



how australian organisations are responding to rising fuel prices

CSi – The Remuneration Specialists Present
A Brand New Report With The Latest
Market Intelligence For Managing
Motor Vehicle Benefits During The
Current Fuel Price Crisis

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PARTICIPATING ORGANISATIONS

AAPT (Telecom Corporation of New Zealand)
Alcon Australia
Alcatel Australia Limited
Asteron
Australian Business Limited
Baycorp Advantage
Bayer CropScience Pty Limited
BEA Systems Pty Ltd
Blackmores Limited
Canon Australia
Coloplast Pty Ltd
CSC Australia Pty Ltd
Dade Behring Diagnostics Pty Limited
DHL Express (Australia) Pty Ltd
EMC Global Holdings Company, Australia
Epson Australia Pty Limited
Ericsson Australia Pty Limited
Fujitsu Australia & New Zealand Ltd
Gartner Australasia Pty Ltd
Golder Associates Pty Ltd
IAG New Zealand Ltd
IBM Australia Pty Ltd
Unomedical Pty Ltd
John Fletcher Properties
KONE Elevators (Australia) Pty Limited
Kraft Foods Limited
Microsoft Pty Ltd
Mitsui & Company (Australia) Limited
Optiscan Pty Ltd
ORIX Australia Corporation Limited
Oxoid Australia Pty Ltd
Reach Services Australia Pty Ltd
Ricoh Australia Pty Limited
Royal Institute for Deaf and Blind Children
Sabre Pacific Pty Limited
Sanofi-Aventis Group
Sharp Corporation of Australia Pty Limited
SPL Worldgroup (Australia) Pty Limited
The Age
Smith's Snackfood Company Ltd
Thomson Legal & Regulatory
Toshiba (Australia) Pty Limited
Uniting Care Burnside

HOW AUSTRALIAN ORGANISATIONS ARE RESPONDING TO RISING FUEL PRICES

INTRODUCTION

The rising cost of fuel has sparked public outcry across Australia. The increase in global prices of crude oil, coupled with the devastation brought by Hurricane Katrina to the Gulf of Mexico, saw the cost of unleaded petrol reach up to \$1.40/L across Australia in September – a 30% increase since May this year (Cook, 2005). Diesel, once considered a cheap alternative also increased in price.

The September CPI reached an annualised 3%, with automotive fuel seeing the highest quarterly increase of 11.6%, following a 7.2% increase in June quarter (ABS, 2005). However, as the price of fuel goes up, the volume of petrol purchased has decreased by 11% as a result of greater fuel efficiencies (Bassanese & Moullakis, 2005). Therefore it is important to review this issue holistically and to think creatively.

With the cost of fuel forecast to remain high in the future and the cost of petrol unlikely to drop below \$1/L again, the value of car allowances and other motor vehicle policies to employees are somewhat reduced (Cook, 2005). Higher fuel costs affect most people who rely on a private vehicle for transport. This mini survey looks at whether employees are approaching organisations to compensate them for the higher costs of fuel, particularly where motor vehicle travel is required to complete one's job. It also looks at whether organisations are adapting policies to accommodate these increases.

METHOD

This mini survey was distributed via email by **CSi** to target organisations. Data was submitted to **CSi** by return email. The results were then accumulated and analysed.

Forty-three (**43**) organisations took part in this mini survey. The following reflects the answers collected by **CSi**.

RESULTS

Q1. Are you receiving pressure from employees to compensate for the rise in fuel prices?

Four options were provided to answer this question. Forty-two (42) out of the 43 organisations were able to answer within the parameters of these four choices.

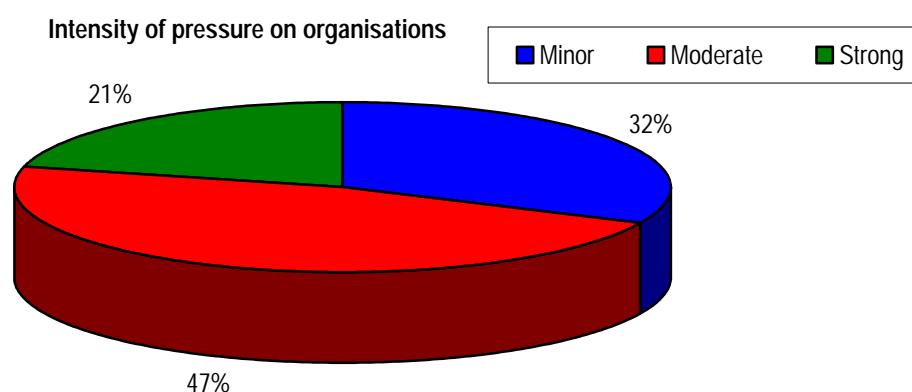
The distribution of responses is displayed in the following table.

Responses	% organisations
A – We are NOT receiving pressure from employees as we do not offer motor vehicle benefits	19%
B – We are NOT receiving pressure from employees; we do offer motor vehicle benefits but we are not receiving pressure from employees	36%
C – We are receiving pressure from employees; although we don't offer motor vehicle benefits, this is the basis for requests for an overall increase in remuneration	0%
D – We are receiving pressure from employees; and more specifically we are receiving pressure on motor vehicle benefits	45%

The above table shows that:

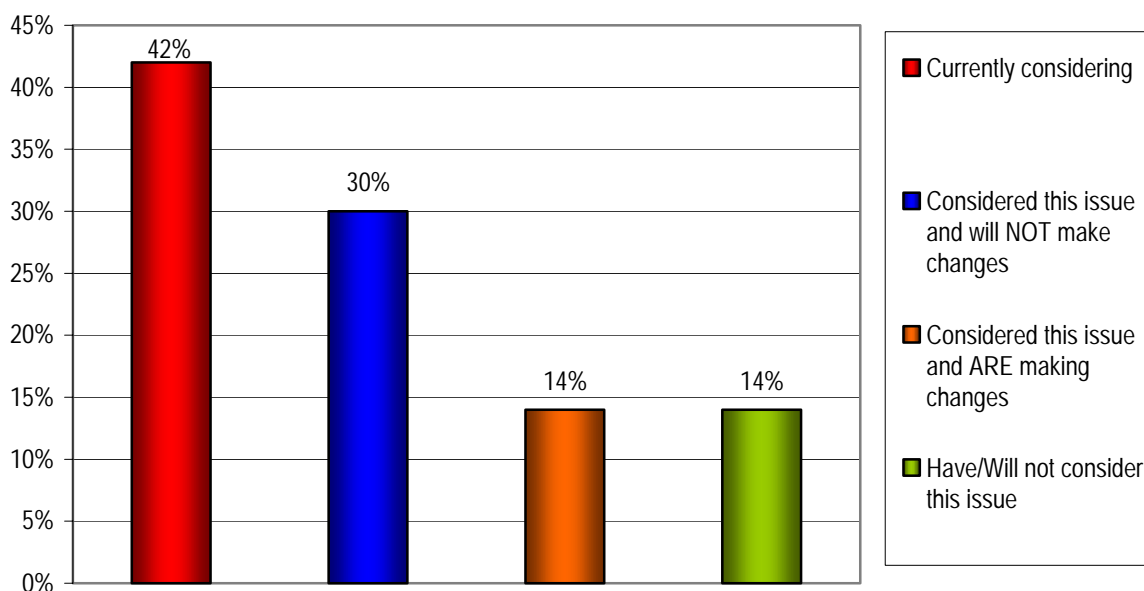
- Almost half of organisations are under pressure from employees to review their motor vehicle benefits as a result of rising fuel prices.
- Organisations that do not offer motor vehicle benefits are not receiving any pressure from employees to increase remuneration.
- Thirty-six percent (36%) of organisations that offer motor vehicle benefits are not under pressure to compensate employees for rising fuel prices. Responses from several surveyed organisations indicate that pressure has been detracted due to novated leases and other contractual terms upon which car allowances and petrol price compensation are set. For example, some organisations have set periods at which changes are made to motor vehicle benefits policies and outside of this period no changes are made. In these cases some organisations anticipate that at the scheduled review period, policies may have to be reviewed to incorporate higher fuel prices.

When organisations were asked to evaluate the strength of employee pressure related to this issue, the intensity was considered to be "Minor" (32% of cases), "Moderate" (47% of cases) or "Strong" (21% of cases). More than two-thirds of organisations that are under pressure categorise themselves in the moderate-strong range. This is displayed in the following sector graph.



Q2. Have you considered changes to your organisation's motor vehicle policy as a result of the rising fuel prices and/or employee pressure?

Respondents were given three options to answer this question. If one of these three options was not selected by an organisation, it is assumed that organisations are not considering changes to motor vehicle policies. The proportion of organisations responding to each option is displayed in the following graph.



From the above chart it is evident that the majority of organisations (**86%**) have or are taking the rising fuel prices into account when considering current motor vehicle policies. Almost half of the surveyed organisations are currently reviewing policies while close to a third have reviewed their policies and decided not to make any changes. Amongst organisations that have already reviewed the impact of petrol prices, twice as many organisations have decided not to make changes in comparison to organisations that will make changes to incorporate the higher costs of fuel.

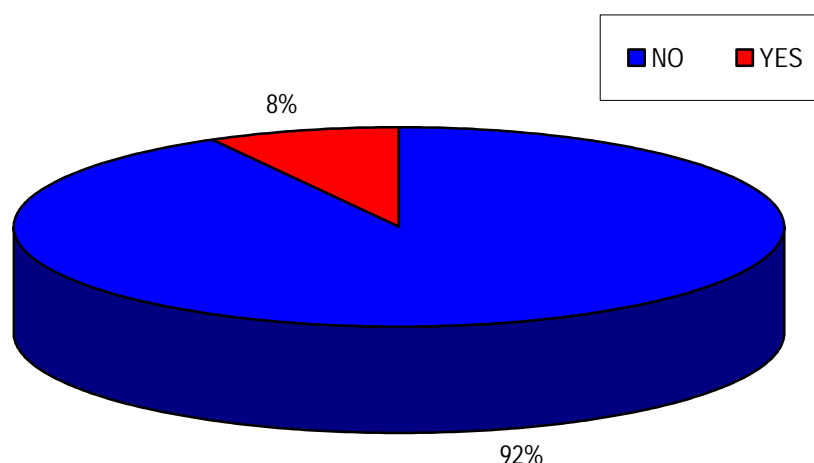
Organisations that have considered the impact of fuel prices and decided to make changes (**14%** of organisations) have reacted in various ways. The majority of these organisations have increased allowances by an exact figure across the board for all employees receiving a car allowance (for example, an increase of \$750) or have increased the \$/km reimbursement rate (for example, up to \$0.70/L). One organisation has introduced a fuel levy (on top of current car allowances) for employees with a tool of trade (job facility) vehicle.

Most organisations that have implemented changes plan to review these changes at a later date, either on an annual or quarterly basis. One organisation has made changes to their policy but this was more routine rather than as a direct result of fuel prices.

Q3. If you are NOT considering changes to your motor vehicle policy, are you doing anything on an ad hoc basis to address this issue?

There were two options available to answer this question - Yes and No. Organisations that answered "Yes" were then asked to provide details of their activities. Please note: This question was answered by those organisations that responded "We have considered this issue and will not make changes" in question 2. (ie. **30%** of the total sample responded to this question).

Are organisations who are not making changes doing anything on an ad hoc basis?



The above graph shows that the vast majority of organisations who are not making changes to their motor vehicle policies to adapt to higher fuel prices are also not making any adjustments on an ad hoc basis.

In relation to the **8%** of organisations where ad hoc activities are being implemented, an example of an activity is encouraging all employees to take part in car pools and allowing the use of the company intranet to facilitate this.

CONCLUSION

The results of this mini survey show that organisations are divided in whether or not they are receiving pressure from employees to compensate for the rise in fuel prices. Of the **45%** of organisations that are under some form of pressure, the majority of organisations feel they are under moderate (**47%**) to strong (**21%**) pressure to make changes. However, of the organisations that have considered making changes (**44%**), organisations are twice as likely not to make any changes (**30%** of organisations) than to make changes (**14%** of organisations). Organisations that have made changes have typically increased car allowances or reimbursement rates. Very few organisations that have decided not to make any changes to their motor vehicle policies are undertaking ad hoc activities to address this issue.

Given that only **14%** of organisations have implemented changes to their motor vehicle policies as a result of rising fuel prices, **CSI** believes organisations are waiting for fuel prices to stabilise before undertaking any change activities. This allows them time to observe the current impact of higher fuel prices and to apply this knowledge into any change policies that are carried out. We expect to see more changes to motor vehicle policies in the next 6 months.

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