

CSi - The Remuneration Specialists present the

Fuel Impact Report

New Zealand - April 2007



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PARTICIPATING ORGANISATIONS

1. Axon Computer Systems
2. Bank of New Zealand
3. Canon New Zealand Limited
4. Invitrogen Ltd
5. Mighty River Power
6. Ministry of Social Development
7. New Zealand Post Group
8. Peace Software New Zealand Ltd
9. Telecom Corporation of New Zealand
10. Tower New Zealand
11. Vero Insurance New Zealand Ltd
12. Westpac NZ

FUEL IMPACT REPORT

Introduction

Many individuals will have breathed a sigh of relief as the cost of fuel became a less prominent topic of news. Prices at the bowser appear to have stabilised considerably in comparison to the steady growth of 6 months ago.

The fact that fuel costs have remained high is a concern as many Australians rely on motor vehicles for both personal and business use. Continuing unrest in the Middle East is no doubt contributing to the high cost of fuel, as are the decreasing petroleum reserves as cost effective alternatives continue to be sought.

This study looks at the impact petrol prices are having on organisations - whether or not they are receiving pressure from employees for 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 online questionnaire, containing a mix of both multiple-choice and open-ended questions, requiring contributors to specify policy details or comments. Submitted results were accumulated electronically and then analysed.

Twelve (**12**) organisations took part in this study. The following reflects the answers collected by CSi.

CSi first published a study on the impact of Fuel Prices in November 2005, with a follow-up study in August 2006. CSi will continue to monitor the impact of Fuel Prices as long as they remain high or begin to rise again.

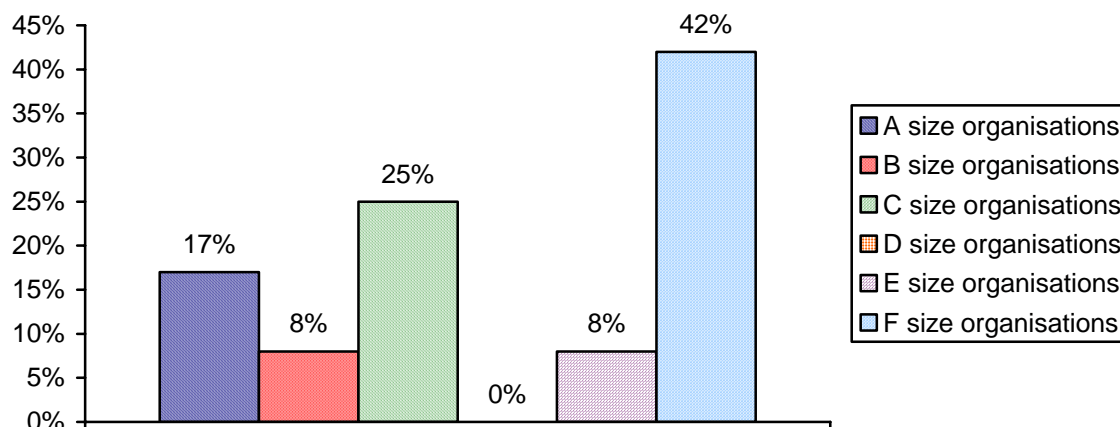
RESULTS

Responding Organisation Sizes

The size of an organisation can affect the way it makes remuneration decisions. To give an indication of the variety of organisations sizes that have contributed to the Fuel Impact Report, organisations were sized based on the revenue and number of employees they reported, using the following grid.

Number of employees	Annual Revenue (AUD Million)					
	Up to 25	26 - 100	101 - 250	251 - 500	501 – 1,000	1,001+
Up to 150	A	B	C	D	E	F
151 – 300	B	B	C	D	E	F
301 – 1,000	C	C	C	D	E	F
1,001 – 10,000	D	D	D	D	E	F
10,001 – 25,000	E	E	E	E	E	F
25,001+	F	F	F	F	F	F

Forty-two percent (**42%**) of organisations fall into the F size category, **25%** fall into the C size category, and a further **17%** fall into the A size category of organisations. Eight percent (**8%**) of organisations fall into both the B size and the E size categories. None of the responding organisations fall into the D size category.



Q1. Has your organisation been receiving pressure to increase compensation as a result of increasing fuel prices?

Four options were provided to answer this question. All (100%) of 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 receiving pressure from employees; and more specifically we are receiving pressure on motor vehicle benefits	8%
B – 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%
C – We are NOT receiving pressure from employees despite the fact that we do offer motor vehicle benefits.	67%
D – We are NOT receiving pressure from employees as we do not offer motor vehicle benefits	25%

The majority (67%) of responding organisations reported that despite offering motor vehicle benefits, they are not receiving pressure from employees in relation to fuel costs. This has increased from 21% in August 2006¹. A quarter (25%) of organisations reported not being under pressure from employees, as they do not offer motor vehicle benefits. A further 8% reported receiving pressure specifically on motor vehicle benefits. It is interesting to note that the percentage of organisations reporting pressure has decreased dramatically from August 2006, where 52% received direct pressure on motor vehicle benefits². None of the responding organisations reported receiving pressure generally.

Q2. If your organisation has not been receiving pressure, is this attributable to any pre-emptive action that has been taken by your organisation in response to increasing fuel prices?

The organisations that reported that they are not receiving pressure in this area reported their behaviour surrounding motor vehicle benefits. These responses are displayed in the following table.

Responses	% organisations
A – Yes, we have been covering the rise in fuel prices by increasing motor vehicle benefits	9%
B – Yes, we have been covering the rise in fuel prices by increasing overall remuneration	0%
C – No, we have not taken any pre-emptive action in response to increasing fuel prices	73%
D – Other (Please specify)	9%

¹ CSi – The Remuneration Specialists (August 2006), "How New Zealand Organisations are Responding to Rising Fuel Prices", <http://www.csirem.com.au/downloads/knowledge/fuelPrices2006NZ.pdf>

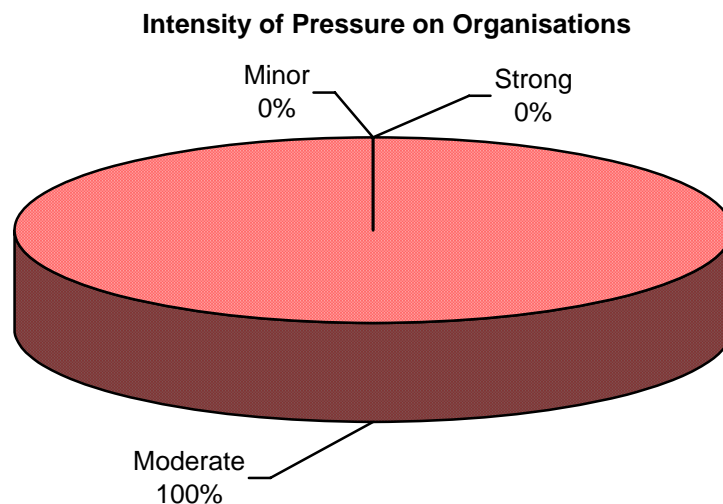
² CSi – The Remuneration Specialists (August 2006), "How New Zealand Organisations are Responding to Rising Fuel Prices", <http://www.csirem.com.au/downloads/knowledge/fuelPrices2006NZ.pdf>

The majority (**73%**) of organisations that have not been receiving pressure to increase compensation as a result of increasing fuel prices have also not taken any pre-emptive action in response to increasing fuel prices. Nine percent (**9%**) have responded by increasing motor vehicle benefits in order to cover the rise in fuel prices. The remaining **9%** of organisations have responded in 'other' ways to the rise in fuel prices, including not capping reimbursement for fuel costs.

Q3. If you were 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. All (**100%**) organisations reported experiencing *moderate* pressure where pressure was experienced. This has varied greatly from August 2006, where 60% reported feeling *minor* pressure, 27% *moderate* pressure and 13% *strong* pressure³.

This information is displayed in the following sector graph.

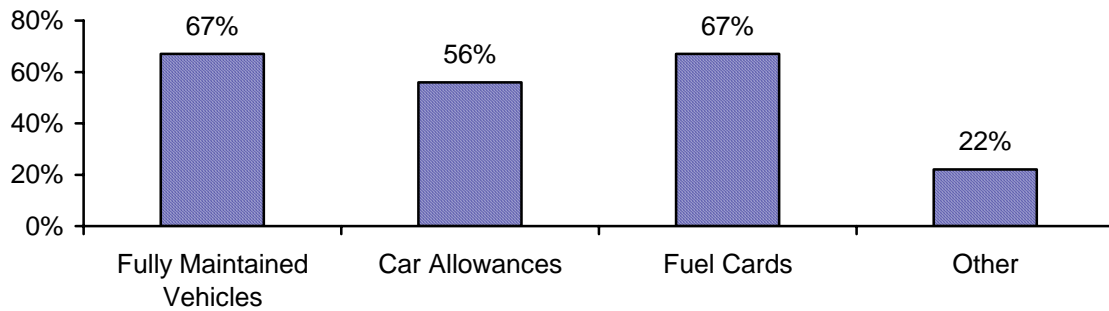


Q4. If you provide motor vehicle benefits, what form do they take?

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 types were Fully Maintained Vehicles (**67%**) and Fuel Cards (**67%**). Fifty-six percent (**56%**) of the responding organisations reported providing Car Allowances while the remaining **22%** reported providing Motor Vehicle Benefits in 'other' forms. These 'other' forms of Motor Vehicle Benefits included kilometre reimbursements and parking provisions.

³ CSi – The Remuneration Specialists (August 2006), "How New Zealand Organisations are Responding to Rising Fuel Prices", <http://www.csirem.com.au/downloads/knowledge/fuelPrices2006NZ.pdf>

Motor Vehicle Benefit Offerings



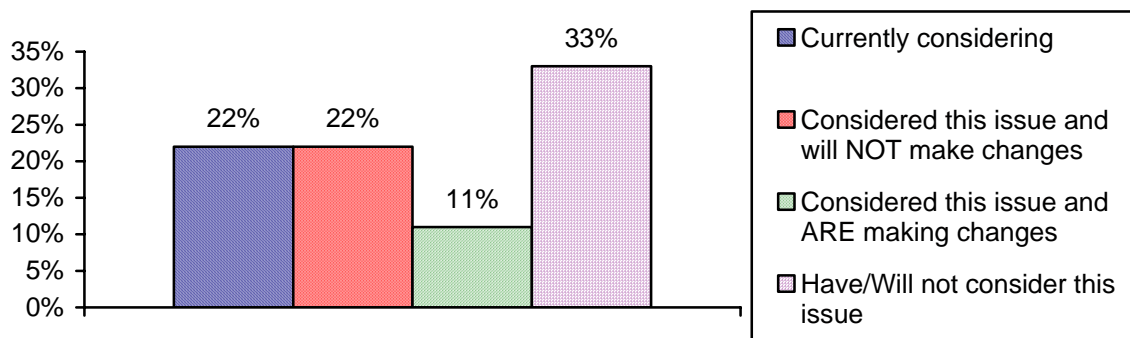
* Please note that respondents were able to select more than one option for this question.

Q5. If you are experiencing pressure from employees, where is the pressure coming from?

Due to the low response rate, analysis of the data received for this question was unfortunately not possible.

Q6. 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 following graph.



From the above chart it is evident the majority (**55%**) of organisations have or are taking the rising fuel prices into account when considering current motor vehicle policies. Twenty-two percent (**22%**) of organisations are currently reviewing their policies, while **22%** have reviewed their policies and decided not to make any changes. Eleven percent (**11%**) are making changes to incorporate higher fuel costs. The remaining **33%** of organisations have/ will not consider the issue of increased fuel costs.

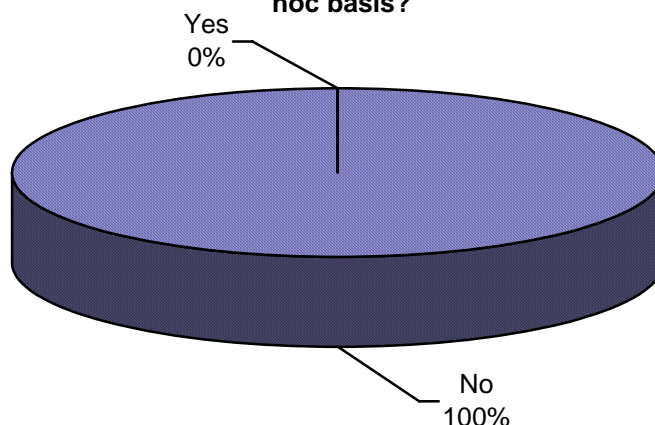
Organisations are considering changes such as cashing out all vehicles that are not job required vehicles. Other organisations have reported that their reasons for not considering the issue are that their reimbursement rates are based on IRD recommendations⁴.

⁴ Inland Revenue Department (IRD) "Business Income Tax – Mileage Rates" <http://www.ird.govt.nz/business-income-tax/expenses/mileage-rates/>. Accessed 18 April, 2007

Q7. Are you considering/already implementing any other compensatory measures as a result of increasing fuel prices?

There were two options available to answer this question - Yes and No. Please note this question was answered by those organisations that responded, "We have considered this issue and will not make changes" or "We have/ will not consider this issue" in Question 6.

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



All (**100%**) organisations reported not considering or implementing any other compensatory measures as a result of fuel prices.

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. Of the **92%** of organisations that are not under any form of pressure, the majority (**73%**) reported having taken no pre-emptive action. Of the **8%** of organisations that are under some form of pressure, all (**100%**) organisations feel they are under *moderate* pressure to make changes.

Of the **75%** of responding organisations who do provide motor vehicle benefits, the most commonly provided form of motor vehicle benefits were Fully Maintained Vehicles (**67%**) and Fuel Cards (**67%**). Of the organisations that have previously considered making changes (**33%**), organisations are twice as likely (**22%**) not to make changes as they are to make changes (**11%**). None of the organisations that have decided not to make any changes to their motor vehicle policies are undertaking ad hoc activities to address this issue.

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 website for future fuel report releases.



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