



Australia's property industry

Creating for Generations

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Construction Industry Training
Fund Act Review Secretariat

By Email: CITFActReview@sa.gov.au

Investigation and Review of the Construction Industry Training Fund Act 1993

Thank you for providing the Property Council of Australia's South Australian Division the opportunity to provide a submission in relation to the Investigation and Review of the Construction Industry Training Fund Act 1993.

The Property Council of Australia has over 300 member organisations in South Australia and represents one of the largest economic footprints of any sector in the state economy. Property as an industry employs more people in South Australia than manufacturing and mining combined.

The member organisations of the Property Council represent the major national and local property investment, ownership and management of commercial, retail, industrial, educational and institutional property in South Australia together with the leading providers of retirement living, student accommodation, community and emerging housing models.

These organisations are effectively the key "client" group to the construction sector.

Therefore, the construction industry forms a vital service to our membership base, creating the built environment which sustains communities and economies across South Australia.

As a key stakeholder in the success of the construction industry the Property Council has been a long supporter and active stakeholder in the activities, policies and funding of the CITB including the effective operation of the CITF.

Ensuring a highly skilled and well-trained workforce, with skills adapted to ongoing needs and priorities available to industry is critical to the realisation of the economic success upon which our future rests.

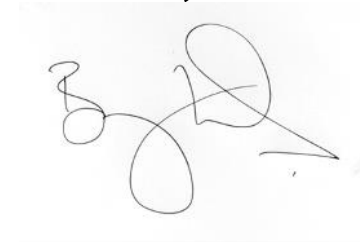
PROSPERITY | JOBS | STRONG COMMUNITIES

The Property Council's submission is structured to respond specifically to all the propositions put forward in the issues paper.

We look forward to further consultation and participation in the Review in anticipation of any recommendations and subsequent change that may follow.

Please do not hesitate to contact us if you require anything further.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Bryan Moulds', is written on a light-colored background. The signature is fluid and cursive, with a large loop at the end.

Bryan Moulds | Interim SA Executive Director

Terms of Reference A

Concerning the amendments made to the Act by the *Construction Industry Training Fund (Board) Amendment Act 2019*:

TOR	No.	Proposition/Question	Property Council Response
A1. How effective is the CITB, as currently comprised and administered, in attaining the objects of the CITF Act through the exercise of its functions and powers (as outlined in Sections 11 and 12 of the CITF Act)?			
A1	1	The Act should include Objects so that the Board's purpose and priority for the administration of the Fund is clearer. This should include that the Fund should be applied to addressing skills shortages, upskilling and entry level training as supported by data and evidence available to the Board.	Support. The Property Council supports Objects within the Act to focus the interpretation of the Act to ensure a competitive and highly skilled workforce in the South Australian construction industry. The performance of the CITB and the Fund should be measured against those Objects so that any future reviews are structured against continuous improvement.
A2 What opportunities exist to support the achievement of these objects in relation to <ul style="list-style-type: none"> • The composition of the CITB (I) • The staffing of the organisation (II) • Other governance or operational arrangements (III) 			
A2 (I)	2	The Act should require the appointment of Board members to have a greater balance of employer and employee perspectives than is presently the case.	Support.
A2 (I)	3	The expression of interest process for Board appointees should remain, but the Minister should not be compelled to utilise this if the Minister is satisfied that good reason exists not to.	Support in the case of filling casual vacancies.
A2 (I)	4	The Act should require the appointment of a Board member with extensive knowledge of training policy and the contemporary training landscape.	Strongly Support – at present the focus of board independents is at industry leadership level. This needs to be balanced with industry participants with contemporary operational expertise in training and development as is the philosophy used for OHS. The property sector needs a developing and growing construction sector that is “fit for purpose” to positions the State’s competitiveness.

			Appointments with this knowledge and background will better ensure funds are invested effectively.
A2 (I)	5	The Act should require that the Minister ensure that through appointments to the Board, members collectively bring sufficient expertise in the building and construction industry, legal and financial skills. Consideration should also be given to promoting diversity in making appointments to the Board.	Support.
A2 (I)	6	The appointment of Deputy Members should be reserved only for members appointed due to a specific skill set.	Support.
A2 (III)	7	The ability for the Presiding Member to exercise a casting vote should remain.	Support.
A2 (III)	8	The provision for a majority Board decision should remain.	Support.
A2 (III)	9	The Act should confirm the principle that Board members' overriding fiduciary duty is to the Board and its objects under the Act.	Support.
A2 (III)	10	The Act should formalise a requirement to consult with Sector Committees during the preparation of the Training Plan.	Support.
A2 (III)	11	The appointment of an independent Chair of the Finance and Audit Committee should be facilitated by permitting the Minister to approve remuneration of the Chair of committees.	Support.
A2 (II)	12	The Act's position in relation to the use of public service employees should reflect that in the <i>South Australian Skills Act 2008</i> to enable more integrated and complementary connections between the Board and Government.	Support in principle.

Terms of Reference B

Levy

TOR	No.	Proposition/Question	Property Council Response
<p>B2. Are the exemptions to paying the levy as described in Section 23 of the CITF Act and in the Regulations appropriate?</p>			
B2	13	<p>If an item's cost would ordinarily be captured by the Act, the fact that it is associated with generation, supply or transmission of electricity should not exclude that item from calculation of the levy. (For example, construction work associated with the installation of wind turbines or solar panels would be leviable activity.) [See regulation 13(3) of the Regulations]</p>	<p>Strongly support.</p> <p>The Property Council supports widening the base of the levy as suggested in propositions 13, 14 and 15 to capture a greater revenue share.</p> <p>Importantly this enables the current rate of 0.25 per cent (attributable to project cost) to be maintained whilst increasing revenue.</p> <p>The only caveat would be that there should be no double-ups with existing building works schemes.</p>
B2	14	<p>If an activity would ordinarily be captured by Schedule 1 of the Act and the activity is maintenance or repair work carried out by a self-employed person or an employee for the benefit of his or her employer, where the principal business activity of the self-employed person or employer is not in the building and construction industry, this activity should not be excluded from building or construction work for the purposes of the Act. (For example, maintenance or repair work performed by employees of a council would be leviable activity – as is the case presently if such work is contracted out.) [See Schedule 1(2)(a) of the Act]</p>	<p>Strongly support.</p>
B2	15	<p>If an activity would ordinarily be captured by Schedule 1 of the Act, the fact that it is associated with mining and petroleum activity should no longer automatically be grounds for exemption. Exemption should apply when associated with core resources operations or other specified activities. (For example, earthworks and building activity associated with the construction or maintenance of roads, tracks, or airstrips would be</p>	<p>Strongly support.</p>

		leviable activity. However, if WA's exemptions were mirrored, then work associated with resource exploration, unsealed haul road tracks etc. would continue to be excluded) [See Schedule 1(15) of the Act]	
B3 Is the current levy collection method effective?			
B3	16	The levy should be calculated by reference to employee data not by project value to enable a similar quantum of funds to be collected via a more streamlined process.	<p>The Property Council would advocate for maintaining the levy based on project value.</p> <p>To instigate an alternate method based on employee data/labour hours puts the onus on subcontractors.</p> <p>Feedback from Property Council membership indicates that rather than streamlining levy collections, an employee data-based process or system may impact productivity performance in relation to record keeping and negatively produce higher direct costs.</p> <p>The Review discussion Paper does not provide sufficient evidentiary, nor empirical analysis of alternative levy collection structures or processes to form definitive evaluation of options. Any alternative calculation method would require modelling and consultation with industry and the onus would be upon the inquiry to demonstrate the business case for any said change.</p>
B3	17	If the levy is still to be calculated by project value, the definition of project owner should be changed so that the levy is payable by the landowner or head lessee rather than the current definition of project owner.	<p>As per our response to proposition 16 above, the Property Council advocates for maintaining the levy based on project value.</p> <p>The Property Council notes that irrespective of the definition of the project owner, the client, who is usually the developer or landowner will have to bear the cost of the levy in any case.</p> <p>The current definition within the Act suggests that in most cases, for the purposes of determining who the project owner is, that it is the contractor who is most likely to fit the current definition.</p> <p>The Property Council would support defining the Act more clearly to indicate that the project owner is the contractor rather than altering it to be the landowner or head lessee.</p>

			<p>From a point of principle this makes sense. The purpose of the CITF is to support capability within the industry and so it is important that industry participants who depend on a skilled and well-trained workforce have a direct stake in administering payment to the fund.</p> <p>The timing of levy payment should be considered as part of the review, as alternatives may have impacts – both beneficial to the CITF and the client/owner – but the discussion paper has not provided any details on the impacts of alternatives.</p> <p>The timing of payment should be when works commence with final “true up” on end value. This can be simplified across the industry with a defined process for calculation.</p>
B3	18	The Civil sector should remain as part of the CITF Act scheme.	Support.
B3	19	Planning for allocation of the Fund should be revised to better utilise available funds for the Civil sector, including in relation to attraction and retention initiatives; and short courses which equip Civil sector workers to work in other sectors when there is a downturn in civil construction activity.	Support.
<p>B1 Is the current levy rate of 0.25 per cent of the estimated value of building or construction work (or such other percentage not exceeding 0.5 per cent of that value as may be prescribed in regulations) appropriate to meet the workforce needs of the sector?</p>			
B1	20	In the absence of an alternative method of calculation than project value, the 0.25% levy remains as an appropriate rate for the Board to fulfil its role and functions under the Act.	<p>Strongly support.</p> <p>As advocated for in the above propositions the Property Council would prefer to widen the levy collection base over an increase to the levy on existing levy payers.</p> <p>Therefore, the Property Council would support maintaining the current rate at 0.25 per cent.</p> <p>Any increase to the levy would require consultation and modelling to demonstrate the quantum of any additional administrative burdens and the cost impacts upon ultimate payers of the levy.</p>

B1	21	If the levy is based on project value, it should apply to a project's value excluding GST.	<p>Strongly support.</p> <p>The collection of the levy should apply to a projects value excluding GST.</p> <p>It would appear unreasonable to include in the calculation design that a government charge (i.e., the levy) can be based on another government charge (i.e., GST).</p>
B2	22	If the levy remains calculated based on project value and exemptions are reduced resulting in an increase in revenue, the threshold of \$40,000 should be increased to reduce the administrative burden of payment and collection on low value projects.	<p>Support.</p> <p>The Property Council would support the reasoning of this proposition if the base were widened, and revenue increased. In addition, it should be noted that given inflationary economic conditions the threshold of \$40,000 may no longer be suitable.</p>
B2	23	The levy threshold should be contained in the Regulations and reviewed periodically against CPI increases and other relevant data (such as expenditure from the Fund).	Support.
B4 Are there alternative collection methods that would improve levy collection?			
B4	24	The CITB should increase the resources devoted to education and compliance.	<p>Support in principle.</p> <p>The Property Council would advise however that any additional education or compliance regime be as cost effective as possible.</p>
B4	25	If the levy remains calculated according to project value, the South Australian Government should work with the CITB to identify reconciliation options for construction industry projects that are not captured by the usual planning approvals process.	Support.

Terms of Reference C

Allocation of funds obtained through the levy

Does section 32(3) of the CITF Act, which requires money for the provision of training to a given sector in “approximately the same proportion” as the amount contributed by that sector:

- create barriers to holistic workforce and skills development across the building and construction industry?
- result in challenges addressing any particular areas of need such as upskilling, higher-level training, or cross-sector skilling?

TOR	No.	Proposition/Question	Property Council Response
C	26	A minimum of 60% of the CITB fund allocations to training activity should be allocated between each sector of the building and construction industry in approximately the same proportions as has been contributed to the Fund by that sector. The remainder of training funds may be allocated for holistic or cross-sector programs such as sector attraction and cross-sector development.	Support in principle. The Property Council would advise that it would be prudent to regularly test whether the 60/40 allocation is yielding the intended results.
C	27	The CITB should allocate funding to administration activities such as research, data analysis, education and compliance.	Support.

Terms of Reference D

Training Plans

What impact does the requirement under Section 32(1) for the CITB to produce a training plan on an annual basis have on:

TOR	No.	Proposition/Question	Property Council Response
D1 • longer term workforce planning			
D2 • addressing longer term skills and workforce requirements. • investment in multi-year projects or programs?			
D1	28	Government and the CITB should develop processes that facilitate information and market intelligence sharing in the formative stage of the development of a Training Plan.	Support.
D2	29	The annual planning cycle should be replaced by four-year rolling reviews of the overall strategic direction developed through the CITB's investment decisions, with capacity for annual adjustments and reallocation of funds.	Support.

Terms of Reference E

Consideration of other models to support industry outcomes

Are there any other models for supporting industry training and workforce development outcomes that the reviewer recommends to assist the Construction Industry Training Board achieve its objectives?

No comment.

Concluding Remarks

The Property Council takes this opportunity to thank the Review once again for providing the opportunity to share our feedback on the propositions put forward in the issues paper under the Terms of Reference.

We reiterate our willingness to continue to engage in dialogue with the Review in relation to achieving a highly functioning CITB and Fund.

Continued analysis and measurement of the effectiveness of the boards operation, training plans and fund distribution will play a key role in ensuring the sector continues to benefit from a highly skilled and competitive workforce that will supply meaningful jobs and a built environment that underpins the future of South Australia.