

# Vehicle allowances – applications to vary multiple awards

AM2026/10 and others

ACCI Submission

12 May 2026



## Working for business. Working for Australia.

Telephone 02 6270 8000 | Email [info@acci.com.au](mailto:info@acci.com.au) | Website [www.acci.com.au](http://www.acci.com.au)

### Media Enquiries

Telephone 02 6270 8020 | Email [media@acci.com.au](mailto:media@acci.com.au)

### Canberra Office

Commerce House  
Level 3, 24 Brisbane Avenue  
Barton ACT 2600  
Kingston ACT 2604

ABN 85 008 391 795

© Australian Chamber of Commerce and Industry 2023

This work is copyright. No part of this publication may be reproduced or used in any way without acknowledgement to the Australian Chamber of Commerce and Industry.

#### Disclaimers & Acknowledgements

The Australian Chamber of Commerce and Industry (ACCI) has taken reasonable care in publishing the information contained in this publication but does not guarantee that the information is complete, accurate or current. In particular, ACCI is not responsible for the accuracy of information that has been provided by other parties. The information in this publication is not intended to be used as the basis for making any investment decision and must not be relied upon as investment advice. To the maximum extent permitted by law, ACCI disclaims all liability (including liability in negligence) to any person arising out of use or reliance on the information contained in this publication including for loss or damage which you or anyone else might suffer as a result of that use or reliance.

# Table of Contents

<b>Introduction</b>	<b>1</b>
<b>Legislative Framework</b>	<b>2</b>
<b>Response to Applications</b>	<b>4</b>
<b>Conclusion</b>	<b>10</b>
<b>About ACCI</b>	<b>11</b>

# Introduction

1. These submissions are filed on behalf of the Australian Chamber of Commerce and Industry (**ACCI**) in response to applications in matters AM2026/10, AM2026/11, AM2026/12 and AM2026/13 seeking variations to modern awards to increase vehicle allowances. ACCI will refer to the collective applicants in those matters as the Unions.
2. The applications are said to arise from recent increases in fuel prices. ACCI acknowledges that fuel price volatility has had a broad economic impact across Australia, affecting both households and businesses. However, the existence of cost pressures alone does not establish that a variation of modern awards is warranted.
3. The Fair Work Commission's (**Commission**) statutory task is not to respond to economic fluctuations in an ad hoc manner, but to ensure that modern awards achieve the modern awards objective within the framework of the *Fair Work Act 2009* (**the Act**). Any variation must therefore be justified by reference to necessity, supported by cogent evidence, and consistent with the statutory limits on award content.
4. For the reasons set out below, ACCI does not support the applications. The proposed variations go beyond that which is necessary to achieve the modern awards objective and are inconsistent with the statutory framework governing expense-related allowances.

# Legislative Framework

5. The Commission's power to vary modern awards is conferred by section 157 of the Act. That power is conditioned by the requirement in section 134(1) that a modern award, together with the National Employment Standards, provide a fair and relevant minimum safety net of terms and conditions.
6. The statutory task is evaluative and involves balancing the considerations in s 134(1), which include:
  - (a) the likely impact on business, including on productivity, employment costs and regulatory burden; and
  - (b) the likely impact on employment growth, inflation, and the sustainability, performance and competitiveness of the national economy.
8. Section 138 of the Act provides a further and specific limitation, a modern award may include terms "only to the extent necessary" to achieve the modern awards objective. Further, there is a temporal element conferred by section 157 requiring the Commission to be satisfied that any variation to a modern award is necessary at the time of making the variation.
9. These provisions impose strict constraints on the Commission's power. It requires a close connection between the term proposed and the achievement of the modern awards objective.
10. The requirement of necessity is not met where:
  - (a) the existing entitlement already meets the relevant need;
  - (b) the evidence of deficiency is inconclusive or speculative; or
  - (c) the variation would go beyond what is required for a minimum safety net.
11. It is well established that the modern awards objective is not directed to conferring optimal or preferred outcomes, but rather to the establishment of a minimum safety net. A variation must be demonstrated to be necessary, not merely desirable. In *Shop, Distributive and Allied Employees Association v National Retail Association (No 2)*,<sup>1</sup> Tracey J provided the following observations of that which is 'necessary':

*'That which is necessary must be done. That which is desirable does not carry the same imperative for action.'*<sup>2</sup>
12. The Commission has frequently referred to the above decision as it relates to achieving the modern awards objection in the following manner:

*'What is 'necessary' to achieve the modern awards objective in a particular case is a value judgment, taking into account the s.134 considerations to the extent that they are relevant having regard to the context, including the circumstances pertaining to the particular modern award, the terms of any proposed variation and the submissions and evidence.'*<sup>3</sup>

---

<sup>1</sup> [2012] FCA 480.

<sup>2</sup> *Ibid.*, [46].

<sup>3</sup> See for example: Variation of awards on the initiative of the Commission (AM2020/12) [2020] FWCFB 1837, [117]; Applications to vary the Real Estate Industry Award 2020 (AM2020/14 and AM2020/23) [2020] FWCFB 3946, [56]; Re Gender-based undervaluation – priority awards review [2025] FWCFB 74, [30].

13. In the present matters, the Unions as the applicants bear the onus of demonstrating that increases to vehicle allowances are necessary within the meaning of sections 138 and 157.
14. It is uncontroversial that terms relating to vehicle allowances and mechanisms by which to calculate those allowances are permitted in modern awards by section 139.

## Framework for expense-related allowances

15. Modern awards incorporate a standardised framework for the adjustment of expense-related allowances. This framework was developed during award modernisation and is uniformly reflected across awards.
16. The standard clause provides that, at the time of adjustment to the standard rate, each expense-related allowance is increased by a factor derived from movements in the Consumer Price Index (CPI).<sup>4</sup> The applicable index for vehicle allowances is the “private motoring” sub-group of the CPI.<sup>5</sup>
17. The methodology subsequently adopted by the Commission confirms that allowances are adjusted by reference to movements in the relevant CPI index since the allowance was last adjusted.<sup>6</sup>
18. Critically, the methodology also provides that where the relevant CPI index has not increased, the allowance is not adjusted. That is, it is neither increased nor decreased.
19. This has two important consequences. First, allowances are periodically increased in line with CPI movements. Secondly, allowances do not decrease when the relevant costs fall. Over time, this produces a structural bias towards upward movement in allowance values relative to underlying cost movements.
20. The ACTU at Schedule A of its submissions included a table containing the vehicle allowances in modern awards, which, insofar as they are a correct representation of vehicle allowances in modern awards, ACCI does not contend.

---

<sup>4</sup> Statement regarding Award Modernisation (AM2010/66) [2010] FWA 3857, [3].

<sup>5</sup> Ibid.

<sup>6</sup> Fair Work Commission, [‘Methodology for adjusting expense-related allowances in modern awards’](#), 11 June 2025.

# Response to Applications

21. The applications have been brought in a coordinated manner and are in substantially similar terms, each seeking to vary vehicle allowance provisions across different modern awards by reference to a common methodology, albeit through award-specific draft determinations.
22. The central deficiency in the applications is the absence of compelling evidence that existing vehicle allowance rates are insufficient to reimburse employees for reasonably incurred vehicle costs.
23. From the outset, ACCI does not dispute that there has been an increase in fuel prices as a result of the conflict in the Middle East. ACCI accepts the increases as they have been reported by the Australian Institute of Petroleum.
24. However, assertions that fuel prices have increased do not, in and of themselves, establish that current vehicle allowances are inadequate. Vehicle allowances are designed to compensate for a range of expenses, including fuel, maintenance, insurance, registration and depreciation. Any assessment of adequacy must therefore consider total vehicle running costs over time, not isolated fluctuations in a single input.
25. The applications do not provide a comprehensive evidentiary basis addressing:
  - (a) the total cost of vehicle operation;
  - (b) the proportion of the total cost of vehicle operation attributable to activities required by work;
  - (c) the extent to which current allowances already incorporate past CPI-driven increases; and
  - (d) whether any short-term increases in fuel prices materially undermine the overall adequacy of the allowance.
26. In the absence of such evidence, it cannot be said that the proposed variations are necessary to achieve the modern awards objective.

## Structural upward bias in allowance adjustments

27. As noted above, the standard adjustment mechanism provides for increases in allowances when CPI rises but does not permit decreases when CPI falls. This asymmetry has significant implications. Over time, allowances have increased in response to periods of rising costs but have not been reduced in periods of falling costs.
28. Historical data published by the Australian Bureau of Statistics (**ABS**) on automotive fuel prices demonstrates that fuel prices have fluctuated substantially, including periods of decline.<sup>7</sup> During those periods of decline, vehicle allowances have remained unchanged notwithstanding reductions in relevant costs. Employees have therefore retained the benefit of higher allowance rates that were set during periods of higher CPI. The price of automotive fuel is the main contributor for the increase in the CPI figure in the transport group, of which private motoring is a sub-group.<sup>8</sup>
29. This historical dynamic undermines the premise that current allowances are necessarily inadequate. To the contrary, it suggests that allowances may, in some cases, exceed the level required to

---

<sup>7</sup> ASB, '[A history of automotive fuel prices](#)', 29 April 2026.

<sup>8</sup> ABS, '[Consumer Price Index, Australia](#)', 29 April 2026.

reimburse actual expenses over time. In these circumstances, further increases would compound an already upward-biased system and risk overshooting what is necessary for a minimum safety net.

30. Furthermore, it is pertinent to note that at no other time of dramatic and swift increases in fuel prices have the Unions sought increases to the vehicle allowance.
31. ACCI observes that the Unions have specifically titled their draft determination 'Additional Vehicle Allowance adjustments during the 2026 Oil Shock Crisis'. Notwithstanding the fact that by its own nature the application seeks to address a temporary concern, demonstrated in its title and inclusion of a sunset clause, the Unions have specifically prohibited the rate of the allowance from decreasing.
32. It is nonsensical that a term seeking to deal with a temporary increase in fuel prices, one which on its own premise accepts that fuel prices will go back down, does not account for a commensurate adjustment to the rate of the allowance. It is inconsistent with the handling of fuel price shocks that have occurred in the past, most recently, for example, the 2022 Russian invasion of Ukraine, no such adjustment to the fuel allowance was requested by the Unions, nor was one examined by the Commission of its own initiative.

### Automotive fuel quarterly & annual movement (%), 1974 - 2026

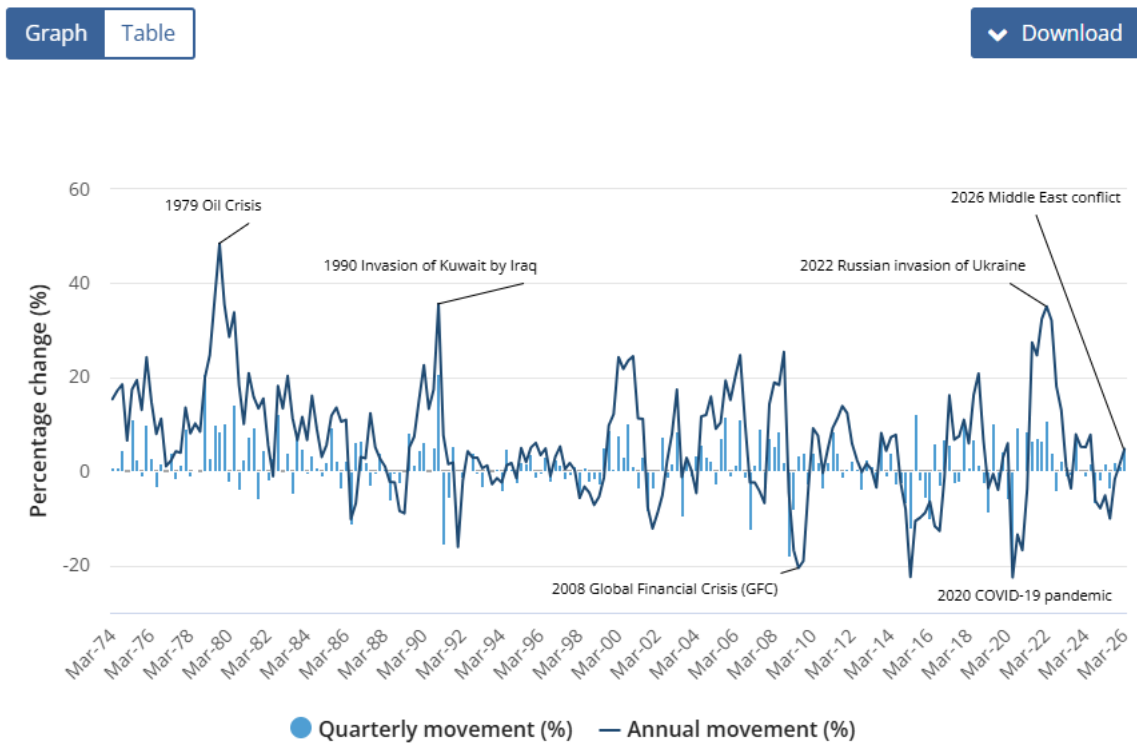


Table: ABS, [‘A history of automotive fuel prices’](#), 29 April 2026

### Application of the Modern Awards Objective

32. The proposed variations must also be assessed against the considerations in section 134(1).
33. Increasing vehicle allowances in the absence of demonstrated necessity would:
  - (a) increase costs for employers, particularly small and medium enterprises operating in transport-intensive sectors;

- (b) add to regulatory burden and complexity; and
  - (c) undermine the objective of a stable and sustainable modern award system.
34. The recent increase in fuel prices has affected businesses as well as employees. Employers have been required to absorb higher input costs across their operations, often without commensurate increases in revenue.
35. In this context, the Commission should be cautious about imposing additional cost increases through modern awards unless clearly justified by necessity.
36. On top of that, terms in modern awards must only operate to the extent necessary to achieve the modern awards objective pursuant to section 138. Instilling a term that would result in the vehicle allowance irreversibly increasing due to temporary cost pressures undoubtedly exceeds that which is necessary to achieve the modern awards objectives.

### Unnecessary response to fuel price volatility

37. ACCI accepts that increases in fuel prices can create financial pressure for employees who use their own vehicles for work purposes. However, the appropriate response must be necessary, measured and grounded in the statutory framework.
38. Modern awards are not designed to respond to short-term fluctuations in individual cost components. Rather, they incorporate a structured and evidence-based mechanism for adjusting allowances over time.
39. The existing CPI-based adjustment process already provides a systematic means of reflecting changes in costs, including fuel prices, in a manner that is consistent, predictable and administratively workable. Departing from that framework in response to short-term price movements would introduce inconsistency and undermine the integrity of the modern award system.
40. ACCI notes that vehicle allowances are assessed and adjusted in the Annual Wage Review (**AWR**) process. Utilising the methodology published by the Commission,<sup>9</sup> the increase (based on a vehicle allowance of \$0.99/km is demonstrated in the below equation utilising quarterly figures.<sup>10</sup>

$$\$0.99/\text{km} \times (102.76/100.39) = \$1.01/\text{km}$$

41. This rate would take effect from 1 July 2026.
42. It is ACCI's submission that this mechanism sufficiently addresses the increase in the price of fuel. It does not directly address the sharp increase in fuel experienced in March, but it does reflect the fact that prior to March, fuel prices were comparatively low, and that after March we have seen fuel prices reduce.
43. If the proposal pursued by the Unions is adopted, it will result in the following increase:

Initial adjustment pursuant to clause XY.4

$$\$0.99/\text{km} \times (100.57/100.39) = \text{nil increase}$$

<sup>9</sup> Fair Work Commission, ['Methodology for adjusting expense-related allowances in modern awards'](#), 11 June 2025.

<sup>10</sup> ABS, TABLE 18. CPI: Quarterly Group, Sub-group and Expenditure Class, Weighted Average of Eight Capital Cities, 29 April 2026.

Further adjustments for most recent monthly figure with reference to the index for the previous month.

$$\$0.99/\text{km} \times (108.74/99.37) = \$1.08/\text{km}$$

44. The United Workers Union (UWU) filed a survey completed by disability support workers in support of their applications. Data provided indicates that one of the largest distances travelled for work in a week by a particular employee was 1400kms. ACCI assumes that the amount reported is of a kind eligible for claiming against the vehicle allowance. Under the current allowance, which is \$0.99/km in the relevant Social, Community, Home Care and Disability Industry Award 2020 (**SCHADS Award**). Applying that allowance, that worker is entitled to a \$1,386 (\$0.99 x 1400) vehicle allowance.
45. The highest cost, presumably in cents per litre, reported was 325c/litre. Assuming that the vehicle was a passenger vehicle, according to the most recent release of ABS data, the average rate of fuel consumption was 11.1 litres of fuel per 100km travelled.<sup>11</sup> One could then make the assumption, even accounting for the most expensive rate of fuel provided by survey recipients, the employee above would have paid \$505.05 in fuel costs for their 1400km travelled.

$$11.1\text{L}(\text{per } 100\text{km}) \times (1400/100) = 155.4\text{L}$$

$$\$3.25/\text{L} \times 155.4\text{L} = \$505.05$$

46. On those assumptions, being that \$505.05 can be attributed to the cost of fuel from the \$1,386 allowance provided, the employee would be in receipt of \$880.95 to accommodate the other costs of running the vehicle, including maintenance, insurance, registration, depreciation and any other associated cost. According to these figures, only 36.44 per cent (\$505.05/\$1386) of the allowance is required to cover the cost of fuel when fuel is at 325c per litre. It is important to note that the other costs associated with running a vehicle are much less sensitive to fluctuations and are also required to be spent for private use.
47. ACCI also then assumes that even where fuel is most expensive, the vehicle allowance is more than sufficient to accommodate the cost of fuel at the present rate. It is unreasonable then for survey respondents to have answered questions on the basis of estimating how many dollars they are 'out of pocket' due to the increased fuel prices. ACCI anticipates that this estimate is more likely attributable to how much extra fuel is costing per week in general, rather than work-related expenses being borne by employees.
48. Further, ACCI submits that the cost estimate it has advanced above is likely to overshoot the actual expenses of employees, noting that the data relied upon for fuel economy is from 2020, and the fact that most employees are not driving vehicles using diesel fuel. Regarding the fuel economy of vehicles, according to previous data in that same ABS series, fuel economy was trending down, and so ACCI would therefore assume that the average and actual fuel economy of vehicles has reduced. This further indicates that the current vehicle allowance is sufficient to cover all expenses relating to the use of vehicles for work.
49. ACCI does not consider that the survey tendered by the UWU ought to be given any weight in the Commission's consideration of this matter.
50. Further, a number of the Unions have provided witness statements from some of their respective members. Upon reading these statements, it becomes clear that there is a misconception of

---

<sup>11</sup> ABS, '[Survey of Motor Vehicle Use, Australia](#)', 21 December 2020.

employees as to what the vehicle allowance is. That is, an expense-based allowance designed to compensate for the estimation of costs that may be incurred in the course of conducting work. The vehicle allowance is not a wage, and it is not designed to supplement wages.

51. This misconception is clearly demonstrated by Australian Services Union (**ASU**) member, Ms Bailey when she makes the following statements:

*'The more fuel costs, the less wages I have.'* [25]

*'My employer has not increased the fuel allowance, so I am out of pocket for the kilometres I drive my clients as a part of their car.'* (sic) [35]

52. ACCI submits that the test for determining whether an increase to the vehicle allowance is necessary is to demonstrate that it is insufficient to cover the increased costs of fuel. This is not made out in any submissions or evidence filed by any of the Union.
53. Furthermore, the Unions seek to embed a permanent increase to the vehicle allowance calculated on monthly CPI figures that are highly sensitive to the stressor of the conflict in the Middle East. This is an unjustified, unreasonable, and unnecessary proposal, which ACCI rejects, and it says that the Commission must also reject on the basis of the legislative framework within which it is bound.

## Administrative burden and complexity

54. A further and material consideration is the administrative burden associated with the Unions' proposal. As advanced, the proposal would require employers to adjust vehicle allowance rates on a monthly basis by reference to movements in CPI indices. This represents a significant departure from the established annual adjustment process and would impose a materially greater operational burden on businesses.
55. Modern awards are intended to operate as a stable and workable system of minimum terms and conditions. Requiring monthly recalibration of an expense-related allowance introduces a level of frequency and volatility that is inconsistent with those objectives. Payroll systems are typically structured around fixed rates that are updated periodically, they are not designed to accommodate continual recalculation and implementation of variable rates across multiple awards and classifications.
56. The proposal also lacks clarity as to the practical mechanism for implementing such adjustments. It is not apparent whether the Commission would undertake the task of publishing revised rates on a monthly basis, or whether employers would be expected to independently calculate and apply the relevant index movements. While both would constitute an unreasonable burden on businesses, the latter would impose an unsustainable expectation on businesses, requiring them to interpret and apply complex statistical data to ensure compliance with modern award obligations.
57. Even if rates were published centrally, the operational burden would remain substantial. Employers would be required to update payroll systems, ensure correct application across pay cycles, and determine the appropriate point at which new rates take effect in relation to employee claims. This would be particularly complex in circumstances where claims span different periods, or where adjustments occur mid pay cycle. The risk of error in these circumstances is significant.
58. These features would inevitably increase regulatory burden and create a heightened risk of inadvertent non-compliance. Employers may be exposed to disputes or claims arising not from any deliberate underpayment, but from the practical difficulty of implementing a highly variable and administratively complex entitlement.

59. In ACCI's submission, these consequences are directly relevant to the modern awards objective. Section 134(1) requires the Commission to take into account the need to ensure a simple, stable and sustainable modern award system, and to have regard to the likely impact on business, including regulatory burden. A proposal that necessitates continual recalculation, introduces uncertainty as to application, and materially increases compliance risk is inconsistent with those statutory considerations.
60. In these circumstances, the administrative implications of the proposal provide a further and independent reason why it cannot be said to be necessary within the meaning of section 138.

### Consistency with ATO cents per kilometre methodology

61. Further doubt is cast on the necessity of the proposed increases when vehicle allowances are compared to the Australian Taxation Office (**ATO**) cents per kilometre rate.
62. The ATO methodology is designed to approximate the total cost of operating a vehicle, including fuel, maintenance, registration, insurance and depreciation. It therefore represents a comprehensive benchmark for vehicle-related expenses.
63. Where modern award vehicle allowances meet or exceed the ATO rate, this strongly indicates that existing allowances are sufficient to cover reasonable expenses.
64. In such circumstances, increasing allowances beyond the ATO benchmark would risk transforming a reimbursement mechanism into a form of additional remuneration, contrary to the purpose of expense-related allowances and the statutory requirement in section 138.

## Conclusion

65. These applications should be refused. The Unions have not established that the proposed variations are necessary in consideration of sections 134 and 138 of the Act. Evidence of recent fuel price increases, without a comprehensive assessment of total vehicle costs and the adequacy of existing allowances, is insufficient to justify varying modern awards.
66. The statutory task requires that any variation be no more than is necessary to maintain a fair and relevant minimum safety net. That threshold is not met where the evidentiary foundation is incomplete, and the proposed changes are directed to short-term movements in a single input cost rather than overall expense.
67. The existing CPI-based adjustment mechanism already provides a consistent and system-wide means of reflecting cost movements over time. Its operation, including the retention of past increases, does not support a finding that current allowances are deficient. The material relied upon by the Unions does not demonstrate that employees are inadequately reimbursed.
68. The proposed variations would introduce an ad hoc and upward-only adjustment mechanism, increasing costs and complexity while risking overcompensation. This would be inconsistent with the purpose of expense-related allowances and the limitations imposed by section 138.
69. It is also necessary to reiterate the proper character of the vehicle allowance. It is an expense-based allowance, directed solely to reimbursing employees for the costs reasonably incurred in operating and maintaining a vehicle for work purposes, including fuel, maintenance, insurance, registration and depreciation. It is not a wage, nor is it intended to supplement or adjust wages in response to broader cost of living pressures. Any approach that treats the allowance as a mechanism for income support, or seeks to increase it by reference to impacts on take-home pay, is inconsistent with its purpose and risks exceeding the limits imposed by section 138 of the Act.
70. In addition, the Commission must consider the impact on businesses. Absent demonstrated necessity, imposing increased employment costs would undermine the stability and sustainability of the modern award system.
71. The Commission already has an established, evidence-based process for adjusting vehicle allowances through the AWR. There is no sound basis to depart from that framework in response to temporary price volatility.
72. In these circumstances, ACCI submits that the applications represent an unnecessary response to short-term fuel price movements and should not be granted.

## About ACCI

The Australian Chamber of Commerce and Industry represents hundreds of thousands of businesses in every state and territory and across all industries. Ranging from small and medium enterprises to the largest companies, our network employs millions of people.

ACCI strives to make Australia the best place in the world to do business – so that Australians have the jobs, living standards and opportunities to which they aspire.

We seek to create an environment in which businesspeople, employees and independent contractors can achieve their potential as part of a dynamic private sector. We encourage entrepreneurship and innovation to achieve prosperity, economic growth, and jobs.

We focus on issues that impact on business, including economics, trade, workplace relations, work health and safety, and employment, education, and training.

We advocate for Australian business in public debate and to policy decision-makers, including ministers, shadow ministers, other members of parliament, ministerial policy advisors, public servants, regulators and other national agencies. We represent Australian business in international forums.

We represent the broad interests of the private sector rather than individual clients or a narrow sectional interest.

# ACCI Members

## State and Territory Chambers



## Industry Associations





**Australian  
Chamber of Commerce  
and Industry**