



South Australia Investigation and Review of the Construction Industry Training Fund Act 1993

Submission

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Introduction

The National Fire Industry Association (NFIA) thanks the Construction Industry Training Board for the opportunity to comment on the Investigation and Review of the *Construction Industry Training Fund Act 1993*. The NFIA welcomes the initiative to improve the operation and governance of the CITB and whilst the NFIA largely agrees with the current operation of the CITB, our Association seeks representation of the Fire Protection Industry on the CITB Board and in the appropriate Sector Committee.

The Australian Fire Protection Industry

Fire protection in Australia is typically achieved via three means:

- Active fire protection (fire sprinklers, fire hydrants and fire alarm systems);
- Passive fire protection (fire rated walls, floors and ceilings and fire sealing); and
- Education.

The Fire Protection Services industry contributes over \$2.5 billion to the Australian economy every year. Over 2000 businesses pay nearly \$700 million in wages each year and industry revenue is projected to increase at an annualised rate of 1.5% over the five years through 2025-26, to reach \$2.7 billion.

The IBISWorld Industry Report OD5424 Fire Protection Services in Australia (November 2020), claims that despite the presence of vertically integrated multinational giants, the industry has a low level of market share concentration. The two major companies have a combined market share of only 10% and are both part of large multinational companies operating globally across several related industries. Twenty years ago, the two major companies are estimated to have had 80% of the market.

There are numerous regional and local players that construct, install and service fire protection systems to small, medium, and major buildings across the full scope of class 2 to 9 buildings as well as higher risk facilities such as fuel depots, harbours, and similar developments. Over half the industry enterprises employ between one and 19 people. As the minor players have increased their share of the total market, the industry has become more diverse, while also growing substantially.

Where twenty years ago, the two major companies offered a form of institutionalised but limited “industry” training to their people, it could be argued that the industry was less in need of regulation. However, as the industry has grown substantially and its make-up evolved it is now predominately made up of many more, smaller independent contracting companies. That market growth and diversification has provided customers with better contractor choices, better outcomes, and better pricing but, at the same time, raised the need for more over-arching regulation.

The National Fire Industry Association (NFIA)

The National Fire Industry Association, Australia (NFIA) is an Australia-wide community of commercial fire protection contractors, their people, suppliers, and industry stakeholders representing a wide and varied membership from the smallest sub-contractor through to large Australia-wide construction and service businesses. Our Members work at the frontline of fire protection with an estimated 80 per cent of the fire protection work undertaken in Australia completed by Members of NFIA.

NFIA utilises the resources of other Australian and International industry organisations and associations.

NFIA is committed to the delivery of quality fire protection practitioners across all aspects of fire protection safety. To this end, NFIA has sponsored and supported the growth of the world leading fire industry Registered Training Organisation, Fire Industry Training (FiT), which now delivers fire industry required training for all of Australia at its campuses in Brisbane, Melbourne, and Sydney.

NFIA believes that an appropriate regulatory framework should be one that protects the safety of the community and property, provides adequate consumer protection, recognises, and accommodates industry practice and standards, requires registration of practitioners, and is linked to the national training package framework.

Submission

CITB composition, administration and operation

ToR A

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

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)?

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.

The NFIA agrees that the allocation of funding based on data and evidence to address skill shortages, upskilling and entry level training is preferred.

What opportunities exist to support the achievement of these objects in relation to:

- **The composition of the CITB**
- **The staffing of the organisation**
- **Other governance or operational arrangements**

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.

The NFIA submits that Board membership should be based on skills and knowledge that bring expertise to the Board's operation, not equal representation.

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.

The NFIA agrees with this principle.

4. The Act should require the appointment of a Board member with extensive knowledge of training policy and the contemporary training landscape.

The NFIA agrees with this proposition and seeks better representation for the Fire Protection Industry on the board, for example one of our contractor Members.

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.

The NFIA agrees with this proposition, however, submits that whilst promoting diversity in Board appointments is important, it should not be preferred over expertise and skill.

6. The appointment of Deputy Members should be reserved only for members appointed due to a specific skill set.

The NFIA submits that Deputy Members are not required and full representation on a Board can occur in the event the Member is not available.

7. The ability for the Presiding Member to exercise a casting vote should remain.

The NFIA agrees with this proposition.

8. The provision for a majority Board decision should remain.

The NFIA agrees with this proposition.

9. The Act should confirm the principle that Board members' overriding fiduciary duty is to the Board and its objects under the Act.

The NFIA agrees with this proposition.

10. The Act should formalise a requirement to consult with Sector Committees during the preparation of the Training Plan.

The NFIA agrees with this proposition, however, submits that we would like to see Fire Protection representation on the relevant sector committee.

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.

The NFIA disagrees with this proposition and submits that current remuneration is already adequate for sitting Board members and additional diversion of available training funds should not be considered.

12. The Act's position in relation to the use of public service employees should reflect that in the South Australian Skills Act 2008 to enable more integrated and complementary connections between the Board and Government.

The NFIA disagrees with this proposition and submits that the Board should retain their independence.

Levy

ToR B

Are the exemptions to paying the levy as described in Section 23 of the CITF Act and in the Regulations appropriate?

13. 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]

The NFIA agrees with the proposition subject to the retention of the \$40,000 threshold.

14. 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]

The NFIA disagrees with this proposition, as service and maintenance work are not construction work. There is precedence in other Acts to suggest that maintenance and service work should be excluded.

15. 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 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]

The NFIA does not wish to make a submission on this matter.

Is the current levy collection method effective?

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.

The NFIA disagrees with this proposition, as this would be a complex and costly process and should remain calculated from a dollar value.

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.

The NFIA submits that the current project definition for the collection of the levy should be retained.

18. The Civil sector should remain as part of the CITF Act scheme.

The NFIA agrees with this proposition.

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.

The NFIA disagrees with this proposition and submits that training should be categorised by industry, not by sector.

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?

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.

The NFIA agrees with this proposition.

21. If the levy is based on project value, it should apply to a project's value excluding GST.

The NFIA agrees with this proposition.

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.

The NFIA submits that the threshold of \$40,000 should remain.

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).

The NFIA agrees with this proposition.

Are there alternative collection methods that would improve levy collection?

24. The CITB should increase the resources devoted to education and compliance.

The NFIA agrees with this proposition.

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.

The NFIA agrees with this proposition.

Allocation of funds obtained through the levy

ToR C

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?**

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.

The NFIA agrees with this proposition.

27. The CITB should allocate funding to administration activities such as research, data analysis, education and compliance.

The NFIA submits that CITB should be able to obtain this data from each industry and therefore, does not need anyone in this role.

Training plans

ToR D

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

- **longer term workforce planning**
- **addressing longer term skills and workforce requirements**
- **investment in multi-year projects or programs?**

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.

The NFIA agrees with this proposition.

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.

The NFIA agrees with this proposition.

Consideration of other models to support industry outcomes

ToR E

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?

The NFIA submits that the CITF Act could extend the Board's requirement to develop a training plan each year, to every three years, to allow the Board additional time for other key projects and process improvement.

Thank you once again for the opportunity to contribute to this important Review.



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