remuneration	140.3	134.0	129.1	122.8	146.0	142.7	146.0	142.7

5.2 Whilst the base salary will have increased from \$90,500 to \$110,000, it must be recognised that the remuneration element of the previous constituency, basic expense, and daily allowances has been absorbed in this total. The increase in the level of total remuneration ranges on average from 4.1% for a constituency member who is in the GSF to 16.2% for a list member who is not in the GSF. Previously, as shown in the above table, there were effectively different levels of remuneration paid to different categories of members. The Authority has minimised the differences so that, except for the additional value of the GSF, all backbenchers now receive the same level of remuneration. The last determination that gave members a pay rise was the 2001 determination, effective from 1 October 2001, as the 2002 amending determination gave a nil pay rise.

5.3 The level of remuneration being paid to backbenchers is now broadly in line with the levels paid in the public sector for positions of similar responsibility. It is still well below what would be paid in the private sector.

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- 5.4 The Authority recognises the importance of the position of member of Parliament, and is firmly of the view that their remuneration should reflect this responsibility as well as the long hours required.

Other positions

- 5.5 The remuneration for more senior positions has attracted a higher salary level to reflect the greater responsibility of these positions. Having said that, the Authority accepts that the differentials, especially at the upper level, do not fully equate to what could be justified. The most extreme example is that of the Prime Minister, which is the most responsible position in New Zealand and on any basis of assessment could warrant a much higher salary than is being paid. However, the Authority has had to balance the practicality of the situation with the theory.

6 Allowances

- 6.1 The Authority now has jurisdiction only in respect of the basic expense allowance and the office-holder allowance. Other allowances are determined either by the Speaker of the House of Representatives in respect of members or the Minister, authorised by the Prime Minister, in respect of members of the Executive.
- 6.2 The Authority has only approved allowances that the IRD has accepted as reflecting the genuine expenses of the member and, as such, they clearly do not in any way constitute remuneration.
- 6.3 The IRD has agreed the percentage of the basic expense that constitutes a recovery of acceptable expenses and this was published in our 2002 determination. The IRD also agreed the portion of the daily allowance that constitutes expenses. The expense allowance provided is the tax-free portion of the basic expense allowance (ie, \$4,690) together with the portion of the daily allowance, in respect of those that received this allowance, that was deemed to be a genuine expense. The average daily allowance paid was \$11,444 per annum and, of this, \$8,125 was deemed to be a justifiable expense. Thus the new basic expense allowance is \$12,815.
- 6.4 The basic expense allowance is intended to cover out-of-pocket expenses incurred in the pursuit of Parliamentary business and may include—
- (a) the entertainment of visitors, staff, constituents, and officials; and
 - (b) memberships, sponsorship, and fees; and
 - (c) koha; and
 - (d) donations and raffle tickets; and
 - (e) gifts and prizes; and
 - (f) flowers (including wreaths); and
 - (g) passport photos; and
 - (h) clothing and grooming (Prime Minister only); and
 - (i) briefcases and luggage; and
 - (j) meals.

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- 6.5 The list referred to in clause 6(4) is indicative, not definitive, and will be reviewed by the Authority from time to time in consultation with the Commissioner of Inland Revenue.
- 6.6 In respect of the Executive, the house and grounds maintenance allowance has been abolished and effectively built into the salary.

Issued under the authority of the Acts and Regulations Publication Act 1989.

Date of notification in *Gazette*: 30 October 2003.

This determination is administered in the Remuneration Authority.
