



Defence Force Remuneration Tribunal

DECISION

Defence Act 1903

s.58H—Functions and powers of Tribunal

EXECUTIVE VEHICLE ALLOWANCE

(Matter 5 of 2023)

MS B. O'NEILL, PRESIDENT

MR A. MORRIS, MEMBER

CANBERRA, 13 OCTOBER 2023

MAJGEN G. FOGARTY AO RETD, MEMBER

[1] This decision arises from a listing application from the Australian Defence Force (ADF) for a determination to be made under Section 58H of the *Defence Act 1903* (the Act). The listing application¹ seeks to subsume Executive Vehicle Allowance into salary for O7 and O8 officers. The ADF submit this will aid in remediating pay compression between O6 and O7 ranks and, at the same time, provide greater transparency of the senior officer remuneration package.

[2] We considered this matter in a hearing on 3 October 2023. Ms K. Hagan appeared for the ADF and Mr N. Doukas for the Commonwealth.

Background

[3] Executive Vehicle Allowance (EVA) is provided to Star Rank² officers to offset the cost of purchasing and maintaining a privately plated motor vehicle. It is paid fortnightly, in addition to total salary, under s.58B of the Act and administered by Defence. There is no requirement for recipients to demonstrate they utilise the allowance for the purchase, lease or maintenance of a vehicle.

[4] Additionally, pay compression between O6 officers and Star Ranks became a concern for the ADF following the Government's pause on executive remuneration during the COVID-19 pandemic in 2020. This issue was previously addressed in Matter 3 of 2022 – Senior Officer Graded Structure (SOGS), which partially remediated pay compression by the introduction of a single pay placement within SOGS.³

Submissions

[5] The ADF states, “*up until 2020 respective Workplace Remuneration Arrangements (WRAs) historically provided relatively similar increases to salaries across the Star Rank senior officers and non-Star Rank workforces. However the Government's pause to senior executive remuneration in 2020 informed a pause to Star Rank salary increases in the 2020 WRA, causing the gap between O6 and O7 pay points to narrow*”.⁴

[6] The ADF submits that subsuming EVA into salary, under s.58H of the Act, and thereby moving it within the remit of this Tribunal, will “*address the pay compression issue, make executive level remuneration more transparent, incentivise high performing O6 officers and facilitate the ongoing simplification of the ADF's allowance framework in accordance with the ADF's Employment Offer Modernisation Program*”.⁵

[7] Therefore, the ADF specifically seeks to:

- a. subsume EVA into permanent salary rates for O7 and O8 officers on continuous full time service; and
- b. recalculate the daily rate of reserve salary rates for O7 and O8 officers based on 1/365th of the rolled-in permanent salary rates.⁶

[8] The Commonwealth did not oppose the ADF proposal. It did, however, give regard to the “*long standing policy practice of the Commonwealth that ongoing payments may be restructured and consolidated without being regarded as a remuneration increase, so long as the following principles were adhered to:*

- a. *the restructuring would generally only apply to employees who receive, or were eligible to receive the ceasing payment;*
- b. *there is no net gain to individual employees; and*
- c. *the outcome is at least cost neutral*”.⁷

Consideration

[9] We agree that *“following the Government’s pause on increases to executive remuneration in 2020 during the COVID-19 pandemic, the differential between the salaries of O6 officers to that of Star Ranks officers narrowed as salaries paid to O6 officers and below under GOPS increased at a higher rate, and at more frequent intervals than those paid to Star Ranks under SOGS”*.⁸

[10] We considered the Commonwealth view that pay compression was exacerbated by three factors: timing, the quanta of the 2020-2023 WRA, and the interval of incremental increases. The Commonwealth states it considers the ADF proposal *“infringes on the latter two principles”*⁹ (outlined in paragraph 8 of this decision) because it *“provides a net benefit to Permanent ADF Star Rank senior officers by superannuation recognition and secondly, the proposal at the time of the roll-in is not cost neutral to the ADF”*.¹⁰ We accept the Commonwealth did however, *“give regard to a number of mitigating factors”* such as industrial fairness, pay compression and cost savings, and arrived at a position *“not to oppose”* the proposal.¹¹

[11] While we consider that Matter 3 of 2022 contributed to partial alleviation of pay compression, we agree this matter will now resolve the issue and accept the evidence of the ADF that *“there is no intention to progress any further proposals”* and that the *“pay compression issue is being resolved at this time”*.¹²

[12] We gave regard to the timing of this submission and note that rolling in EVA to salary at the same time as the commencement of the 2023 WRA will automatically provide for any increase to be calculated on the higher rate for Star Ranks. We accept this proposal further enhances the value of the pay compression issue. We note the evidence that the matter was *“intended to be heard earlier and implemented as such”*¹³ however agree external factors prevented this.

[13] We did not give particular weight to the ADF evidence that subsuming EVA into salary will also *“provide a clear incentive to retain high performing officers for selection to the senior leadership group of the ADF”*¹⁴ and consider that rank promotion, career opportunities and work value are of far greater value than subsumption of an existing allowance.

Conclusion

[14] We agree that EVA acts as the major differential between the O6 and O7 salaries and are persuaded that the integration of EVA into salaries will further minimise the issue of pay compression while also providing an enduring benefit, with superannuation increases, for current and future O7 and O8 salary increases.

[15] Finally, we agree the subsumption of EVA into O7 and O8 salary aligns with the intent of the ADF Modernisation Program¹⁵ to provide for simplification and transparency of remuneration packages for all ADF members.

[16] We agree to subsume EVA into O7 and O8 salaries. Determination 14 of 2023 gives effect to our decision with effect from 9 November 2023.¹⁶

MS B. O'NEILL, PRESIDENT
MR A. MORRIS, MEMBER
MAJGEN G. FOGARTY AO RETD, MEMBER

Appearances:

Ms K. Hagan for the ADF assisted by Flight Lieutenant L. Hawkett.

Mr N. Doukas for the Commonwealth assisted by Mr M. Guteridge

¹ DMR/OUT/2023/09 Listing Application: Executive Vehicle Allowance dated 8 June 2023.

² Officers at, or above, the rank of Brigadier(E)/ O7.

³ <https://www.dfrt.gov.au/matters/senior-officer-graded-structure>

⁴ ADF Submission – Matter 5 of 2023 – Star Rank Executive Vehicle Allowance dated September 2023 (ADF1) page 8 paragraph 4.1

⁵ ADF1 page 4 paragraph 1.6

⁶ ADF1 page 5 paragraph 1.9

⁷ Commonwealth submission – Star Ranks: Executive Vehicle Allowance – roll –in dated October 2023 (CWLTH1) page 8 paragraph 36.

⁸ ADF1 page 3 paragraph 1.2

⁹ CWLTH1 page 8 paragraph 37.

¹⁰ Transcript 3 October 2023 page 7 lines 40 to 43.

¹¹ Transcript page 10 lines 19 to 21.

¹² Transcript page 12 lines 24 to 26.

¹³ Transcript page 12 lines 38 to 40.

¹⁴ ADF1 page 12 paragraph 4.17

¹⁵ <https://www.dfrt.gov.au/matters/adf-modernisation-program-tranche-2>

¹⁶ In Defence Determination 13 of 2023, the ADF will simultaneously cease EVA under s.58B of the Act.