



how new zealand organisations are responding to rising fuel

CSi – The Remuneration Specialists present
a brand new report with the latest
market intelligence for managing
motor vehicle benefits during the
fuel price crisis

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**The Remuneration
Specialists**

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PARTICIPATING ORGANISATIONS

Aderant	Invitrogen Ltd
ASB Limited	LexisNexis NZ Limited
Canon New Zealand Ltd	MWH New Zealand Ltd
Carter Holt Harvey Limited (CCH)	MYOB NZ Limited
Coca Cola Amatil (NZ) Ltd	New Zealand Guardian Trust
DB Breweries Limited	Oracle New Zealand Ltd
Deloitte	Provenco Group Limited
EDS (New Zealand) Limited	Telecom Corporation of New Zealand Ltd
eServGlobal Limited	TelstraClear Ltd
Farmers' Mutual Insurance Association	The Warehouse
Fonterra Cooperative Group Limited	Trimble Navigation New Zealand Ltd
Fujitsu New Zealand Limited	Unisys New Zealand Limited
Hewlett Packard NZ	Vero Insurance New Zealand Limited
IBM New Zealand Limited	Westpac
Infinity Solutions Ltd	

HOW NEW ZEALAND ORGANISATIONS ARE RESPONDING TO RISING FUEL PRICES

INTRODUCTION

World oil prices continue to rise, exaggerated recently by talks that Iran will continue their nuclear programme. An oil expert has forecast that this upwards trend will continue until 2012 when world oil production peaks. Prices may be pushed further above this trend by weather and political disruptions.¹

With this in mind, and the reliance on a private vehicle for much of the population for both private and business use, the cost of transportation to the individual continues to increase. In June 2006, inflation peaked at 4%, the highest it has been in 11 years. The major contributing factor to this was petrol prices, which increased by 32% over the year. With the cost of living increasing, there is pressure on wages to also increase to compensate the individual.

This study looks at the impact higher petrol prices are having on organisations - whether or not they are receiving pressure from employees to receive additional compensation and/or if they are proactively adjusting remuneration benefits to reduce the financial burden on the employee.

METHOD

This remuneration study was based upon an excel data capture sheet distributed via email by **CSi** to target organisations. Data was submitted to **CSi** by return email. The results were then accumulated and analysed.

Twenty-nine (**29**) organisations took part in this study. The following reflects the answers collected by **CSi**.

¹ Keenan, R., "Oil prices on rise till 2010:expert", *The Australian*, 21 August 2006, online at: www.theaustralian.news.com.au (accessed 21 August 2006)

RESULTS

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

Four options were provided to answer this question. All responding 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	21%
B – We are NOT receiving pressure from employees; we do offer motor vehicle benefits but we are not receiving pressure from employees	28%
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	52%

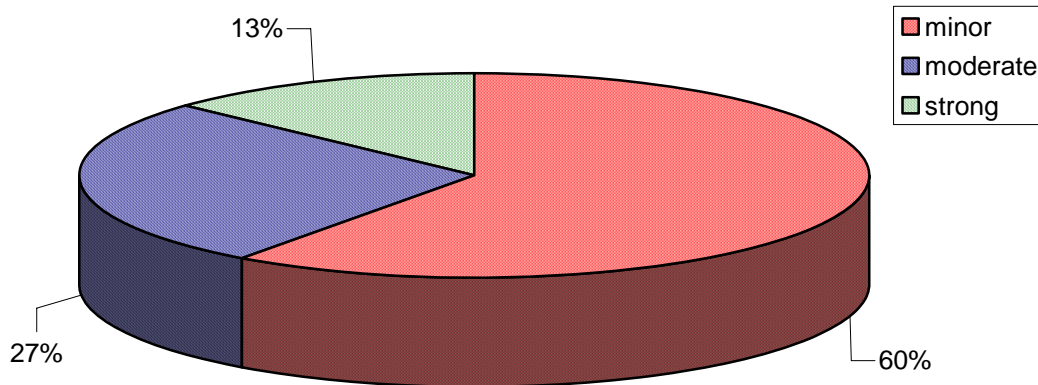
Approximately half (**52%**) of responding organisations reported being under pressure from employees to review their motor vehicle benefits as a result of rising fuel prices. Over a quarter (**28%**) of responding organisations are not receiving pressure from employees despite providing motor vehicle benefits. The remaining twenty-one percent (**21%**) of organisations are not receiving pressure from employees on this issue, as they do not offer motor vehicle benefits. None (**0%**) of the responding organisations reported being under pressure from employees to provide an increase in overall remuneration due to the rise in fuel prices where motor vehicle benefits are not offered.

Q2. If you are receiving pressure from employees, how would you rate that pressure?

Those organisations that reported being under pressure from employees were then asked to evaluate the strength of the employee pressure related to this issue. Sixty percent (**60%**) of responding organisations reported the pressure to be *minor*. Twenty-seven percent (**27%**) of organisations rate the pressure they are receiving as *moderate*, with the remaining thirteen percent (**13%**) reporting the pressure to be *strong*. Therefore, two in every five organisations that are under pressure categorise themselves in the *moderate-strong* range.

This information is displayed in the following sector graph.

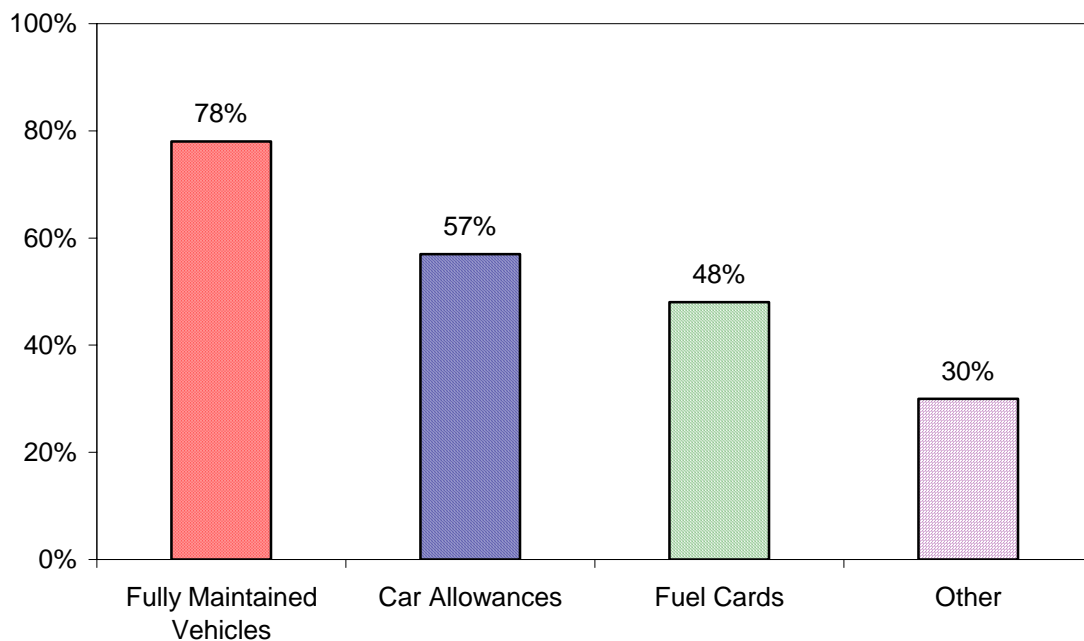
Intensity of Pressure on Orgainisations



Q3.If you provide motor vehicle benefits, what form do they take?

Those organisations that reported providing motor vehicle benefits to their employees were then requested to advise what types of motor vehicle benefits they provided. The most common motor vehicle benefit provisions were reported as being Fully Maintained Vehicles [provided by seventy-eight percent (**78%**) of organisations], followed by Car Allowances [provided by fifty-seven percent (**57%**) of organisations].

Motor Vehicle Benefit Offerings



** Please note that respondents were able to select more than one option.*

Forty-eight percent (**48%**) of the responding organisations reported providing Fuel Cards, either in conjunction with Fully Maintained Vehicles, or as a separate benefit for employees – mostly a limited group or those with tool-of-trade vehicles. Thirty percent (**30%**) of the responding organisations reported providing Motor Vehicle Benefits in ‘other’ forms. Those organisations reporting ‘other’ forms of Motor Vehicle Benefits provide reimbursement on a mileage basis for business use of private vehicles.

Q4. If you are experiencing pressure from employees, where is the pressure coming from?

None of the responding organisations reported receiving pressure on this issue from Senior Executives or Marketing employees. Approximately half (**53%**) of responding organisations reported receiving pressure from Sales employees, by far the greatest source of pressure from a specific area. Twenty percent (**20%**) of organisations reported receiving pressure from Engineers, and twenty percent (**20%**) reported receiving pressure from ‘other’ specific areas. These ‘other’ specific areas of pressure were reported to include Finance, Human Resources, and Training.

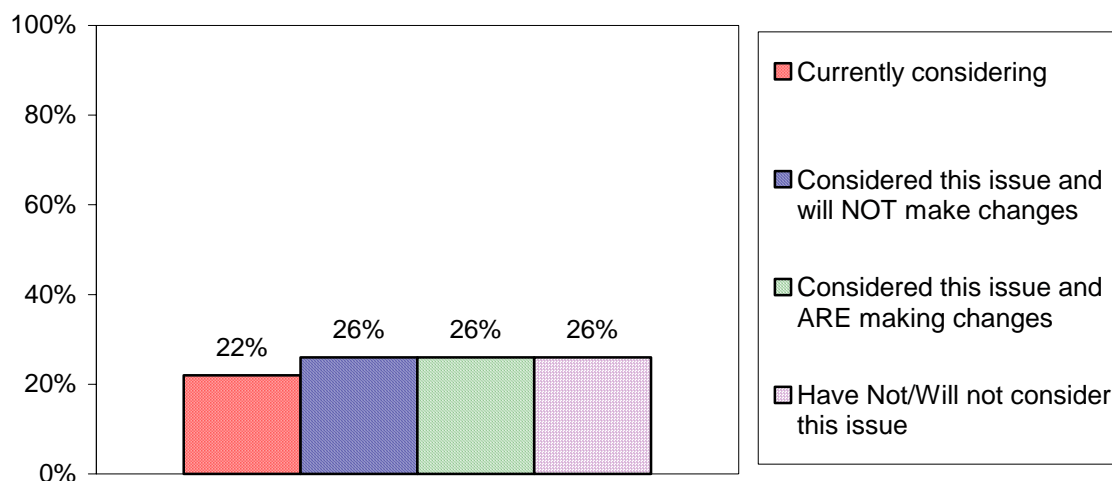
Responses	% organisations
Pressure is coming from specific employee areas:	
- Senior Executives	0%
- Marketing	0%
- Sales	53%
- Engineers	20%
- Other (please specify)	20%
Pressure is coming from employees as a whole	47%
Pressure is coming from another area (please specify)	7%

** Please note that respondents were able to select more than one option.*

Pressure was reported to be coming from employees as a whole by forty-seven percent (**47%**) of organisations. Seven percent (**7%**) of organisations reported ‘other’ sources of pressure on this issue. These ‘other’ areas include employees not receiving tool-of-trade vehicles, as well as managers who utilise their private vehicles for business purposes.

Q5. 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 four options to answer this question. If one of these four 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 graph on the following page.



From the above chart it is evident that the majority (**74%**) of organisations have or are taking the rising fuel prices into account when considering current motor vehicle policies. Twenty-two percent (**22%**) of the surveyed organisations are currently reviewing their policies, while twenty-six percent (**26%**) have reviewed their policies and decided not to make any changes. Amongst the organisations that have already reviewed the impact of petrol prices, twenty-six percent (**26%**) of organisations will make changes to incorporate the higher costs of fuel. The remaining twenty-six percent (**26%**) of responding organisations reported having not considered and currently having no intention of taking into account the rising fuel prices.

Organisations that have considered the impact of fuel prices and decided to make changes (**26%** of organisations) have reacted in various ways. Some organisations are focusing on their bottom line, and are consequently looking to pass the rising cost of providing fully maintained vehicles on to their employees. Other organisations are increasing the notional value of their fully maintained vehicle benefits, or in some cases they are looking to phase out fully maintained vehicles altogether, except for tool-of-trade vehicles.

Other organisations appear driven more by the effect of rising fuel prices on their employees. They appear to be more focused on alleviating the increasing financial burden on their employees by increasing fuel card limits, increasing reimbursement rates to \$0.75c/km, and allowing employees to claim mileage according to the Internal Revenue Department's (IRD) more recent flexible rates², which allow organisations to base their reimbursement rates on a reputable independent New Zealand source, such as the running costs released by the Automobile Association (NZAA)³.

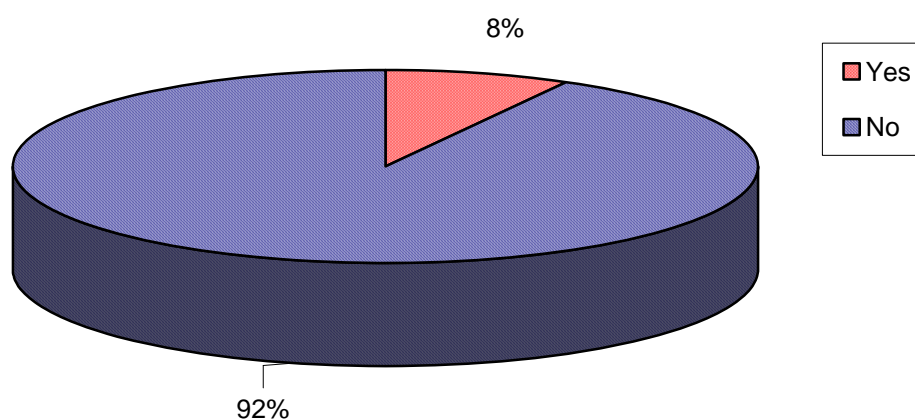
² IRD – 2005 Media Releases, 'Reimbursement for the use of a private motor vehicle', *Internal Revenue Department Website*, 22 September 2005, online at: [Hhttp://www.ird.govt.nz/aboutir/media-centre/media-releases/2005/media-release-2005-09-22.html](http://www.ird.govt.nz/aboutir/media-centre/media-releases/2005/media-release-2005-09-22.html)H (accessed 22 August 2006)

³ NZAA - Car Running Costs, 'Find out What Your Running Costs Really Are', *New Zealand Automobile Association Website*, 2006, online at: [Hhttp://www.aa.co.nz/motoring/Section?Action=View&Section_id=275](http://www.aa.co.nz/motoring/Section?Action=View&Section_id=275)H (accessed 22 August 2006)

Q6. 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” or “We have not/ will not consider this issue” in Question 5. (i.e. **52%** 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 (**92%**) 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 eight percent (**8%**) of organisations where ad hoc activities are being implemented, organisations are continually monitoring the situation and providing adjustments in individual cases where they deem them to be warranted.

CONCLUSION

The results of this survey show that organisations are divided in whether or not they are receiving pressure from employees to compensate for the rise in fuel prices. Two in five organisations that are under some form of pressure, feel they are under *moderate* (27%) to *strong* (13%) pressure to make changes. Of these organisations, the job family applying the greatest amount of pressure is Sales, with 53% of organisations reporting pressure from this area. Forty-seven percent (47%) of organisations reported experiencing pressure from employees as a whole. Amongst the 80% of responding organisations who do provide motor vehicle benefits, the most commonly provided form of motor vehicle benefits are Fully Maintained Vehicles (78%) and Car Allowances (60%).

The results also show that organisations that have previously considered making changes (52%) are just as likely to not make any changes (26% of organisations) as they are to make changes (26% of organisations). Organisations that have made changes have responded in a wide variety of ways, some focusing on the organisations bottom line, and others concerned with reducing the impact on their employees. Very few (8%) organisations that have decided not to make any changes to their motor vehicle policies are undertaking ad hoc activities to address these issues.

CSi will continue to track the fluctuations in fuel prices and report on these trends based on market pressures. Please continue to check the CSi website⁴ for future fuel report releases.

⁴ CSi website – [Hwww.csirem.co.nz](http://www.csirem.co.nz)H