



**The Hon Dominic Perrottet MP**  
Treasurer and Minister for Industrial Relations

Reference: P17/2421

The Hon Justice Iain Ross AO  
President  
Fair Work Commission  
Level 4, 11 Exhibition Street  
Melbourne VIC 3000

Dear Justice Ross,

On 3 May 2017, the Expert Panel published a list of questions for interested parties in relation to the 2016-17 Annual Wage Review.

Included in that list was the following question:

**3.4 Question to the NSW Government**

The NSW Government submitted that '[t]he level of National Minimum wage and the magnitude of minimum award rates of pay will have a significant bearing on the success of [infrastructure] projects'.

How will the NMW and award wage rates 'have significant bearing' on the success of major NSW Government infrastructure projects? (footnote omitted).

Our response to this question is set out in the succeeding paragraphs.

As noted in our Submission to the Review:

The NSW Government is investing \$73.2 billion on vital infrastructure across NSW over the next four years, supporting the construction of productivity enhancing assets to boost economic growth. Projects include passenger and freight infrastructure, new roads and motorways, a Housing Acceleration Fund and hospital redevelopments.

Wage costs will be a critical component of this investment program. Fiscal responsibility and control of spending have been, and continue to be, at the forefront of the NSW Government's approach to managing the NSW economy.

As to the contribution that the National Minimum Wage (NMW) and minimum award rates may play, I note that awards play a significant role in wage-setting in the construction industry. According to the most recent ABS data available, 19.7 per cent of employees in that industry have their wages set by awards, compared to 22.0 per cent by agreements, and 58.2 per cent by individual arrangements<sup>1</sup>.

---

<sup>1</sup> ABS Employee Earnings and Hours May 2016 Cat No 6306.0

As such, changes to the NMW and minimum award rates that are higher than anticipated may have a significant impact on industry cost structures, at least to the extent of the award-reliant employees therein. It may also be that the level of the NMW exerts an influence on wage outcomes in agreements and/or individual arrangements.

In this context, a stable wage environment is critical in ensuring that the considerable wage costs involved in these projects are contained and remain so for the necessarily long life of these projects.

I trust that this response assists the Expert Panel in its deliberations.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D Perrottet', with a stylized flourish at the end.

**Dominic Perrottet MP**  
**Treasurer**  
**Minister for Industrial Relations**

10/5/17