

# SUBMISSION

## 14 February 2023



Submission to the Investigation and Review of  
the Construction Industry Training Fund Act 1993



MASTER BUILDERS  
SOUTH AUSTRALIA

## Contents

1. Introduction.....	3
2. Background.....	3
3. The current economic and skills environment in South Australia.....	4
4. CITB composition, administration, and operation.....	5
5. The Levy.....	6
6. Allocation of funds obtained through the Levy.....	6
7. Training Plans.....	7
8. Conclusion.....	7

## 1. Introduction

This submission is made on behalf of the Master Builders Association of South Australia Inc ("Master Builders SA"), established in 1884 as the peak body representing South Australia's building and construction industry.

Master Builders SA is committed to building a productive industry and a prosperous South Australian community and economy.

The South Australian building and construction industry directly employs more than 75,000 South Australians across all sectors, including residential, commercial, civil engineering, land development and building completion services. Indirectly, the industry supports tens of thousands more South Australian jobs.

The industry undertakes about \$17 billion of work every year, contributing more than \$1 for every \$7 of economic activity within the State. Indirectly, more than one-quarter of South Australia's wealth is produced by the building and construction industry.

Master Builders SA is proud of the industry it represents, the jobs it creates, the 14,000 homes it built and extended for families last year, and the offices, schools and hospitals it has built for South Australian businesses and taxpayers.

## 2. Background

The investigation and review of the Construction Industry Training Fund Act 1993 (the Act), undertaken by PEG Consulting's managing partners, Ms Ingrid Haythorpe and Dr Tahnya Donaghy, has the directive to investigate, review, and make recommendations on the Board effectiveness and attainment of the objects of the CITF Act, to improve the quality of training in the building and construction industry, and ensure the Act adequately improves training outcomes for worker.

Key Master Builders SA representatives had the opportunity to meet with the reviewers and appreciated the opportunity to discuss issues facing the industry and how improvements within CITB can assist to deal with these issues.

The review of the South Australian Construction Industry Training Fund has come at a crucial time. The building and construction industry, like so many in South Australia, is facing a significant shortage of workers, both skilled and unskilled. It is important to note that it is not just the building and construction industry facing a shortage. With unemployment levels at the lowest since the 1970s, industries are competing against each other for a finite resource. This situation highlights the importance of the CITB for both training and retaining personnel in our industry and encouraging new entrants.

### 3. The current economic and skills environment in South Australia

New home building starts in South Australia have seen big gains over recent years, with a 25.3 per cent increase during 2020-21 being followed up by growth of 6.6% in 2021-22. The 14,300 total during 2021-22 is likely to represent a peak, although new home building is likely to remain reasonably elevated over the forecast period to 2026-27 Economic Outlook

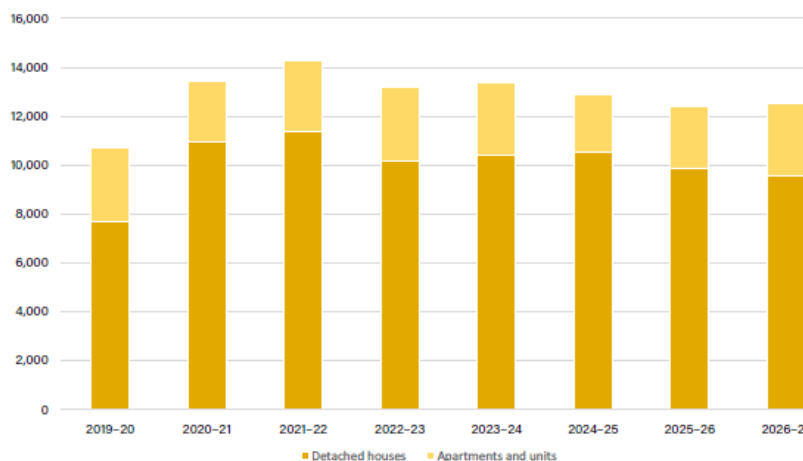
**Master Builders Australia forecasts of total construction activity for South Australia to 2026-27**  
(millions of 2019-20 dollars)

2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
\$12,295	\$12,902	\$14,366	\$14,401	\$14,649	\$14,815	\$14,904	\$15,177
No data	+4.9%	+11.3%	+0.2%	+1.7%	+1.1%	+0.6%	+1.8%

Source: Master Builders Australia-produced forecasts and analysis of ABS Building Activity (8752.0)

Across SA, a total of 3,400 new homes were approved but still awaiting commencement at the end of June 2022. Since then, latest figures to October show that 4,500 more homes received approval across the state. It is our expectation that from November 2022 onwards, an additional 5,300 new homes will receive approval in time to be started by the end of June 2023. While looking toward 2026-27, new home building is projected to fall to 12,430 in 2025-26, it is expected to reverse with higher density home building steadily increasing its share of the market.

Master Builders forecasts of new dwelling starts by type to 2026-27



For non-residential (excluding civil construction) the volume of non-residential building should reach \$3.48 billion by 2026-27. The performance of retail and commercial building projects is likely to be the strongest over this period, while industrial building work may ease back following strong gains.

**Master Builders Australia forecasts of total non-residential building activity for South Australia to 2026-27 (millions of 2019-20 dollars)**

2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
\$2,718.3	\$3,054.7	\$3,222.5	\$3,450.8	\$3,725.5	\$3,742.5	\$3,505.2	\$3,481.7
No data	+12.4%	+5.5%	+7.1%	+8.0%	+0.5%	-6.3%	-0.7%

Source: Master Builders Australia-produced forecasts and analysis of ABS Building Activity (8752.0)

Civil construction is set to have a slight dip in 2022-23 a head of gearing up for some major projects that will accelerate the closer we move to 2026-27. Work related to resource and infrastructure such as road is likely to experience one of the most solid expansions with projects such as the South Road Tunnels expected to utilize a significant number of personnel.

**Master Builders Australia forecasts of total engineering and civil construction for South Australia to 2026-27 (millions of 2019-20 dollars)**

2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
\$6,061.8	\$6,243.2	\$7,225.3	\$7,116.1	\$7,155.1	\$7,340.1	\$7,801.6	\$8,172.3
No data	+3.0%	+15.7%	-1.5%	+0.5%	+2.6%	+6.3%	+4.8%

Source: Master Builders Australia-produced forecasts and analysis of ABS Building Activity (8752.0)

The above data paints a picture of what South Australia can expect in the building and construction industry. It is important to note that this data does not include the redevelopment of the Riverland after the floods and additional pressure for social housing builds is expected. These statistics show the importance of CITB in developing the required skills to meet the demand over the next 5 – 10 years.

#### 4. CITB composition, administration, and operation

The Construction Industry Training Fund Act 1993, unlike many pieces of legislation, does not contain an Objects clause. The legislation should be amended to ensure the purpose and priority of the Board are clearly defined. The object of the Board should be to address skills shortages, encourage people to enter the industry, upskill existing participants and meet the needs of the industry.

In the past Master Builders SA has been concerned about the Board appointment process for the CITB. It is essential that Board members have significant knowledge and understanding of the building and construction industry as well as the education and training systems. The Act should require the Minister to appoint board members that bring a high level of appropriate knowledge and skills to the Board and that all relevant areas



such as accounting, legal, IT and construction skills are covered.

It is difficult to appoint Board members that have all of the required skill sets and industry knowledge who do not have a degree of conflict. This is typical of an industry board and an issue that needs to be grappled with by Board members. Board members often have a duty to their employer<sup>1</sup> or interests in their businesses that will influence their views. This is why it is important that The Act confirms the principle that Board members' overriding fiduciary duty is to the Board and its objects under the Act and that Board members can be removed if this duty is breached.

## **5. The Levy**

Master Builders SA supports the retention of the current levy rate of 0.25% of the estimated building value and that the levy should not be increased. Over the last few years, there has been a significant increase in the amount of building and construction work in the industry, especially in the residential sector. This has increased the amount of funds collected. It is projected that the industry will continue to grow over the next 5 years and this growth will result in a growth of the fund.

In addition, the levy collected should be based on the project value minus GST. It is a general convention that consumers should not "pay a tax on a tax" and paying the CITF levy on the GST component of a build is exactly this scenario.

## **6. Allocation of funds obtained through the Levy**

Master Builders SA supports an increase in compliance and regulation of levy collection. A vast majority of the industry is compliant and it is not equitable for companies who make payments to be funding the industry training, which is accessible to all employees. The companies that do not contribute to the fund have a financial and commercial advantage and the companies who are contributing to the future of the industry are at a disadvantage.

Master Builders SA supports the civil construction sector remaining covered by the legislation. There is a cross-over between civil and other areas of construction. This includes concreting, formwork, plumbing and electrical to name a few. If the civil sector does not contribute it will continue to benefit and considering the significant pipeline of work in the civil sector, which is anticipated to create a drain on labour in the industry, this would be a significant disadvantage to other construction sectors. The civil construction industry crosses over into the mining sector and the government and CITB should investigate whether the resources sector should be included under the legislation. There are a significant number of apprentices who benefit from CITB funding, paid for by the building and construction industry, who forge a career in mining and resources.

Master Builders SA strongly supports an increase in CITB funding being directed to Group Training Organisations (GTOs). Currently, a majority of the support is directed to the host employer, with the GTO only receiving 10% for the administration of the apprentice. However, the job of a GTO is not just administration, it is significantly greater. GTOs provide

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<sup>1</sup> A conflict may arise from employment with employee and employer associations

pastoral care, personal protective equipment and medical examinations. The support GTOs provide apprentices results in a significantly higher completion rate when compared to direct indenture. Completion of direct indenture is approximately 54%, whereas the Master Builders SA GTO's current completion rate is 82%, and this has been consistent for a number of years.<sup>2</sup>

In addition to the significantly higher completion rates, GTOs take on a higher percentage of apprentices with barriers to entry in construction such as females, indigenous and long-term unemployed. The amount of work and pastoral care required for this cohort of apprentices is significantly higher, and the work is completed by GTOs. With government procurement targets requiring a significant portion of labour come from this cohort, it is even more important that GTOs have the ability to manage and guide these apprentices.

## **7. Training Plans**

Market intelligence is critical to the development of suitable training plans. The current and projected economy of the state as well as knowledge of future projects and building demand needs to be analysed and interpreted to ensure training plans meet the needs of the industry.

The Government and CITB need to have a thoroughly developed strategy and program for gathering data and information on the construction industry from multiple sources as well as the ability for industry participants to approach CITB with information if they have evidence that a training plan needs to be varied.

Master Builders SA supports the implementation of a four-year rolling review to facilitate an overall strategic direction for CITB. As with all medium terms plans, there needs to be the ability to fine-tune and adjust on an annual basis. It is important to ensure CITB can rapidly respond to industry needs and fill any unforeseen gaps in the market or changes to the construction environment, while still working towards longer-term outcomes.

## **8. Conclusion**

Overall, Master Builders SA believes CITB is functioning well and is an effective means of providing skills and training to our industry, and therefore does not warrant significant changes. We encourage greater support of GTOs as the statistics clearly show that GTOs have a significantly better completion rate. Master Builders SA supports the existing levy rate and that a program to increase compliance should be implemented over changes to the levy.

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<sup>2</sup> Skills SA Apprentice Employment Network SA Annual Conference, November 2022