

Submission to the Fair Work Commission

11 May 2026

Applications to vary vehicle allowances in multiple modern awards

Matter Nos: AM2026/10, AM2026/11, AM2026/13 and others

Introduction

1. The Council of Small Business Organisations Australia (COSBOA) is Australia's peak body representing small business.
2. COSBOA files this submission as an interested party in response to the applications to vary vehicle allowances in multiple modern awards, joined as AM2026/10 and others. COSBOA has a direct and substantial interest in these proceedings given that the proposed variations would affect employers covered by each of the awards the subject of the applications, a large portion of whom are small businesses.
3. COSBOA's interest in these proceedings arises from the requirement in s.134(1)(f) of the Fair Work Act 2009 (Cth) (the Act) that the Commission, in ensuring modern awards provide a fair and relevant minimum safety net, must take into account *the impact of any exercise of modern award powers on business, including on productivity, employment costs and the regulatory burden*.

The fuel price context

4. COSBOA does not dispute that the conflict in the Middle East commencing on 28 February 2026, and the subsequent closure of the Strait of Hormuz, has caused significant disruption to global oil markets and a sharp increase in retail fuel prices in Australia. While it is appropriate to describe this increase as a fuel price shock, it should also be acknowledged that fuel prices appear to be easing and/or stabilising.
5. In its consideration of the Application of the ACTU and its affiliates, the Commission must recognise that the fuel price shock is global in impact. **Small business employers are contending with the same cost pressure** – and, in many cases, a proportionally greater burden – through increased fleet costs, delivery costs, product costs and higher input prices across their entire supply chains. For many small businesses, particularly those in manufacturing, vehicle repair, transport-adjacent services, and/or in regional areas, fuel represents a material proportion of operating costs. The ability of small businesses, particularly those who operate with narrow margins, to absorb increased fuel costs is

demonstrably less than that of larger enterprises with greater purchasing power and operating margins.

6. The Commission should also have regard to the fiscal policy response already in effect. The Federal Government halved the fuel excise from 52.6 cents per litre to 26.3 cents per litre for a three-month period from 1 April 2026. This whole-of-economy response benefits both employers and employees and is designed to address the same cost pressure the Applications seek to remedy. The interaction between this excise reduction and the proposed vehicle allowance adjustment has not been analysed in the applications. To the extent the excise cut reduces the actual cost of private motoring, it may already partially address the inadequacy identified by the applicants.

Principal objections to the proposed variation

7. COSBOA's principal objections to the proposed variation to numerous modern awards arise on the bases of administrative and compliance burdens that are likely to have disproportionate impact for small business. The proposed monthly adjustment mechanism would add a further layer of regulatory complexity that is disproportionate to the problem it seeks to address.
8. The proposed monthly adjustment mechanism is administratively onerous and technically complex. It would require employers to monitor ABS Private Motoring subgroup index releases every month, recalculate the applicable vehicle allowance rate, update payroll systems, and communicate changes to affected employees. This represents a twelve-fold increase in adjustment frequency compared to the current annual process.
9. A monthly rate change for a single allowance line item is disproportionately burdensome for small business. For large employers with dedicated payroll departments and enterprise-level software, a monthly adjustment cycle may be administratively manageable. For small businesses – which account for a large portion of employers covered by the affected awards – it is not. Many small businesses rely on manual payroll processes, basic bookkeeping software, or outsourced bookkeepers who charge per processing event.
10. The compliance burden that would arise from the proposed rate review mechanism is further exacerbated by the tax implications. The current vehicle allowance rate in the Manufacturing Award (98 cents per kilometre) already exceeds the ATO reasonable travel allowance rate of 88 cents per kilometre for 2025–26. Any increase to the award rate widens this gap, and a monthly adjustment mechanism would require employers to recalculate the taxable and non-taxable components of the allowance every month – an additional administrative layer on top of the rate change itself.
11. This submission is made in the context of what COSBOA has described in other proceedings as the **cumulative reform burden** on small business. Since 2022, the Fair Work Act has been significantly amended on at least 38 occasions. Each individual change may be manageable in isolation; the combined effect on small business compliance capacity is significant and well-documented.

The ratchet mechanism is asymmetric and inconsistent with a cost-tracking mechanism

12. The proposed model does not allow for the downward adjustment of the vehicle allowance prescribed by the modern awards to which the Applications relate.. The allowance can therefore only increase during the proposed 12-month period of operation of the proposed term, irrespective of movements in the underlying cost of private motoring.
13. If the purpose of the variation is to provide a mechanism that tracks actual motoring costs in a volatile environment, the adjustment should operate symmetrically. A one-way ratchet is not a cost-tracking mechanism – it is a cost escalation mechanism. If the Commission is satisfied that monthly adjustments are necessary (which COSBOA does not concede), any such mechanism should be capable of both upward and downward adjustment to reflect actual market conditions.
14. COSBOA acknowledges concern that downward adjustments would create additional compliance complexity. However, this concern – if valid – is itself an argument against a monthly adjustment mechanism altogether, rather than an argument for making the mechanism one-directional.

Precedent risk

15. If the Commission grants a temporary crisis schedule with monthly auto-adjustments across 27 or more modern awards, it establishes a template for future shock-triggered award variations. Any future disruption affecting an input cost reflected in an expense-related allowance – whether fuel, energy, insurance, or other costs – could attract a similar application.
16. The ‘temporary’ framing of the proposed schedule (12-month sunset, with provision for extension by further application) should be viewed with caution. The political and practical difficulty of unwinding a monthly adjustment mechanism once embedded should not be underestimated. COSBOA notes that a number of temporary measures introduced during the COVID-19 pandemic proved difficult to reverse and urges the Commission to consider the practical reality that temporary award provisions can become de facto permanent features of the safety net.
17. Small businesses need **stability and predictability** in award conditions. The modern awards system is designed to provide a minimum safety net that is fair, relevant, and – critically under s.134(1)(g) of the *Fair Work Act 2009* (Cth) (**FW Act**) – *simple, easy to understand, stable and sustainable*. A regime of monthly, crisis-reactive allowance adjustments across dozens of awards is fundamentally inconsistent with this objective.

The operative date is unrealistic for small business

18. COSBOA submits that any variation – to the extent the Commission determines one is necessary – should provide a minimum implementation period of not less than 28 days from the date of the determination and should be accompanied by clear guidance from the Commission (and ideally the Fair Work Ombudsman) on the practical operation of the adjusted allowance.

COSBOA's preferred alternative approach

19. COSBOA submits that the Commission should adopt the following approach in preference to granting the applications in their current form:

- a) **If an interim adjustment is warranted, keep it simple.** If the Commission determines that an adjustment before the annual wage review process is necessary, a one-off recalibration of the vehicle allowance rate – adjusted to reflect the Private Motoring sub-group index movement between March quarter 2024 and the most recently published index – would be far preferable to a monthly auto-adjustment mechanism.
- b) **Reject the ratchet.** Any adjustment mechanism, whether one-off or ongoing, should operate symmetrically. If the purpose is to track actual motoring costs, the mechanism must be capable of reflecting both increases and decreases.
- c) **Provide adequate implementation time.** Any variation should allow a minimum of 28 days from the date of determination for employer implementation, accompanied by plain-English guidance for small businesses.

The modern awards objective

20. Section 134(1) of the FW Act requires the Commission to ensure that modern awards, together with the National Employment Standards, provide a fair and relevant minimum safety net of terms and conditions. In doing so, the Commission must take into account the matters specified in s.134(1)(a)–(h). COSBOA addresses the following considerations:

- a) **The impact on business, including on productivity, employment costs and the regulatory burden (s.134(1)(f)).** This is the critical consideration for COSBOA. The proposed monthly adjustment mechanism would increase employment costs (both the allowance itself and the administration of monthly changes), reduce productivity (through time spent on compliance rather than productive activity), and materially increase the regulatory burden on small businesses. COSBOA submits that the applications as framed give insufficient weight to this consideration.
- b) **The need to ensure a simple, easy to understand, stable and sustainable modern awards system (s.134(1)(g)).** A regime of monthly, crisis-responsive, ratchet-only adjustments to a single expense allowance across 27 or more awards is the antithesis of simplicity and stability. The existing annual adjustment mechanism – with a one-off recalibration if necessary – is simpler, more stable, and more sustainable.
- c) **The likely impact on employment growth, inflation and the sustainability, performance and competitiveness of the national economy (s.134(1)(h)).** In the context of a supply-side shock that is already placing pressure on business margins, input costs, and consumer demand, the Commission should be cautious about layering additional employment cost escalation mechanisms onto the award safety net.

Conclusion

21. For the reasons set out above, COSBOA opposes the Applications in their current form.

Yours sincerely,

A handwritten signature in red ink, appearing to be 'S. Cappuccio', enclosed in a faint red rectangular box.

Skye Cappuccio
CEO, COSBOA

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