

**BUILDING AND CONSTRUCTION INDUSTRY TRAINING FUND**

*Motion*

**HON MARTIN ALDRIDGE (Agricultural)** [1.12 pm]: I move —

That this house —

- (a) notes that the introduction of the Building and Construction Industry Training Fund has supported the training and employment of more than 48 000 apprentices and trainees and has helped over 340 000 industry workers to upgrade their skills;
- (b) notes the “Review of the Operation and Effectiveness of the Building and Construction Industry Training Fund and Levy Collection Act 1990” of June 2014 that recommended the amendment to regulations to withdraw the current exemption from the payment of the levy applying to engineering construction projects in the resources industry;
- (c) supports the amendment of regulation 3AA of the Building and Construction Industry Training Fund and Levy Collection Regulations 1991, therefore requiring construction projects in the mining and petroleum industry to contribute to the training and skills development in the building and construction industry; and
- (d) calls on the government to immediately amend the regulation to support local job creation and skills development across the building and construction industry.

It is a pleasure to rise today, albeit we have had a few false starts concerning when the house might consider this motion over the last few months. We thought we might have started or even completed it by the end of last year, but obviously other events prevented that from happening. Earlier this year the house decided to reorder the business of the house to deal with a more pressing issue, a move that I supported.

As I have just read the motion, it is clear that there are four planks to the debate that I wish to commence today. The first two set out what has been achieved by the Construction Training Fund, as it is more recently known. Its proper name is the Building and Construction Industry Training Fund, but it goes these days by the CTF, the Construction Training Fund. Since its creation, a number of reviews have been undertaken into the fund, which I will go through, including a recent review that I mentioned in part (b) of my motion—the 2014 statutory review of the fund. The second two parts of the motion refer to stating a position on exemptions from payment of the levy and the desired action I hope to convince members of this house to consider today in presenting my arguments for this motion.

I will start by addressing part (a) of the motion and giving some overview to members about what is the Construction Training Fund. The Construction Training Fund is a statutory authority in Western Australia, established under the Building and Construction Industry Training Fund and Levy Collection Act 1990. Its board is appointed by the Minister for Education and Training. The seven-member board is set out in section 10 of the act. Section 10 identifies that the board will consist of seven members appointed by the minister after consultation with certain bodies. Those bodies include the Master Builders Association of Western Australia; the Housing Industry Association of Western Australia; the Construction Contractors Association of Western Australia; the Master Plumbers and Gasfitters Association of Western Australia; the Master Painters, Decorators and Signwriters Association of Western Australia; the National Electrical and Communications Association of Western Australia; the Construction, Forestry, Mining and Energy Union; the Civil Contractors Federation of Western Australia; the Australian Workers’ Union, Western Australian Branch; the Communications, Electrical and Plumbing Union of Western Australia; and the Australian Manufacturing Workers’ Union. According to the act, at least two of the members shall be in the minister’s opinion independent of those bodies I just referred to. One of independent members referred to in section 10(2) shall be appointed by the minister as the chair of the board. It is independently chaired, separate from the industry organisations and unions that make up the board membership of seven.

The board’s functions are outlined in section 7 as follows —

- (1) The functions of the Board are —
  - (a) to ensure the efficient collection of levy; and
  - (b) to control and administer the Fund; and
  - (ba) by the allocation of resources of the Fund, to provide for, or support, training programmes and research the aim of which is to improve the quality of training, and to increase the number of skilled persons, in the building and construction industry; and

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- (c) to formulate operational plans in accordance with section 8; and
  - (d) to implement operational plans approved by the Minister under section 8.
- (2) The Board may do all things necessary or convenient to be done for, or in connection with, the performance of its functions.

They are obviously the statutory functions defined within the act that established the Construction Training Fund and the Building and Construction Industry Training Board. The board is supported by a small team. According to the most recent annual report, at 30 June 2017, some 19.1 full-time equivalents worked for the Construction Training Fund. As members who have considered its annual report will be aware, in July 2017, the CTF relocated to new premises in Belmont. I have not had the opportunity to visit its new premises, but I have heard that a number of members have done so. It will be interesting to hear some of their perspectives in the debate today and in the next sitting week.

I want to quote from the annual report of the Construction Training Fund, which is the 2016–17 annual report, the most recent report available. I have read many annual reports and I think this one is certainly among the better of them in setting out the statutory authority’s objectives. I think it might be easier for the fund to do than it is for other agencies due to its quite narrow focus, which is training and skills development. According to the annual report under subheading “What we do it”, it states —

The Fund administers a training levy on building and construction work in Western Australia, with the exception of engineering construction associated with the resources sector.

The revenue generated from the levy is then returned to the industry’s employers and workers in a range of grants and subsidies. These subsidies reduce costs associated with skills training required by a modern and progressive building and construction industry.

The Board also carries out the role of a Construction Training Council, which works closely with industry stakeholders and provides advice to government to ensure that training meets the needs of one of Western Australia’s biggest and most diverse industries.

That is a direct quote from the annual report. Included in the report are a number of other things I want to identify, particularly its performance highlights for 2016–17. The report reads —

Significant results have been achieved in training during 2016–17. Despite a decline in building activity across all sectors of the building and construction industry, as at April 2017 there were 7,199 apprentices in training.

As at April 2017, the building and construction industry employed almost 46% of all Western Australia’s apprentices and this industry employs 10% (annualised) of the overall state workforce. The Construction Training Fund continues to support the industry through financial subsidies which help keep skill shortages to minimal levels.

The report breaks down the training outcomes, which include 5 903 apprentice subsidies, 8 535 skills training subsidies and 8 843 occupational safety and health training subsidies. The CTF has become more active in recent years in the vocational education and training space. The CTF is going into schools and developing programs to attract VET students and school leavers directly into the trades.

In setting out the functions of the CTF, I will talk about the revenue of the Construction Training Fund. Page 9 of the annual report outlines where its revenue came from in 2016–17. In 2016–17, 38 per cent of its revenue came from engineering projects, 32 per cent came from commercial projects, 30 per cent came from residential projects and zero per cent came from the resources industry. Page 10 of the annual report covers annual expenditure. In 2016-17, actual expenditure was \$26.9 million. Of that, it spent just over \$17 million on apprentice and trainee subsidies, just shy of \$3 million on existing worker support, \$2.5 million on career promotion, a little over \$2 million on administration, \$1.6 million on occupational health and safety support, \$350 000 on training advisory services, and \$240 000 on industry projects, research and development. Obviously those figures are rounded, but they give members some idea of how the CTF and its board, through its operational plan, expends the resources it has on a day-to-day basis.

The annual report notes the bill currently before Parliament. A bill introduced in the thirty-ninth Parliament was not considered before it prorogued, but has been reintroduced by the new government. The new bill will amend the objects of the act to improve the quality of training, and promote and facilitate training. It will also remove and amend thresholds on the contract variation amount, and modernise the thresholds by allowing a regulatory power to increase the floor value or the point at which a construction project is required to pay the levy. I understand that the current level is on construction projects of greater than \$20 000. That will be modernised to about \$45 000

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because that figure has not been updated for a number of years. Moving it into regulation will allow that figure to be updated more regularly in future.

Support for employers of apprentices and trainees is also outlined in the annual report, which reads —

Employers are paid a grant depending on the term of indenture to subsidise the employment of apprentices. The base grant for most construction trades is \$10,000. From April 2016 to April 2017, there has been a combined decline (building and construction and electrical) of 32% in apprentice commencements in line with a reduction in new construction activity, particularly in the residential sector.

Additional supplements of up to 20% of the base grant are paid to employers who hire female and regionally based apprentices and 30% of the base grant is paid to employers who engage Indigenous apprentices.

That is a broad overview of the activities of the CTF's apprenticeship and traineeship subsidy programs and its support for employers that engage apprentices and trainees.

I touched on other areas the CTF focuses on and puts effort into, including supplementary skills and occupational safety and health training, as well as higher qualifications. Its work is not only about engaging at the entry level and allowing somebody to achieve a trade skill or a trade qualification, but also maintaining skills and health and safety within the existing workforce.

I also touched on the work the CTF is doing on career promotion and Schools2Skills, which, again, is quite well laid out in its annual report and other materials it publishes on those programs. In 2016–17, it funded 1 854 students in years 9 and 10 to complete a Try-A-Trade course. The CTF provided \$150 to 651 students in years 11 and 12 for VETiS construction qualifications for personal protection equipment. The CTF is engaging these skills much earlier than it perhaps once did, and is going to schools and engaging school students in VET construction skills programs in our schools.

The industry training council is a function of the CTF that publishes monthly data and reporting about the construction sector on the CTF website and in the annual report. In 2017, employment in the Western Australian construction industry was at a four-year low, with apprentices in training at an eight-year low according to the data in the 2016–17 annual report. I will quote what is under “Significant Issues Impacting the Agency” because I think it is quite relevant to this debate. The report reads —

The Construction Training Fund finished the year with an operating surplus of \$5.299m and an overall surplus of \$0.67m after expenditure of \$4.62m on the Construction Futures Centre. Net assets increased from \$18 million to \$23.3 million. As at April 2017, the construction industry has had a 37% decrease in construction apprentice commencements and a 23% decrease in electrical with a combined decrease of 32%.

The 2017–18 Operational Plan will maintain all the existing subsidy programs that were in operation in 2016–17. However, the Board will be closely monitoring the Fund's revenue projections due to the decline in building activity, particularly in residential construction. In addition, the Board will be tracking the decrease in apprentice commencements and the numbers of apprentice completions. Direct indenture apprentices make up a significant proportion of the apprentices which are currently engaged by host employers and supported by the Fund.

If required, the Board will provide additional support to employers that engage a final year apprentice who has become unemployed due to the original employer's financial difficulties. This will assist the apprentice to complete their qualification.

The Fund will also be working closely with group training organisations and registered training providers to monitor any issues that may arise as a result of the decline in building and construction activity.

Those are significant issues, and I will come back to them in the course of the debate today, because they substantiate some of the reasons that the CTF would benefit from an expansion of the levy that is applied to building and construction projects in Western Australia. The fund is quite finely balanced. The financial statement in the annual report lists total equity and total non-current assets. That does not leave a lot of room for the CTF to respond to emerging issues, or, indeed, to the acute decline in levy collections as a result of the downturn in economic activity.

A report put out by the CTF in December 2017 on the state of the workforce indicates some promising signs of improvement in future years. It contains statistics similar to those in the annual report. It states that the industry employs over 10.25 per cent of the state workforce; that there was 16.9 per cent growth in August 2017 compared with August 2016, with only one decrease in the previous four quarters; and that the industry was employing over 70 800 tradespeople, the highest number since August 2014 and the highest on record.

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This matches some of the information I have received from the industry that it has experienced a fairly rough few years with the downturn in construction activity in Western Australia, both residential and commercial. However, there are promising signs ahead, and I will talk about that in more detail. Statistics and forecasts published by the Housing Industry Association Economics Group show that there has been a significant decline in building activity. Between 2014–15 and 2015–16, there was a 20 per cent reduction in new housing; in 2016–17, there was a further 22 per cent reduction; and in 2017–18, there is a forecast three per cent reduction. In the out years HIA is forecasting an improvement, with an 11 per cent increase in new housing in 2018–19, a four per cent increase in 2019–20, and a five per cent increase in 2020–21. That is a modest improvement on the significant decline from 2014–15 to 2017–18.

Before I move to the second part of the motion, I want to talk about the need to invest in a skills pipeline. All the indicators are showing an improvement in economic conditions in Western Australia. That is certainly flowing through to commentary in the mining sector and the building and construction sector. Apprentices generally require four years of training. Therefore, we need to make decisions now to ensure that in three, four or five years we do not have a skills shortage as a result of an upturn in the economy, and also so that, among other things, we can continue to maintain affordable housing in Western Australia and there will not be a drain on skills.

Section 32 of the Building and Construction Industry Training Fund Levy Collection Act 1990 requires that a statutory review be conducted every five years. A number of reviews have been undertaken since the creation of the fund. The second part of the motion refers to the review conducted in June 2014. I will focus on the more recent reviews. In 2002, a ministerial review was conducted by the then member for Peel, Mr Norm Marlborough, MLA, who at the time was Parliamentary Secretary to the Minister for Training.

**Hon Peter Collier:** What year did you say that was?

**Hon MARTIN ALDRIDGE:** This report was in July 2002. The report states in recommendation 19 —

**It is recommended that there shall not be any provision for levy reductions or exemptions (except for work being undertaken for charitable purposes).**

It went on to present some information about the history of the fund. The fund has changed in many respects since its creation in 1990. I will quote one paragraph from the report —

The Building and Construction Industry Training Fund and the BCIT Board were established on the 1st July 1991 on proclamation of the *Building and Construction Industry Training Fund and Levy Collection Act 1990*. The Act established the BCIT Board to collect, administer and allocate levy funds to programmes and services aimed at improving the quality of training and increasing the number of skilled persons in the building and construction industry.

It went on to make some comments about the levy. It said —

Changes to the legislation in 1998 allowed for exemption from the levy in certain areas of agriculture, the resources sector and work carried out by government.

The Marlborough review also made some recommendations. It states under the heading, “Recommended Amendments to the Act” —

Most suggestions for amendments in the submissions related to the composition of the BCIT Board so it was more industry based. A few submissions supported expanding the collection of the levy to state government work and work in the oil, gas and mining industries; introducing provisions for reductions and exemptions in the levy; and reintroducing the sectoral approach to allocating funds so that funds collected are returned to industry sectors in the same proportion as funds raised. A small number of responses favoured raising the levy rate.

It went on to say —

Expanding the collection of the levy to state government work and the oil, gas and mining industries was supported by the Review Reference Group. There was fierce opposition to the inclusion of these industries in the first place and they were ultimately successful in being removed from the legislation’s coverage. It is unlikely these industries have changed their position on this issue. The Review is of the opinion that the inclusion of these industries is not a priority but is something the new Management Board of CTWA could review at some stage.

The report states in recommendation 18 —

**It is recommended that the new Management Board of CTWA review the case for re-including those industries that were originally covered by the legislation.**

That was the 2002 review.

I move now to the 2008 “Review of the Operation and Effectiveness of the *Building and Construction Industry Training Fund and Levy Collection Act 1990*”, which was chaired by Mr Robert Stratton. The executive summary of the report states in part —

**The review recommends that the industry levy continue to be applied,** (with an additional change to arrangements)

- the levy for the building and construction industry to remain as is at 0.2%
- the resource sector be required to pay a levy of 0.1% on all engineering work which is not currently subject to the levy

The review went on to provide some commentary about the levy in Western Australia —

The meaning of construction work is widely defined, as are inclusions and exclusions from the levy. The Act’s Regulations, amended in 1994, exclude the following industry areas:

- Government work where the work is carried out by an officer or employee of a government authority.
- Mining and petroleum work, subject to their respective Acts, where the work is for exploration or extraction of minerals or petroleum. When the regulations were changed to exclude the resources sector they were worded in a way to still require the resources sector to pay the training levy for construction of structures falling within the definition of housing or commercial sectors of the industry.

The report went on to talk about the exemption of the resource sector from the levy —

In addition to the stated terms of reference for the review, the committee agreed to examine the continuing exemption of the resource sector from the levy.

During the consultations a large number of stakeholders indicated their support for the application of the training levy to construction activity in the resources sector. The written submissions presented strong arguments for the removal of the exemption that currently exists to exclude the resources sector from paying the levy. The following comments were typical of those made to the consultants and presented in the submissions:

- The resources sector is recruiting skilled workers from the building and construction industry and avoiding its contribution to training.
- Although there is no definitive public data available, there are strong indications that over the next 5 years approximately 40,000 construction workers will be required to support the resources sector.
- The movement of workers to the resources sector for infrastructure projects has placed pressure on housing affordability due to a shortage of skilled workers.
- The industry has difficulty in attracting and retaining workers. If the resources sector contributed to the Fund the building and construction industry can receive reasonable cost offset for non-productive training.
- There are construction industry training levies in other states where the training levy is applied to construction in the resources sector.

The review is aware that some of the responses by stakeholders have been made as a result of individual experiences rather than a commissioned study.

Although defining the number of workers required to meet the growth in the resources industry is difficult to quantify, over \$10b of infrastructure for housing, commercial and construction is occurring each year which requires skilled labour. Reports from the State Training Board (2007), BCITF (2007), NCVET (2006) and the Chamber of Minerals and Energy (2006) all acknowledge the substantial growth in both the resources and construction sectors and the likelihood of continued growth. The building and construction sector believes that the resources sector is gaining the benefit of skilled workers without contributing to the training effort.

The BCITF in its 2007 *Report on the State of the WA Building and Construction Industry* argues that the movement of skilled labour from the traditional areas of the building and construction industry to construction projects and operations in the resources sector has dramatically escalated in the past three years. The resources sector has been prepared to pay very high wages to attract workers and the ripple

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effect of these recruitment strategies and the resulting skill shortages in the south of Western Australia have contributed to a dramatic increase in construction costs.

That was the 2008 review of the act, and that obviously brings me to the 2014 review. This is the most recent review of the act; it is a statutory review required under the act. This review was chaired by the same reviewer, Mr Robert Stratton. On page 5 of the 2014 report it states —

It is reported that with the exception of the application of the levy to the resources sector all other issues and recommendations from the previous review of the BCITB have been addressed.

That was obviously a reference to the 2008 review. It again recommended withdrawing the current exemption applying to engineering construction projects in the resources sector and considering a tiered levy based on project value. It states —

That Regulation 3 of the Regulations be amended to withdraw the current exemption from payment of the levy applying to engineering construction projects in the resources industry.

Consideration should be given to adopting a cap on payment of any levy on engineering construction in the resources sector similar to that in Queensland where the levy is paid on the value of construction up to \$5 billion, but not above that amount.

At page 37 of the 2014 review, it refers to the application of the levy to civil engineering construction projects in the resources sector and again reinforced its recommendations and made reference to the Queensland model, which applies the levy in the same way to engineering projects in the resources industry but caps the levy at a project value of \$5 billion.

Although the motion refers only to the 2014 review, I thought it relevant that I also cite the 2002 and 2008 reviews, because I think it builds a story over time of recommendations to government on the application and, indeed, the exemption of the levy.

That brings me to the third plank of my motion, which is the amendment of regulation 3AA of the Building and Construction Industry Training Fund and Levy Collection Regulations 1991. Obviously, regulation 3AA exempts mining and petroleum work from payment of the levy. I want to make some comment about what others think about this, including those in the resources sector. One of the key things that the Housing Industry Association identified for its sector in its January 2017 “State Election 2017 Policy Imperatives” was equitable support for construction skills. Again, it sought reform of the construction industry training fund levy to ensure that the resources sector provides a fair contribution to support construction industry skills. That was the view of the HIA in its pre-election submission. I am sure that other members have had correspondence pre-election and post-election from the HIA, amongst others, about the amendment to the regulations that are mentioned in the motion. The HIA points out a number of key figures in some recent correspondence that I probably will not have time to get to in today’s debate. It is obviously well aware of the position of the Nationals WA. We took a position to the 2013 election to remove the exemption for the resources industry in line with the 2002 and 2008 reviews of the act. Indeed, in 2014, the most convenient review upheld that same position, which was that that should occur. I can recall quite clearly when we announced our position going into the 2013 election that there was not a great deal of political support for that position. At that time we had just come off the back of the super profit tax at the federal level and nobody was game to suggest that the resources sector should pay more. It was coined by some parties as just another mining tax. There was strong opposition going into the 2013 election. It is clear that, because of the debate today, nothing has changed on this matter since then.

The Chamber of Minerals and Energy has been lobbying pretty hard on this issue. I want to make sure that its view is known. I have met with representatives of the CME on a number of occasions during the last Parliament and this Parliament to discuss this matter. The key messages that they articulated to me include that the resources sector supports the need for ongoing investment in employee training and development through apprenticeships and traineeships, structured on-the-job and in-house training, and graduate and vacation experience programs; in recent years, the resources sector has focused on creating and providing apprenticeships and traineeships for women and Indigenous people to improve the diversity of the sector; and the resources sector does not support the proposal to amend the Building and Construction Industry Fund and Levy Collection Regulations to withdraw the current exemption from paying the levy applying to engineering construction projects in the industry based on the already significant investment made in training and workforce development. The CME acknowledged that the CTF provides assistance for the building and construction sector and, in particular, the large number of small operators that do not have the scale and resources to negotiate the complex training system without assistance and that requiring the resources sector to pay into a centrally controlled training fund would not enable the resources industry to meet the current and future workforce development needs. They were the key messages in the briefing note that the CME left with me after a fairly recent meeting about its position. I wanted to make sure that its view

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is known. I am sure that members have been well canvassed by representatives of the mining industry about this motion.

I want to address some of the things that those in the mining industry say. They say that it will be double dipping if they are required to pay the construction industry training fund levy, which I think goes to their fundamental misunderstanding of the levy. All those things that those in the industry do through training apprentices are for their operational workforce. We are talking about building and construction workforces. Generally speaking, where mining occurs in Western Australia, those big building and construction projects are not conducted by Rio Tinto, BHP, Fortescue Metals Group or any of the big players, or the small players for that matter; they are conducted by building and construction companies. Miners are not building and construction companies. I struggle to get that message across.

**Hon Sue Ellery:** It is production rather than construction. Production is their workforce. Construction is not their workforce.

**Hon MARTIN ALDRIDGE:** Yes. They talk about all the things that they do with skill development, which are good. They do a lot and they spend a lot, but it is on their workforce, not on the workforce that they engage through contractors and the like to come in, often during short or concise periods, and undertake large construction projects. They say that they do not have transferrable skills. They defend the position and say that they do not take electricians from Perth because their skills are not transferrable. When they are challenged on that, they say that they might be transferrable, but they have the wrong culture and they have the wrong occupational health and safety approach. I put the question to them: how much will this cost your business? They cannot answer me. They have not done the modelling and do not understand, so trying to have a conversation with the mining sector about this is very difficult, because I do not think they understand the fundamentals of what the Building and Construction Industry Training Fund does and how contributing to it will assist them through the contractors they use.

The Department of Mines, Industry Regulation and Safety talks about industry activities. In 2017, according to the department, we saw \$20 billion of investment in the mining sector. It is hard to work out how much of that investment is actually in construction, but if we were to take a few punts at this and say, “Well, half of it was in construction”—so \$10 billion of the \$20 billion—then based on the current levy of 0.2 per cent and with no cap applied, that would have put an overall onus on the resources industry of \$20 million last year. Obviously that is a bit of a stab in the dark because it is hard to work out what their obligation would be if the exemption were to be removed, but that is just to give members some idea of the money that we are talking about.

Other members support this, including many members of the Labor Party, who have provided some commentary over the last few years. These include Hon Fran Logan, who is a big supporter, as is the member for Armadale, Mr Tony Buti, and the member for Collie–Preston, Hon Mick Murray. They have all gone on the record as supporting—in fact, advocating for—the removal of this exemption to the resources sector. In an article that appeared in the *Collie Mail* in 2012, Hon Mick Murray said —

“The government should quickly impose a training levy on the mining giants so that we can secure future jobs for West Australians and not have to continue to source people from overseas,” he said.

He went on to say —

“At present there is no compulsion for the mining industry to contribute towards improving the skills base in WA.

“They are the ones who will require skilled workers and yet they feel outraged that they should have to pay a small fee, in terms of their overall profits, to upskill local people.”

That was the member for Collie–Preston in 2012, talking to the *Collie Mail*.

The members for Cockburn, Armadale and Collie–Preston have obviously done a good job because it is clear that they have informed the 2017 WA Labor platform, which is quite a lengthy document of some 153 pages. I am not sure how many members have read it; maybe we will have a quiz! At page 64, under the paragraph heading, “The Construction Industry”, it states, in part —

WA Labor will:

...

An incoming Labor Government will legislate to ensure that there is a requirement for all major resource companies to contribute to the Building and Construction Industry Training Fund (BCITF) (through a training levy) at the construction stage of a project. The contribution will be determined based on total project cost. This investment will up skill apprentices and ensure that the building and construction industry has the skills to meet the needs of the future;

It sounds like the mining tax of 2013 has now been accepted by the Labor Party in its policy platform, although I would point out that legislation is not required to fix this; it is simply a regulatory matter that could be fixed by the government whenever it so desired.

I think this issue is relatively straightforward. It has been well canvassed, researched, considered by governments and reviewed. Ultimately, this is an issue that goes to equity between construction projects across industry. The CTF is a hypothecated fund, which presents challenges to the CTF board. I take members back to the significant issues that were identified in the annual report. One of the issues is that the levy income is directly linked to building approvals and construction. When things are going gangbusters, there is lots of money coming through the door. When we have downturns, that money drops away and in the construction sector, as members will be aware, it can drop away very quickly. We can see rapid changes in the construction industry, not in terms of years, but in months. The CTF is trying with minimal equity to manage those highs and lows of the industry and a skills pipeline that can take four years to produce an electrician, a plumber or many of the other skilled occupations that the construction and building sector uses, and that is difficult. I think that has been expressed at several points of its most recent annual report.

In the time I have remaining I want to talk about how we might use the additional funds that might be raised through this levy. One of the other risks of a hypothecated fund is that money is raised that is not needed or cannot be used or is used inefficiently. This is a very lean fund that is used for a very important purpose, and some of the things that were identified in the annual report, which I have already mentioned, include allowing the fund to incentivise businesses to take on workers who are in their final year of apprentice training and have lost their job. We are talking about a worker who is almost at the point of reaching their trade qualification. They are three years into, say, a plumbing apprenticeship and one year away from qualifying. There is a downturn in the economy and they have lost their job. Under the significant issues identified in the annual report, that is something that the CTF board would like to pursue if the need arises, in terms of motivating the uptake and completion of these skills. We can see from some of the data available that an upturn is coming, not just in building and construction but also in mining, as well as other sectors. It would also allow them to hold funds over and to smooth out the highs and lows of building activity, which is something that I have just spoken about.

One area that has not been canvassed in the debate so far but is an area where resources could be targeted is mature-age apprenticeships and traineeships. If someone is over the age of 21, they are considered a mature-age apprentice or trainee. Obviously, there is a higher cost in employing a mature-age person because of the industrial arrangements; they have to be paid more. Also, the fund currently does not provide subsidies for mature-age apprentices or trainees. It could be a 21-year-old who has been doing something else for a few years, got some life experience and maybe some other industry experience, and who decides, as some of their friends have done, that they want to become an electrician at the age of 25 or 30. The employer faces a higher cost of taking on that apprentice because their hourly rate is going to be higher, so there is a disincentive to the employer to do that. There is also no support provided by the CTF to the employer for the mature-age apprentice or trainee. Those are things that members may not be aware of, but I think could certainly benefit investment in skills in Western Australia, particularly in the construction sector.

This is a longstanding issue and an issue of equity across industry, and I think the time has come to address it, particularly at this time, after the building and construction sector has come off a few years of doing it pretty tough. Apprentices and trainees are at all-time lows, Newstart apprentices are down and we are seeing a projected upturn in the economy. Now is the right time to make this decision. Sometimes we have to make the difficult and unpopular decisions now to make sure we have the skills and workforce to contribute in the years ahead.

Thank you, Madam President. I hope the motion is supported by the house.

**HON RICK MAZZA (Agricultural)** [1.57 pm]: First of all, I would like to thank Hon Martin Aldridge for bringing this motion to the house. He has been very thorough in his contribution, so some of this might be a repetition, but I think it is a very important motion and something that needs to be discussed in this house.

The establishment of the original Construction Training Fund was apparently proposed by the relevant unions and the building industry in the 1980s. I recall that during the 1980s, not long after the superannuation guarantee had come into play, a training levy was imposed on employers. For whatever reason, that was fairly short-lived; I think it was only about 12 months or so before that fund was repealed. I am not quite sure what happened to the money from that fund, but employers no longer had to contribute to it.

During the 1990s, as has been pointed out, the Construction Training Fund was set up to administer a training levy on building construction work in WA, with the exception of engineering construction and the associated resources sector. The Building and Construction Industry Training Fund, or CTF, was established in 1991 under the Building and Construction Industry Training Fund and Levy Collection Act 1990. It is managed by a board of



industry representatives and an independent chairman. Members of the board are appointed by the Minister for Education and Training.

The levy is set at 0.2 per cent, as Hon Martin Aldridge has pointed out, which is \$200 for every \$100 000 of work. It is also applied to the GST component, so a levy is being paid on tax, which I find quite galling. I am sure that the industry finds it quite galling that it has to pay this levy on the GST that it pays. Project owners pay the levy as part of the building application prior to starting any construction work. That is usually collected by local government. If construction commences prior to that levy being paid, penalties of \$50 000 or up to 100 per cent of the original levy fee can be imposed.

As at 30 June 2017, there was just over \$32 million in the fund, with expenditure of \$26.8 million—a considerable sum of money. The moneys are returned to industry employers and workers in the form of subsidies and grants to reduce costs associated with skills training required by the industry. It has been said that this reduces the cost of training but the industry is already paying for the grants through the payment of the levy. I do not know whether it is a reduction in costs; it is probably hypothecating some of the income towards training.

Additional supplements of up to 20 per cent of the base grant are paid to employers who hire either female or regionally based apprentices, and 30 per cent of the base grant is paid to employers who employ Indigenous apprentices. The transition from the construction phase to the production phase in the resources sector has had a flow-on effect across all three sectors of the building and construction industry. As of May 2017, building approvals fell by 21.2 per cent; building approvals for houses decreased by 18.7 per cent, as an indication of the state of the economy; and dwelling commencements as at March 2017 fell by 21.2 per cent. By June 2017, there were 7 199 apprentices in training within the construction and building industry. There was a 23.2 per cent decrease in electrical apprentice commencements and a 37.3 per cent decrease in building and construction apprentices. The concept that the training levy provides the means for employers to employ more apprentices is flawed because the employment of apprentices and training is more driven by business conditions, the amount of work available for builders in the construction industry and their requirements for more staff. A levy on its own will not increase the number of apprentices that a business may put on.

Section 3AA(2) of the Building and Construction Industry Training Fund and the Levy Collection Regulations 1991 states that the following work is excluded from the definition of “construction work” and therefore the levy does not apply to —

- (a) work associated with any operation under —
    - (i) the *Mining Act 1978*; or
    - (ii) the *Petroleum and Geothermal Energy Resources Act 1967*; or
    - (iii) the *Petroleum (Submerged Lands) Act 1982*; or
    - (iv) the *Petroleum Pipelines Act 1969*,
- that is not residential construction work or commercial construction work;

It has to be remembered that the resources sector still pays the levy if the construction is for dongas, offices or any other type of building that fits within that scope of work. The exemptions are mainly mining equipment. In my mind, mining equipment for the extraction of resources is not unlike a bulldozer, crane or something else; it is something used for construction in the course of the business, like plant and equipment, and not so much for construction that would attract a levy. There may be some people who disagree with that but that is my position on it.

The Chamber of Minerals and Energy of Western Australia, the peak resources sector representative body in WA, supports ongoing investment and employee training and development through apprenticeships and traineeships, structured on-the-job and in-house training, and graduate and vacation experience programs. The resources sector already contributes to the levy when undertaking construction of residential and commercial buildings, as I previously pointed out. The resources sector will continue to provide skilled workers into the domestic and commercial construction sectors as projects move from construction to operations and maintenance. The upskilling of those individuals would have been undertaken and paid for by the resources sector. While drafting this motion, Hon Martin Aldridge would have been aware that although the 2014 report, which was a statutory review that is supposed to be undertaken every five years, made a recommendation that the exemption should be removed, it also stated —

From a Government point of view, there would need to be further consultation with major stakeholders within the resources industry when considering removing the current exemption from payment of the training levy.

Hon Martin Aldridge; Hon Rick Mazza; Hon Alison Xamon; Hon Robin Scott; Acting President; Hon Donna Faragher; Hon Sue Ellery; Hon Peter Collier

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I am unaware of any consultation having taken place with the construction industry. I believe that the exemption should continue for the resources sector. Therefore, I will not be supporting the motion.

**HON ALISON XAMON (North Metropolitan)** [2.05 pm]: I rise on behalf of the Greens to speak to this motion. I am very pleased that it has come to Parliament because I think it is an important issue that is worthy of quite a bit of consideration. I will say a little more about that during my contribution. We know that large-scale construction projects are occurring in Western Australia using skilled and trained construction industry workers but some projects are not contributing to the Building and Construction Industry Training Fund depending on which sector the construction activity is deemed to belong. Generally, the construction industry believes that all construction projects should be contributing to this fund, regardless of which sector they belong to. Generally speaking, the resources industry has indicated that it should not be required to contribute to the fund for a number of reasons, which I will detail later. We know that exemptions for the levy for construction work exists for the resources sector, the agricultural sector and the government sector. All these exemptions have occurred via regulations. A review on this issue in 1994, which is how long this issue has been floating around for, noted that the mining, petroleum, agricultural and government sectors had not been fully consulted prior to the levy being enacted. The exemption appears to relate to difficulties in the broadness of the definitions of “construction industry” and “construction work”. I also note that the fund did not receive or even enforce the collection of levies from these industries in its first years of operation. I understand that this is because legal advice at the time indicated that the application of a levy to these industries was conflicted.

Previous contributors have referred to the 2014 Stratton report. That also recognised that a lot of stakeholder engagement and discussion would need to be had prior to lifting the exemption on the resources industry. I am aware that it is proposed that two amendments may possibly be moved to this motion. One relates to taking a fairly measured approach to how we want to go down this path. The other ensures that we have a mechanism by which we can fully evaluate and assess the impacts of any changes. I will speak a bit more to that. Hopefully, I will get a chance to speak if the amendments are moved as well. Both of them relate to the need to ensure that we are fully cognisant of what any changes may look like. We know that construction trades are well represented on the National Skills Needs List, with the note that WA currently does not seem to have an issue, which is supported by most construction trades being listed as either “Not identified as a priority” or “Priority 3” on the state priority occupation list. I note that priority 3 is for industry or regional level priorities. The National Centre for Vocational Education Research’s historical time series shows that the number of construction trades workers training in WA has reduced over time from a peak of 5 300 in 2008 to 3 900 in 2017; that is not including the electrical trades. Building and construction apprenticeships and traineeships have been identified as one of the funding priorities by the Skilling Australians Fund. I note that as of this month the Migration Amendment (Skilling Australians Fund) Bill 2017 is still before the Senate. This is the bill that was supposed to provide the funding for the states as of July 2017. This is in no way good enough. I have spoken before about my grave concerns with the lack of commitment that the federal government is showing to training as a whole and the pressure that is putting on funding and the sector. It is unacceptable that the state government is being expected to fill that hole. We cannot talk about this whole issue without also noting the way that the commonwealth government has failed us in these areas and continues to fail us. This is on top of the fact that we continue not to get our fair share of federal funding in a whole range of areas.

I go back to the Building and Construction Industry Training Fund. The training fund offers a range of base grants for employers, depending on the qualification for which the employee is being trained, their location and also, importantly, whether it is assisting to meet a number of diversity indicators such as whether people are Aboriginal or female. The 2016–17 annual report listed income of \$32.2 million. There were 5 923 apprentice subsidies offered and that came to \$16.46 million. There were 7 704 skills training subsidies offered and that came to \$2.6 million. There were 8 843 occupational safety and training subsidies—very important work—which came to \$1.6 million. There were also career promotion and skill-to-skill scholarships grants, presentations and various trade courses, which came to \$2.5 million. We also note that additional funding was given to capital expenditure to support the building of the new Construction Futures Centre, which was worth \$4.2 million. There was also research and development in things such as training needs analysis for commercial construction, waterproofing qualification skillsets, business skills for apprentices, reviews of training packages and relevancy, but I note that vocational education and training in schools ceased in December 2016. It is important that we understand and think about where the levy applies. The project owner is required to pay the levy and I note that the project owner is the lead project owner when the client is contracting out some or all elements of this work. That is currently for works estimated to cost more than \$20 000, although I acknowledge, as others have already indicated, that we have a bill coming to the Parliament and this may change, assuming the bill goes ahead, to be potentially more than \$45 000. Construction work in the levy legislation is defined by the Construction Industry Portable Paid Long Service Leave Act 1985 and the Building Act 2011. As I said, there is currently an exemption in place by regulations for engineering works in the resources sector, the agricultural sector and the government sector.

**Extract from Hansard**

[COUNCIL — Wednesday, 28 March 2018]

p1357d-1375a

Hon Martin Aldridge; Hon Rick Mazza; Hon Alison Xamon; Hon Robin Scott; Acting President; Hon Donna Faragher; Hon Sue Ellery; Hon Peter Collier

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The Building and Construction Industry Training Fund has been reviewed multiple times, most recently in 2008 and 2014, and both recent reviews recommended that the exemption for the resources industry be removed. Reviews included a cross-section of building and construction stakeholders, but I think it is significant that they noted that there was no-one from the resources industry. This issue has been raised with me and has created a fair amount of disquiet. Representatives from the resources industry certainly seek an opportunity in a more formal mechanism to be able to have their concerns heard. Again, I allude to a proposed amendment to establish a standing committee that could potentially look into some of the issues being raised through the course of this debate. Perhaps that would be a step towards ensuring they feel they have had the opportunity. Having said that, I also take on board the comments that the resources sector is not shy in contacting decision-makers and members of Parliament to make it quite clear where it stands, and, indeed, my office has also made it a point in preparation for these matters to consult with industry. I note that the most recent reviews also proposed changes to the purpose of the fund, removing the quality of training improvement elements and formalising the research and advice functions. There is a fair bit that needs to be examined.

As we have said, currently the levy applies to residential and commercial buildings on resources sector projects, so that is limited to construction such as worker housing, office blocks and sheds. The levy does not apply to engineering construction on resources sector projects, so we are talking about the bulk of where construction occurs—roads, earthworks, tunnels, drilling rigs, silos, storage liquids, electrical plants and basically the really big ticket items. Should the exemption be lifted, large mining construction projects could potentially inject many millions of dollars into the BCITF, and I have already outlined the sorts of really important works that the BCITF is undertaking. The Stratton review recommended that both the exemption and also, interestingly, a cap be considered. The fund currently cannot be used to provide subsidies to resources sector companies regardless of whether the training provider would ordinarily be eligible for a grant. It is important to at least put on the record what the mining industry has said, because we need to do that. As I have mentioned, my office has been in communication with representatives from the mining industry as well and it has relayed that the resources sector is not the construction sector and it does not directly employ construction workers and does not receive a direct benefit from construction training. However, it is clear that a lot of construction work as defined in the legislation is taking place on resources sector sites. It is acknowledged in a number of government documents that construction workers move between mining construction, residential construction and commercial construction—for example, the labour market snapshots produced by the Department of Training and Workforce Development and the “WA State Training Plan 2017–2020” background paper. Again, the mining industry says that the needs of the resources industry are not met by construction training and that further training must be undertaken to provide employees with the skills needed to work in the resources sector; for example, electricians needing to work with voltages higher than domestic voltages and workers involved in pit construction using dynamite need to have specialised and additional training. Again, the mining industry says that on large engineering construction projects in the resources sector the design, construction and management of the project would ordinarily be handled by a specialist contracting company under an engineering procurement and construction management contract. I note that this contractor will often subcontract the construction elements of the project to one or more subcontractors and the main EPCM contract will usually include training as a requirement. There are a small number of BCITF-eligible qualifications provided in the resources sector, notably the certificate III in civil engineering and the certificate III in electrotechnology. The Chamber of Minerals and Energy advised me that it is undertaking an internal training survey at the moment and that the early results show that the resources sector spends about 3.5 per cent of its payroll on apprentices and trainees. It currently prioritises and provides sufficient support to diverse groups of apprentices and trainees such as Aboriginal trainees and women, preferably if they live locally. It has nearly doubled the average national rate of successful completion of apprenticeships and traineeships. It stated that it ensures apprentices have the opportunity to work elsewhere to complete their qualifications with skills that cannot be picked up on mine sites. For example, it will ensure that people are still able to learn skills to work with things such as domestic hot water systems and fridges. The CME pointed out the numerous WorldSkills Australia awards that it has received and the high numbers of on-the-job and full-time trainers that it has working within its specialised organisations. It also indicated that it is now engaging more closely with the training sector to provide courses that are directly relevant to training needs in the resources sector.

The sector as a whole tends to train foundation skills and then specific skill sets as needed. This sometimes means units of competency and statements of attainment, but they will not necessarily lead to a recognised qualification. We need to preference tailor-made courses, which may not be suited to the way that the Australian Quality Training Framework works. This motion will not necessarily improve the quantity or quality of training in either construction or the resources industry. The Building and Construction Industry Training Fund does not provide employer subsidies in the qualifications needed in the resources sector so, in that sense, there will be an additional training cost of no value to the sector and smaller companies might shift their training to ensure that they can access the subsidies and thus provide training that is not necessarily suited to their workplace. That starts to raise

some hypothetical questions about whether the levy is the best way to ensure that training is carried out. Should a decision be made to lift the levy, a long lead time may be required to reflect the lead times of project development. These are the sorts of details that could well benefit from further examination and an opportunity to unpick this.

I also want to talk about what the Construction, Forestry, Mining and Energy Union had to say about this. As a significant stakeholder, its members were consulted and their voices also deserve to be heard in this place. They indicated that they were very satisfied with the Stratton review and believed that it was a fundamentally sound process that resulted in a sound document. They support the recommendations made by the review. They were quite clear that they supported this motion in its entirety. They believed that the resources sector should contribute to the BCITF and to the training of construction workers. They were also very clear that, in their experience, moving between industries—whether it be domestic construction or the resources industry—is very commonplace and they felt that the resources industry had become a net beneficiary of the level of expertise that arises from people who are trained via the BCITF process.

We have talked about how training young people is an industry-wide responsibility. The BCITF helps to ensure the flow of trained young building and construction workers. The levy helps to share the cost of training beyond simply those employers willing and able to take on an apprentice or a trainee. It becomes a very important way to ensure that we maintain our ongoing skills base, particularly for young people, although I also note the comments about mature-aged workers receiving opportunities for training.

It is useful to compare the situation in other states. In South Australia, building work includes building or construction work associated with any operation under the Petroleum Act, the Petroleum (Submerged Lands) Act, the Mining Act, the Offshore Minerals Act or the Opal Mining Act. It requires a contribution of 0.25 per cent for projects over \$40 000. In Tasmania, a structure includes a structure, plant or facility associated with the production, storage, conveyance or distribution of oil, gas, coal or other minerals. It requires 0.2 per cent for projects over \$20 000. In Queensland, the building and construction industry training levy and the long service leave levy are not payable for building and construction work that is also resources operations work. In the Australian Capital Territory, building work refers only to buildings and building-related items such as fences and pools. No engineering construction work, regardless of the sector, is considered under its legislation. In Victoria and New South Wales, there is not even a training fund.

It is clearly possible for building and construction training to take place in a range of environments, from having no levy through to explicitly ensuring that all construction activity on resources projects is included, because there are a variety of different approaches around the country. It seems manifestly unfair that only some large construction projects attract the levy when they will all require skilled construction workers to reach completion, regardless of the client industry. Lifting the exemption on the resources sector without addressing the reasons that those exemptions were first applied seems to be potentially problematic and there is a concern that we may repeat the same sequence of events that led to the need to have the exemption in the first place. That really goes to the heart of making sure that if we are going to go down this path, we should examine it really closely and make sure that there are no unintended consequences of making these changes, bearing in mind that the previous reviews have recommended that we go down this path. Lifting the exemption for one of the exempt industries alone, rather than making sure we fully assess the reasons and need for all the exemptions, can look like it is policy on the run. There is no value in removing the exemption and putting us back in the same position we were in in the early 1990s when those sectors were simply not paying the levy. It would certainly be counterproductive to repeat the rampant uncertainty about whether the levy could be enforced.

To be clear, the Greens broadly support the review's recommendations that exemptions to the levy be undertaken, but we need to make sure that we inquire into why the exemptions currently exist and why they occurred in the first place, and whether they should be lifted in any or all three of the industry sectors that currently have an exemption. Also, what, if any, changes would need to be made to the legislation and regulations to ensure clarity and enforceability of the definition of building and construction industry and activity? The BCITF is an important fund and we need to ensure that it receives a sufficient amount of money. It is doing important work. I particularly note the comments made by the mover of the motion, Hon Martin Aldridge, who talked about the need to ensure a significant level of revenue comes through to ensure the activities of the fund can effectively operate in such a way as to move between the boom and bust cycles of the economic activity in this state. I think there is a lot of merit in that comment. We need to well and truly pursue this issue. I think that there is great appeal in lifting the levy for the resources sector, but it has to be done cautiously. We must make sure that we not only consult, but also are seen to consult, because the previous report identified that as a deficit. As such, again I anticipate that an amendment to the motion will be moved, because it will be useful to set up something like a select committee to fully investigate these matters so that we can get it right. Likewise, I also support exercising initial caution so that we do not commit ourselves to a position too hastily. It is on this matter that I expect general agreement will come

from across the chamber from the Greens on a whole range of elements. This is a really important motion and I am glad that it has been brought to this house for our consideration.

**HON ROBIN SCOTT (Mining and Pastoral)** [2.31 pm]: The Building and Construction Industry Training Fund, known as the Construction Training Fund, was established in 1991. Its job was to collect, administer and allocate levy funds for programs and services to improve the quality of training in industry. It was a great idea at the time because training quality was very poor and many apprentices, for example electrical apprentices, would spend four years wiring up the same project home over and over. At the end of their four-year apprenticeships, they were good at wiring houses but fell short of being competent electricians. Today, after millions of dollars have been contributed to the fund, not much has changed. Apprentices are still being used as cheap labour by some companies. The resources and agricultural sectors were excluded from the levy. Whoever decided to exclude both those sectors was a very smart person. The reason the resources industry was excluded came down to the fact that that industry was already, and still is, paying large amounts of money to train apprentices and trainees.

The Construction Training Fund collects a levy of 0.2 per cent from all residential, commercial and civil engineering projects where the value of the project exceeds \$20 000. The fund collected \$28 million in the 2015–16 financial year. That is a lot of money. It also employs around 21 people. Data from the 2015–16 CTF annual report reveals that the training rate of the Western Australian resources sector is 13.4 per cent compared with a 9.7 per cent training rate for the Construction Training Fund. Therefore, the resources sector employs more apprentices and trainees than the construction sector. In the Western Australian resources industry 18 per cent of resource apprentices and trainees are Indigenous, 33 per cent are female and 35 per cent are mature-age workers. The resources sector spent around 3.5 per cent of its total payroll on training. Ninety-eight per cent of training completed was industry funded, with approximately one per cent coming from government-funded training. Apprentices and trainees make up around 3.5 per cent of the workforce in the resources industry. Approximately 95 per cent of the resource industries surveyed reported employing apprentices and trainees. This survey included contractors. When engaging contractors, resource companies often require that apprentices and trainees are employed for the duration of the contract. That way the resources sector and its contractors are investing directly in the future workforce.

The resources sector also puts much effort into supporting apprentices and trainees to encourage the completion of training courses; mentoring and coaching has contributed to a higher than 75 per cent completion rate compared with 55 per cent for general industry. The nature of work undertaken in the resources sector ensures that occupational safety and health is foremost in all training fields, including first aid and high-risk work licences as well as leadership training and skill upgrades. This commitment should be made by all industry sectors without the need for government subsidies.

Our largest miner, BHP, announced in July last year that it would double its apprentice and trainee intake in 2018. All but 10 per cent will be employed from local communities in the north of the state, with a focus on high schools at Newman and Port Hedland. It has a target that one in five new positions will go to Indigenous applicants. Rio Tinto will also expand its intake of local apprentices, and is working with the Western Australian government and the South Metropolitan TAFE on a new curriculum to address the jobs of the future. Rio Tinto has made provision of up to \$2 million towards vocational education and training. Alcoa has taken on 25 new apprentices in its WA refining and mining operations. These positions are in the fields of electrical instrumentation, mechanical fitting and heavy metal fabrication.

In 2014 the government commissioned Mr Robert Stratton to chair a review of the operations and effectiveness of the Building and Construction Industry Training Fund and Levy Collection Act 1990. In his report, Mr Stratton wrote —

The current exemption of engineering work in the resources sector from application of the levy is an anomaly and it appears inequitable that this sector does not contribute to the levy whilst other sectors do. This is particularly the case as the resources sector is a major industry in Western Australia which benefits greatly from recruitment of skilled workers, trained at the expense of the construction industry.

This comment could be characterised as a thought bubble because it appears to be totally unsupported by any hint of research. Mr Stratton gave no clue as to the number of skilled workers who are trained at the expense of the construction industry only to defect to the mining industry. I have no more evidence for my supposition than Mr Stratton has for his supposition, but my observation is that when there is a boom in construction, trained men and women will move from the resources industry to the construction industry and when there is a boom in the resources industry, trained men and women will move from the construction industry to the resources industry. We can note that Mr Stratton was writing at the latter stages of a boom in the mining industry.

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At page 5 of his report, Mr Stratton continued his important statement, which may have escaped the notice of the framers of the motion. Hon Martin Aldridge spoke about some paragraphs on page 5 of the report but he forgot to mention this very salient statement —

From a Government point of view, there would need to be further consultation with major stakeholders within the resources industry when considering removing the current exemption from payment of the training levy.

I am unaware of any consultation with major stakeholders within the resources industry. Honourable members will recall the concern expressed by members of my party at the lack of consultation with the gold industry prior to each of the failed attempts to enforce a 50 per cent increase in the gold tax. Honourable members will recall the failure of the Nationals WA to consult with Rio Tinto, BHP and Cleveland-Cliffs before trying to hammer those companies, which at the time were producing 78 per cent of Western Australia's iron ore exports, with an unwarranted impost of \$4.75 a tonne. The Nationals, perhaps to an even greater extent than the government, has form when it comes to failure to consult. The Nationals want to remove a training levy exemption from the resources industry that invests heavily and effectively in training its own personnel. If this ill-advised motion is carried, will the agricultural industry be next on the Nationals hit list? My party is determined to defend the exemption for the resources and agricultural industries. In addition, the resources industry is highly motivated and extensively involved in worthy cultural sensitivity and environmental preservation activities. The resources industry has to deal with excessive bureaucracy and artificial impediments such as troglodfauna and the principle of intergenerational equity.

The best opportunity of my young life was given to me by the great Western Australian apprenticeship system and the bosses and teachers who shared their skills with me. As members would expect, I take a close interest in every aspect of trade training and I hope that future generations will have the same opportunity that I have had and not be hampered by a thought bubble from the Nationals.

Let us sum it up. The resources sector employs more apprentices and trainees than construction; 3.5 per cent of the resources sector payroll goes to course fees and training facilities, and 98 per cent of training is funded by the resources sector. There is no obligation for employers in construction to pay for their trainees and apprentices' courses. Often, apprentices pay their own fees and for complementary or higher courses or qualifications. There is a 75 per cent completion rate in the resources sector compared with 55 per cent in the general sector. There is 18 per cent Indigenous employment in the resources sector, and 90 per cent of all companies surveyed in the resources sector reported employing apprentices and trainees. When engaging contractors, the resources sector makes it a condition to engage a portion of apprentices and trainees. How could collecting a levy from the resources sector be of benefit to apprentices and trainees in the resources sector? They are already punching above their weight compared with construction. Maybe the construction sector should assess its commitment not to collect \$28 million and become more effective and efficient for apprentices and trainees. Why should the resources sector fund a poorer performing Construction Training Fund?

I have been involved in the resources and construction industries for more than three decades and I can assure members that if they have an electrical problem and call an electrician to their house, the electrician will be able to rewire that house, change a light switch, and fix a hot water system, a fridge, hairdryer or a toaster. He can then go back to the mine site and wire up a crusher. He can walk over to a ball mill or a side mill or a FAG mill and find out why it does not start when the operator presses the button. If members get an electrician to come to their house from the construction industry, he will rewire their house, but do not ask him to look at any other equipment.

I conclude by inviting all honourable members who do not see the resources industry as a cash cow to join the crossbench in rejecting this motion.

*Point of Order*

**Hon MARTIN ALDRIDGE:** Mr Acting President, in contravention of standing order 36, the last member to speak just read the entirety of that speech. I ask that the member table the document that he read from.

**The ACTING PRESIDENT (Hon Dr Steve Thomas):** Honourable member, my view is that the honourable member on his feet spent a fair bit of time looking directly at me. Obviously, he referred to notes quite frequently, and obviously the President has the capacity to review my decision, but my decision on the day is that the poor blighter had to look at me often enough to suggest that he was actually delivering a speech.

In terms of tabling the document, is it official? Honourable member, are those your private notes to which you were referring during that speech?

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**Hon ROBIN SCOTT:** Yes, they are.

**The ACTING PRESIDENT:** As they are private notes, I therefore reject the point of order.

*Debate Resumed*

**HON DONNA FARAGHER (East Metropolitan)** [2.43 pm]: I rise to speak on behalf of the opposition on Hon Martin Aldridge's motion. I indicate that a number of the issues I was going to address, and will still address, in my contribution have already been canvassed by other members. I think, as a general rule, the debate so far has been very good. It is an important motion for this house to consider. As was said by pretty much all the other speakers, the Building and Construction Industry Training Fund—as it is properly known—has been in place for a number of years. It was established under the auspices of the Building and Construction Industry Training Fund and Levy Collection Act 1990, and with that comes the associated regulations referred to in Hon Martin Aldridge's motion before the house. Those regulations specifically provide for a training levy that can be collected based on the project value of certain construction projects. If I recall correctly, the rate is 0.2 per cent of the total value of construction. However, there is a threshold level for application. Currently before the house—I think Hon Martin Aldridge and perhaps Hon Rick Mazza have referred to this—is the Building and Construction Industry Training Fund and Levy Collection Amendment Bill 2017, which was introduced by the minister last year. It is an identical bill to that introduced by the former government and essentially deals with a range of matters but includes an increase in the levy and an increase in the project value threshold level that begins to apply from \$25 000 to \$45 000. As mentioned before, the fund is managed by the building and construction industry training board, which is made up of representatives from industry. I think the union is also represented and there is an independent chairperson. Again, as other members indicated, the funds raised through the levy provide a range of training supports, and generally it has been seen as a very positive fund. These supports include, but are not limited to, employer incentives to employ new apprentices, rebates for short-course training, occupational health and safety training and so on. The board and the fund as a general sense works with a range of organisations as well as local government authorities, and, importantly, with schools. I was at the new—I am sure the minister might help me —

**Hon Sue Ellery:** I wrote it down to remind myself of its proper name: the Construction Futures Centre.

**HON DONNA FARAGHER:** That is it. Late last year in Belmont, I was at the opening of the Construction Futures Centre, which was announced by the minister and to which I was very pleased to be invited. It is an excellent facility. If members are ever in the heart of the East Metropolitan Region and have a couple of minutes to spare, I would certainly encourage them to pop in and see this centre. It is absolutely amazing. It will be of enormous value to not only students, but also, beyond that, those looking at different trades and opportunities. It is an absolutely fantastic centre. It sounds like it might be in the minister's notes and she is probably going to agree with me on that as well. As mentioned, I am aware of at least a couple of reviews on the operation of the act, the most recent one done in 2014, which I will also refer to. The bulk of the recommendations have essentially been put into the bill that is currently before the house, with the exception of the exemption issue, which is a key part of this motion. The inclusion of that element would involve the removal of the current exemption as it applies to certain projects within the resources industry.

I will go briefly to the regulations, because it is important to be absolutely clear on what we are talking about when looking at a motion such as this. Regulation 3AA states —

- (2) The following work is prescribed as excluded from the definition of *construction work* in section 3(1) of the Act —
  - (a) work associated with any operation under —
    - (i) the *Mining Act 1978*; or
    - (ii) the *Petroleum and Geothermal Energy Resources Act 1967*; or
    - (iii) the *Petroleum (Submerged Lands) Act 1982*; or
    - (iv) the *Petroleum Pipelines Act 1969*,that is not residential construction work or commercial construction work;
  - (b) work to which subregulation (3) applies and that is performed in connection with the work referred to in paragraph (a).
- (3) Work excluded from the definition of *construction work* in section 3(1) of the Act by operation of subregulation (2) includes the following —

I will not read them all, but as an example —

**Extract from Hansard**

[COUNCIL — Wednesday, 28 March 2018]

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- (a) earthworks associated with the construction or maintenance of any temporary water supply or temporary access track for any purpose associated with any mineral or petroleum exploration activity, and any other earthworks associated with any such exploration activity;
- (b) any excavation work associated with exploration for, or the extraction of, any minerals or petroleum;
- ...
- (e) the maintenance of an airstrip or landing pad used in conjunction with any mineral or petroleum production operation;

And it goes on. There are also some other exemptions that are applicable.

**Hon Alison Xamon** interjected.

**Hon DONNA FARAGHER:** Yes, I was just getting there.

Agriculture is another one that is exempted, as well as certain work to repair cyclone damage, certain building work for foreign countries and government work. There are some other exemptions but they are not part of the motion before us. This has been canvassed by all speakers thus far; there has been a very strong view that has been put by groups such as the Housing Industry Association—not only it, but others—that the exemption for the resources sector should be removed. Indeed, the 2014 review that others have referred to identifies that. It states —

The exemption of the levy to civil engineering construction projects was identified as a significant concern in the previous review of the Act in 2008. This matter continues to be identified as a major concern by stakeholders in the current Review.

The underlying tension arises as a result of the engagement of skilled personnel from the construction industry by the resource sector. These skilled personnel have been trained within an industry to which the levy is applicable. In this regard, the beneficiary of the system that facilitated a skilled workforce has not contributed to a training levy.

The current exemption of the levy applying to civil engineering construction projects in the resources sector represents an anomaly and appears inequitable that this sector does not contribute to the levy whilst other sectors do.

I suggest that inequity is the key issue that proponents for the removal of the exemption continue to raise. I am not putting words into the mouths of the proponents, but I think it is probably fair to say that they argue that the resources sector benefits greatly from the recruitment of skilled employees who have been trained through the general construction industry. That seems to be one of the key issues that is consistently raised with me. I want to quote from a letter I received from the Western Australian regional executive director of the HIA, who is happy for me to read a part of it that essentially encapsulates its position. It states —

Engineering construction projects are completed as part of resource investment works, and are often carried out by a contractor on behalf of the resources sector. The workers associated with these projects are not employed by or based in the resources industry and will continue their careers on the engineering construction industry. The training and therefore the funding of the training for those associated with such work must be continuous in order to maintain a workforce.

The equitable payment of the levy by the resources sector can therefore not be adequately resisted on the grounds of sufficient training being completed within their own organisations or industry. Furthermore, it can be seen from examples of many building companies, particularly ABN Group, —

I thank the ABN Group for meeting with me to discuss this and other training issues —

that organisations within the construction industry also provide their own training support in addition to any received via the levy.

HIA is seeking support for the amendment of the Regulations to withdraw the exemption in its entirety by removing Regulation 3AA. The contribution from engineering construction projects in the resources sector will be imperative in encouraging and improving skills development of tradespeople in the building and construction industry in our recovering economy.

I did not read the entire letter, but the Housing Industry Association sees that as the key reason that this exemption should be removed. As has been put by all the other speakers, conversely, the resources sector opposes any change to the status quo, albeit I would say through further discussions that there is perhaps a preparedness at least to look at the issue and the intended and unintended consequences and the like in a considered way. We all share the same



view that the resources sector has historically not supported any change to the status quo. It argues that it contributes to the levy in certain circumstances, albeit only a small amount is raised through this process. That relates to residential and commercial buildings that might be on site, but that is a much smaller amount than what others provide in that regard.

The resources industry also argues, as has been put by Hon Robin Scott, that it invests significantly in training to meet its workforce needs. In briefings from the Chamber of Minerals and Energy of Western Australia, representatives from Rio Tinto spent considerable time talking to me about the various training opportunities that Rio Tinto provides its workforce. I agree that they are significant and have a very positive value. Indeed, at that briefing the CME provided me with some data based on its 2017 survey of diversity in the Western Australian resources sector. It stated that the data demonstrates —

- A 13.4 per cent training rate for the Western Australian resources sector, higher than the 9.7 per cent training rate reported in the Construction Training Fund 2015/2016 Annual Report.

This information has been provided to me and I presume it is all correct. It continues —

- 18 per cent of all the CME member companies' apprentices and trainees were Indigenous.
- Female apprentices and trainees comprised around 26 per cent of all the CME member companies' apprentices and trainees.

The CME has also provided me, and I am sure other members, with a whole heap of other information, which has been excellent.

Irrespective of which way we look at this issue and whether various groups might be prepared to look at how the levy might operate, in a general sense and historically, there have been two different views on how this issue should be dealt with. Through the various discussions that I have had with the construction industry, the HIA, the resources sector and others, it is clear that, should the government be contemplating the removal of the exemption, it is probably better that it be taken away and looked at in an objective way. I am not suggesting that the work that has already been done through the various review processes has not been adequate. However, as the shadow Minister for Education and Training, I look at the report that has been tabled and I see a few paragraphs—there is certainly the part that I read—on the various views, but there is not a lot of detail. I will touch on some other aspects referred to in the report. I appreciate that the minister and the department will have more information and there are other reports; Hon Martin Aldridge has referred to those. To come to a considered position on this matter, we need to look at it and give everyone an opportunity to have their say. It is a complex matter. Simply removing the exemption will not necessarily deal with the situation, in so much as legislative changes may well be required. Obviously, there is a specific issue with the exemption, but acts already in place may well be impacted. I cannot say whether that is the case; maybe the minister might be able to advise us of that, but I am not sure. Different models or caps could be applied when threshold levels begin to be applied, for example. The review indicated that and I refer to page 5. It states —

From a Government point of view —

I take it from a parliamentary point of view in this instance —

there would need to be further consultation with major stakeholders within the resources industry when considering removing the current exemption from payment of the training levy.

On the next page it states —

Consideration should be given to adopting a cap on payment of any levy on engineering construction in the resources sector similar to that in Queensland where the levy is paid on the value of construction up to \$5 billion, but not above that amount.

Given all that, we take the view that for this matter to be properly canvassed in a considered way that allows all stakeholders to have their say and put forward their case and their arguments for, against or somewhere in between, a parliamentary committee tasked with looking into this matter might well be appropriate. As I said, it is a complex matter. It is not simply a suggestion that we remove an exemption and that is it. Certainly, what is being put to me is that unintended consequences could arise from this. I want to take the point by Hon Alison Xamon that if one rushes into something without consultation or looking at the consequences, whether intended or unintended, it might not lead to the best outcome. That is not to say that there is not an opportunity to look at this issue. In fact, when we look at this issue there are merits on both sides. We need to be clear that this has been in place for a long time. Successive reviews have opted to put forward the proposal to remove the exemption. Successive governments have not changed that position. If it is to be considered, a parliamentary committee is an appropriate way to go, whereby it can be taken away and looked at thoughtfully and carefully.

For that reason, I indicate that we have some concerns with the motion as it stands. I also foreshadow an amendment to the motion that has been circulated by the Leader of the House, because this is a complex matter, to simply say that we support the removal of the exemption or that we support in principle the removal of the exemption is a bit pre-emptive. At the end of the day, we would want to see exactly what scheme the government would put forward, whether it would put in a cap or change the threshold and in what circumstances might it include or not. For us to take a considered view on this important issue, we want to see what the government is putting forward to change not only the regulation, but also any acts that are already in place. The house would benefit if there were any change, particularly if any legislation or regulations were to enter this house at some point in the future, and the advice and recommendations, if any, from a parliamentary committee. That would certainly be very positive and would show that this Parliament is happy to consider the issues in a consultative way, which gives everybody an opportunity to put their point of view.

*Amendment to Motion*

**Hon DONNA FARAGHER** — without notice: I move —

To delete paragraphs (c) and (d) and substitute —  
and that —

- (c) a select committee is to be established to consider and report on —
  - (i) whether the exemption from the definition of construction work and connected work granted by regulation 3AA of the Building and Construction Industry Training Fund and Levy Collection Regulations 1991 should continue, or be removed in whole or in part;
  - (ii) the financial and other consequences arising from the status quo and any alteration to the current exemption;
  - (iii) whether any new laws need to be enacted as a consequence of any alteration to the current exemption; and
  - (iv) any other related matter; and
- (d) the select committee shall consist of five members; and
- (e) the select committee is to report by no later than 12 months after the committee has been established.

I will end my contribution at this point. I have indicated why I have moved this amendment. I believe it is a way forward for this issue to be addressed. I appreciate that it may or may not get up, but we will determine that in due course. For this to be determined in a considered way that is not rushed and all issues to be canvassed in a parliamentary committee is indeed an appropriate course of action to take on this matter.

**HON SUE ELLERY (South Metropolitan — Leader of the House)** [3.06 pm]: I rise to speak on the amendment that has just been moved by Hon Donna Faragher to indicate that the government will not support the referral to a committee. It is fair to characterise this policy matter as being “live”. It is under active consideration now and discussions are happening now with relevant parties about whether there is a way forward to achieve the policy outcome that has been canvassed in the substantive motion before us. The government does not see a need to refer it to a committee. Although the honourable member referred to some of the elements that come up whenever this matter is traversed, there is nothing new in what we need to get our heads around if we are to proceed down this path. Everyone knows, effectively, the critical issues that need to be worked through. I am confident that if that is the path we choose to take, we will be able to do that. As I said, it is under active consideration now. Consultation on whether this is a possibility is happening now. The issues are being discussed now directly between the relevant parties, so we do not see the need for a committee to examine these issues.

**HON MARTIN ALDRIDGE (Agricultural)** [3.08 pm]: The National Party will not support the amendment for similar reasons to those of the government. We do not believe this is a complex matter. I remind members that any regulatory change is a decision of the government, not Parliament. It is up to the government to consult with the relevant players. To echo a phrase of Hon Simon O’Brien, we should not be an opposition that runs the government. It is the government’s responsibility to consider and do these things. Members will notice that my substantive motion does not state how this should be done. It states that we should support amendment to the regulation and calls on the government to amend the regulation. During my speech earlier today I canvassed a range of options that could be considered by the government, including caps on project values and changing the levy rate—all things that could be done by amending the regulations. But those decisions ultimately need to be made by the government. We are unconvinced of the need to refer this motion, particularly given conversations

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I have had with the sectors in the lead-up to today's debate. No-one has left me with the feeling that unintended consequences need to be considered. What has been over-egged in today's debate has been the focus on consultation with the mining industry, given what I just said about it being the government's responsibility to consult before it makes changes. The mining industry is a consumer, just like everybody else who pays the levy. When I built a house, I paid a \$600 levy before I could get building approval from my shire for construction to occur. I find the emphasis put on consultation with the mining industry interesting, while the majority of the people who currently pay the levy are not part of it.

**Hon Donna Faragher:** I am saying consultation with everybody, just to be clear.

**Hon MARTIN ALDRIDGE:** Yes.

Other speakers put a very big emphasis on that, and it should be pointed out that that is the job of the government. The Building and Construction Industry Training Board represents many industry organisations and unions. It does not represent the mining industry because it does not build or construct. It does not represent me as the owner of a home who is intending to build, and it does not represent other consumers. It represents the building and construction industry, not the mining industry, shopping centre industry or hotel industry. We are unconvinced of the need to refer this motion. We think the original motion gives the government sufficient scope to consider the landing point. I think the matter before the house needs to be whether we support the extension of the levy more broadly to building and construction projects, and the removal of the current exemption that applies to the resources sector, in an effort to try to improve the facilitation of skills development and apprentice training in Western Australia. Clearly, the crossbench does not support that position by the arguments it put today, and we will not support this amendment.

**HON PETER COLLIER (North Metropolitan — Leader of the Opposition)** [3.12 pm]: Obviously, we will most definitely be supporting the amendment. Although there may be active discussions going on at the moment—I heed the Leader of the House's views—and I understand there has been some movement as far as the resources sector is concerned, if there is ever an issue that deserves to go to a parliamentary committee for full scrutiny, it is this one. I will outline why when I next get the call.

**The DEPUTY PRESIDENT:** You will get the call in the next sitting week.

Debate interrupted, pursuant to standing orders.