

LOCAL GOVERNMENT
ASSOCIATION
OF QUEENSLAND INC.
ABN 11 010 883 293



Local Government House
25 Evelyn Street Newstead Qld 4006
PO Box 2230 Fortitude Valley BC Qld 4006
Phone (07) 3000 2222 Fax (07) 3252 4473

23 July 2009

Mr G Savill
Industrial Registrar
Industrial Registry
Level 19 Central Plaza 2
66 Eagle Street
Brisbane QLD 4001



Dear Mr Savill

**RE: Application for Declaration of General Ruling and Statement of Policy State Wage Case 2009
(Matter No. B/2009/41), (Matter No. B/2009/42)**

Please find attached submissions from The Local Government Association of Queensland Inc in relation to the applications made by the Queensland Council of Unions and The Australian Workers' Union of Employees, Queensland in the above matters.

Yours Sincerely

Greg Hoffman PSM
Director Policy & Representation



Local Government Association of Queensland Inc

Submission to the

Full Bench of the Queensland Industrial
Relations Commission

in the

Application for a declaration of general ruling
and statement of policy State Wage Case
2009

Queensland Council of Unions
(Matter No. B/2009/41)

The Australian Workers' Union of Employees,
Queensland
(Matter No. B/2009/42)



Summary of Submission

The LGAQ has genuine concerns about the imposition of an increase in award pay rates at this time of economic challenge, reduced business activity, increasing unemployment and transition for many small business employers to the Federal *Fair Work System*.

If an increase is to be granted, LGAQ believes that it should reflect the 2.5% increase in the National Consumer Price Index, not 4.3% sought by the Applicants, and should be applied from 1 January 2010 or other date subsequent to transition of unincorporated private sector employers to the Federal system, to minimise later absorption of already higher Queensland award rates.

Submission

1. The Queensland Council of Unions (QCU) (Matter No. B/2009/41) and the Australian Workers' Union of Employees, Queensland (AWU) (Matter No. B/2009/42) have applied for a general ruling from the Queensland Industrial Relations Commission (QIRC) to provide the following:
 - a) A \$27.80 wage adjustment for award employees;
 - b) A 4.3% allowance adjustment for award employees; and
 - c) A \$27.80 adjustment to the Queensland Minimum Wage as it applies to employees.
2. The Local Government Association of Queensland Inc (LGAQ) opposes the application.
3. Since the last review of the Queensland Minimum Wage was conducted by the QIRC the Queensland economy has suffered a dramatic decline. The Queensland State Budget 2009 - 2010 depicted the following outlook for the Queensland economy:
 - The Queensland economy is estimated to expand by only 0.5% in 2008-09 and contract by a marginal 0.25% in 2009-10, before recovering by 2.75% in 2010-11;
 - This would represent three consecutive years of below average growth, largely reflecting the impact of the financial crisis on household wealth, business investment and exports; and
 - After tripling over the past eight years, business investment is forecast to fall in 2009-10, as lower commodity prices see a scaling back in mining related construction in particular.¹

¹ Budget Highlights, pg31 (www.budget.qld.gov.au)

4. In a Local Government context the State budget included major changes to the grants and subsidies program put in place in 2006.
5. Whilst pre-existing commitments in relation to water and sewerage subsidies will be met through until 2010 -11, major changes have been made effective from 2009-10. A completely new subsidy scheme is to be developed to come into effect in 2011-12 with the total capped at \$45 million per annum, representing a significant reduction in income for affected councils.
6. As a result of the Queensland State budget no new applications will be received for any of the previous elements of the grants and subsidies program.
7. In total Queensland councils are about \$45 million worse off in 2009 - 10 as a result of budget decisions i.e. \$31 million lost in subsidies, \$7 million from abolition of the street lighting electricity subsidy for SEQ councils and \$6 million from abolition of the fuel subsidy.² From 2011 - 12 councils will be worse off by approximately \$100 million per annum when the water and sewerage subsidy is capped at \$45 million per annum.
8. These losses equate to an approximate increase of \$5000 per block for new home buyers because of the loss in subsidy for water and sewerage infrastructure.
9. In addition to these budget losses councils will also be subject to a Commonwealth loan guarantee from Queensland Treasury Corporation for existing and new borrowings as a result of the State losing its AAA credit rating. This will be applied at the rate of 20 basis points for existing loans maturing after 2010 and 35 basis points for all new loans. This will add approximately \$7.5 million per annum to council loan repayments.
10. Of immediate concern is the loss of \$25 million per annum Roads and Drainage Grants from 2009 - 10 across all Councils within Queensland.
11. LGAQ recently surveyed councils in relation to the impact of the State Budget in relation to Loss of Grants and Subsidies. Of the 39 councils that have responded at the time of making this submission it was indicated that the loss of subsidy could equate to the loss of 175 jobs.

² State Budget 2009-10, Budget Strategy and Outlook, Budget Paper No. 2, pg 8.

12. The State Governments recent withdrawal of subsidies for vital infrastructure coupled with the rapid growth in major centres throughout the state is adding to the financial strain for councils due to the need for more infrastructure.
13. Councils, and notably those in isolated and remote areas of the State, are the epicentre of communities and industry and provide the infrastructure and services to sustain their communities. For example, rural and remote councils provide an extremely broad range of services and trade ranging from running the local credit union or bank, the local butcher shop and funeral service, real estate agent providing rental accommodation, establishing and administering respite care services, the local swimming pool, hospital or health service, aged care and disability services.
14. Councils also provide the necessary labour force and infrastructure for development, building and construction and economic planning. These services are in addition to those traditionally understood to be the role of local authorities: roads, rates, and rubbish collection, provision of water and sewerage, town planning.
15. Councils perform crucial economic development and community engagement functions and consequently the economic health and social capital of communities are informed by and reliant upon councils.
16. As a consequence of this role and these activities, councils are frequently the principal employer in country towns and regional settings throughout Queensland.
17. LGAQ maintains concerns that significant additional wages costs imposed on Councils at this point in time, in addition to those outlined in this submission, given the limited potential to increase borrowings and / or rates in the current environment, will only lead to further financial strain on Councils which will inhibit the ability of the local government sector to play a significant role in job creation through infrastructure construction, upgrade and repair as part of a co-ordinated governmental response to rising unemployment due to less activity in the private sector.
18. In these circumstances, most small to medium sized businesses rely heavily on, and their survival is dependant upon, the contracted work obtained through council or the provision of goods and services to councils. During periods of lower economic activity councils provide for natural economic stabilisation of the private sector particularly in

regional and remote areas. Not surprisingly, councils therefore perform a vital leadership role in their communities.

19. Council's ability to sustain this role within their respective communities has already been stretched through the costs associated with amalgamation. LGAQ has provided submissions to the State Government claiming costs would be in the order of \$77 million after taking into account administrative savings derived from the amalgamation process.
20. It is estimated that this figure is closer to \$180 million after Councils have provided projected costs to the LGAQ.
21. Add to this future cost of recently negotiated certified agreements and the loss of revenues from reduced development activity and associated charges, Council budgets are feeling the strain of operating in a contracting economy.
22. Many Councils still utilise awards and while generally provide over award payments via Certified Agreements, often have their certified agreements linked to a parent award, which will be impacted by any movement in award rates and allowances. In addition LGAQ are currently responding to an application by the AWU and other unions to vary the classification and pay scales in the Local Government Employees (Excluding Brisbane City Council) Award State which if accepted in its current form has potential to add a further 10% to some classifications and up to 5% increase in labour costs for employees covered by that award.
23. LGAQ supports the submissions made by the Chamber of Commerce & Industry Queensland (CCIQ) in these matters.
24. LGAQ also notes the Decision of the Fair Pay Commission which decided to not vary the Federal minimum pay rates due to the potential impact on employment, at a time when reduced availability of credit and business activity is already leading to increased unemployment.
25. LGAQ would also submit, however, that if an increase to the pay rates and allowances within State Awards is to be considered by the QIRC, it should be linked to the National Consumer Price Index increase of 2.5% over the past year, and not the 4.3% increase sought by the QCU and the AWU.

MARCH KEY FIGURES³

Weighted average of eight capital cities	Dec Qtr 2008 to Mar Qtr 2009 % change	Mar Qtr 2008 to Mar Qtr 2009 % change
Food	2.2	5.7
Alcohol and tobacco	1.0	5.7
Clothing and footwear	-0.5	2.1
Housing	0.9	5.5
Household contents and services	0.8	1.9
Health	4.4	5.3
Transportation	-1.5	-4.6
Communication	0.4	1.0
Recreation	-1.1	0.5
Education	5.4	5.0
Financial and insurance services	-6.3	-1.4
All groups	0.1	2.5
All groups excluding Housing and Financial and insurance services	0.8	2.1

26. This would deliver an increase of \$13.80 to the Queensland Minimum Wage, or \$16.15 at the 100% Trades equivalent benchmark rate.

27. LGAQ also notes that Queensland Minimum Wage is already \$8.20 per week above the Federal Minimum Wage, so increases of 2.5% aligned with CPI would deliver an outcome of \$22 per week, [\$24.35 at trade rate] greater than current federal rates [which closely aligns to the increase sought by the QCU and AWU].

28. LGAQ also notes the Statement by the Attorney General and Minister for Industrial Relations at the 82nd meeting of the Workplace Relations Ministers' Council (WRMC) in June, indicating the Queensland Government's in-principle support for participating in the federal *Fair Work* system [other than constitutional corporations already captured by the Federal *Fair Work* system], subject to finalisation of transitional details.

29. To minimise the dual impact on small business employers of adjusting to the transfer to a new system and transition to the modern award framework, and to minimise any later absorption of the difference between Queensland State Award rates and Federal pay rates, the LGAQ further submits that, if the QIRC is to award an increase in State Award rates, that any such increase should apply only from 1 January 2010, or such later date that follows referral of groups of employers to the Federal system.

³ 6401.0 – Consumer Price Index, Australia, March 2009.