



**ARTIO**

Australian Road Transport  
Industrial Organisation

ABN: 63 734 697 902

# AUSTRALIAN ROAD TRANSPORT INDUSTRIAL ORGANISATION

*Respect, Respond and Represent*

20 March 2017

Justice Iain Ross, President  
Fair Work Commission  
GPO Box 1994  
Melbourne VIC 3000

By email: [awr@fwc.gov.au](mailto:awr@fwc.gov.au)

Dear Justice Ross,

**RE: 2016/17 ANNUAL WAGE REVIEW**

The Council of the Australian Road Transport Industrial Organisation (ARTIO) wishes to make a submission to the 2016/17 Annual Wage Review.

***Introduction***

The Australian Road Transport Industrial Organisation (ARTIO) is an Industrial Organisation of Employers registered under the Fair Work (Registered Organisations) Act 2009. It has been so registered since 1984. ARTIO represents employers in the transport and logistics industry, particularly those engaged in road transport.

ARTIO's membership includes large multi-national transport companies including those publicly listed. Our collective membership comprises approximately 450 transport employers and extends across privately owned small to medium sized companies. Collectively, members of ARTIO's Branches perform a large percentage of Australia's urban, regional, remote and interstate freight task across the manufacturing, retail, housing and construction, agriculture, mining, import, export and other sectors of the economy.

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**State Branches**

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ARTIO has represented the industry in the Australian Industrial Relations Commission and its successor the Fair Work Commission (FWC) since achieving registration.

### ***The State of the Economy***

It is clear from a range of economic data that the Australian economy continues to grow at a sluggish rate.

### ***Gross Domestic Product***

Growth in Gross Domestic Product (GDP) for the year ending 31 December 2016 stands at 2.4 per cent. This is consistent with growth rates which have generally hovered at between 2 and 3 per cent since the end of the Global Financial Crisis.

GDP growth rates of late are underpinned by strong growth in commodity prices for iron ore and coal as well as a generally good season for Australia's farmers. Sectors which have held back economic growth include manufacturing, building and construction, retail and wholesale trade, accommodation and transport.

Lead indicators of economic activity such as building and dwelling approvals as well as actual capital expenditure indicate there is nothing on the horizon to provide additional economic stimulus. The mining and agriculture sectors are relatively volatile contributors to economic trends and Australia cannot rely on those sectors to stimulate long term economic growth. This suggests the next source of longer term economic stimulus following strong mining and energy investment as well as strong activity in the housing and construction sector has yet to emerge.

In ARTIO's opinion, this does not necessarily point to a slowing down in the rate of economic growth, rather it suggests there is no clear pointer as to where stimulus to increase the rate of economic growth will come from. This suggests continued drift in overall economic activity as measured by GDP. It also suggests the Australian economy continues to face challenges if it is to achieve economic growth rates which are more in line with the experience of recent decades.

### ***Inflation and Interest Rates***

Inflation as measured by the Consumer Price Index (CPI) rose 1.5 per cent in the year ending 31 December. As the Australian Bureau of Statistics said in its media release on 25 January 2017, the rate of inflation remains subdued. The CPI remains at levels outside the Reserve Bank of Australia's (RBA) target range of 2-3 per cent and has stayed within a range of 1 to 1.7 per cent for the past two years.

There is every indication that the RBA will keep interest rates on hold for most, if not all of 2017. While predicting the timing, frequency and extent of interest rate movements is an inexact science, there is consensus that interest rate settings should err towards encouraging economic stimulus.

### ***Employment***

ARTIO believes the labour market in Australia is anaemic, notwithstanding employment growth and an unemployment rate of 5.8 per cent. This is because the number of people in full time employment has fallen by approximately 21,200 over the past 12 months, despite the additional estimated 122,000 jobs categorised as part-time which have been created in the same period. The number of people employed grew by only 0.8 per cent in the year ending February 2017.

A further sign of the weakening labour market is the 0.4 per cent fall in the participation rate over the past 12 months, suggesting that more people, capable of being employed, are choosing not to seek work.

### ***Wage Trends***

Private sector wage growth in Australia continues to drift lower. Once again, this reflects a flat labour market.

For the year ending December 2016, annual wage growth rates have been sluggish in all States and Territories. Annual wages growth of less than 2 per cent has occurred in the mining, manufacturing, construction, wholesale trade, retail trade and many other sectors. Wages growth has been highest in sectors where public sector workers comprise a relatively high proportion of the workforce.

ARTIO's analysis of enterprise bargaining negotiation outcomes in the private transport industry tend to reflect broader trends in the labour market. ARTIO has observed a gradual downward drift in wage increases at the enterprise level to a point where the wage increase component of any agreement in late 2016 was typically in the order of 2 per cent per annum and generally locked in for three years.

These wages growth trends in the labour market have occurred notwithstanding the FWC's decision to award employees on minimum wages, an increase of 2.4 per cent last year.

In ARTIO's opinion, these modest wages growth levels reflect prolonged sluggish macroeconomic and labour market conditions as well as low inflation in recent years.

### ***Conclusion***

ARTIO does not intend to specify a quantum, in either nominal or percentage terms, whereby wages should be varied in this Annual Wage Review. ARTIO submits that instead the FWC should be guided by signs of the overall state of the Australian economy, especially the labour market.

ARTIO reiterates that major macroeconomic indicators show the Australian economy and, in particular, the labour market is not generating sufficient growth to sustain strength in the labour market. Indicators such as a fall in the labour force participation rate and historically modest wages growth provide useful guidance to the FWC in terms of its decision making. These indicators all suggest that in ARTIO's opinion any increase in wages decided upon in this Annual Wage Review should be modest.

Please contact Paul Ryan, ARTIO's National Industrial Relations Advisor, telephone, 0415 331031, or email [reception@vta.com.au](mailto:reception@vta.com.au) if further information is required.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Peter Anderson', written in a cursive style.

Peter Anderson

**Secretary/Treasurer**