



***Building and Construction
Industry Training Fund and Levy
Collection Act 1990***

Statutory Review

October 2019

CHAIRMAN'S REPORT

It is my pleasure to present the *Review of the Building and Construction Training Fund and Levy Collection Act 1990* (October 2019).

Overall, the review found that the Construction Training Fund effectively achieves its objectives and acts with consideration to the needs of industry. There is widespread support for the role of the Construction Training Fund and for the continued operation of the *Building and Construction Industry Training Fund and Levy Collection Act 1990* (the Act). During the review, some opportunities were identified to enhance the operation of the Construction Training Fund and the Building and Construction Industry Training Fund Levy (the Levy).

I acknowledge the number of stakeholders who were involved in the review and made valuable contributions. I also recognise the support I received from the Steering Group and ACIL Allen Consulting during the review.

BACKGROUND

Section 32 of the *Building and Construction Industry Training Fund and Levy Collection Act 1990* (the Act) requires the responsible Minister to conduct a review of the Act every five years and table a report in Parliament.

The Building and Construction Industry Training Fund operates as the Construction Training Fund (CTF). The CTF is a statutory authority established by the Act to assist the State's building and construction industry to meet the demand for skilled workers. It is governed by the CTF Board (the Board). The CTF administers a training levy on building and construction work and uses the revenue to fund grants and subsidies for the building and construction industry.

Following the commencement of the 2019 review by the late Mr John Kobelke, I assumed the role of Review Chair from July 2019 to its conclusion. The review was guided by a Steering Group consisting of organisations associated with Western Australia's building and construction industry. ACIL Allen Consulting was engaged to conduct stakeholder consultations, research and data analysis to assist with the preparation of review recommendations.

Extensive stakeholder consultation was undertaken as part of the review. The consultation included:

- individual and group stakeholder consultation sessions involving 52 individuals and organisations;
- an industry survey which received 408 responses; and
- three workshops on key topics.

Supplementary information was sourced from the CTF, the Department of Training and Workforce Development and the Australian Bureau of Statistics.

TERMS OF REFERENCE

Section 32 of the Act established broad terms of reference for the review, which included specific areas of interest or consideration as listed below:

- a) Assess the effectiveness of the Building and Construction Industry Training Fund Board (the Board):
 - Relationship with industry and effectiveness of communication;
 - Structure of the Board and its effectiveness in meeting the needs of different sectors of the industry;
 - Operation of the Board in strategic management of the CTF; and
 - Efficiency of the Board in collection of the Levy and administration of programs.
- b) Consider the attainment of the objectives of the Act including:
 - to improve the quality of training; and
 - to increase the number of skilled persons in the building and construction industry.
- c) Assess the need for the Act to continue to operate.
- d) Review any legislative implications of the Levy on the resources sector, including those matters raised by them relating to the operation of the Act.
- e) Test the uncompleted recommendations arising from the 2014 review.

RECOMMENDATIONS

I provide the following recommendations, which are informed by the key findings from the review. The full report from ACIL Allen Consulting is at **Appendix A** which includes the key findings and detailed information about the review.

Operation of the Construction Training Fund

Recommendation 1 – Key Performance Indicators

Retain the current Key Performance Indicators and give consideration to publicly providing a rationale for how each Key Performance Indicator target is set, such as in the CTF's Annual Report.

Relates to Key Findings 2 and 7 -

The review found that the CTF's Key Performance Indicators align with its statutory objectives and are transparently reported in its Annual Report each year. However the basis for setting each target is not clear. This recommendation aligns with stakeholder requests for more information and communications from the CTF.

Recommendation 2 – Operational planning

Include specific linkages in the CTF's operational plan to its Key Performance Indicators and its statutory objectives.

Relates to Key Finding 1 -

The review noted that the CTF's current annual operational plan includes information about revenue and expenditure however it does not provide detail about the CTF's activities and how its activities link to the CTF's objectives. Inclusion of this information

would make the operational plan more robust and demonstrate clearer linkages to the broader strategies of the CTF's Board.

Recommendation 3 – Medium term strategic planning

Formalise CTF's medium term strategic planning processes which should include publishing the strategic plan and involving industry in its formation to increase transparency around CTF's direction and activities.

Relates to Key Finding 19 -

The CTF's current strategic plan informs its operational plan however the strategic plan is not a public document and therefore not accessible to industry. Industry expressed a desire during consultation for further clarity and communication around the CTF's strategic planning. A medium term strategic planning cycle would better match timeframes associated with training.

Recommendation 4 – Data analysis and forecasting capability

Investigate the development and implementation of a skills demand and supply forecasting capability, to complement the CTF's existing industry intelligence gathering channels and assist in shaping policy.

Relates to Key Finding 20 -

During consultation, stakeholders suggested there could be a formal role for the CTF to conduct data analysis and forecast future skills demand. A significant volume of data relating to formal training is available and could be used for this purpose.

Recommendation 5 – Industry Snapshot publication

Continue producing the biannual Industry Snapshot publication which is valued by industry.

Relates to Key Finding 18 -

Stakeholders provided positive feedback about the CTF's biannual Industry Snapshot publication which provides information about industry trends.

Recommendation 6 - Increased communications

Enhance the effectiveness of the CTF through increased communications to stakeholders around industry trends and the CTF's strategic direction.

Relates to Key Finding 8 -

Stakeholders were strong in their collective desire for more proactive communications from the CTF including around industry conditions, training needs and CTF Board matters.

Recommendation 7 – More effective marketing and promotion

Adjust the marketing, promotion and branding of the industry to more effectively promote the benefits of a career in building and construction and better target the next generation of potential apprentices.

Relates to Key Finding 8 -

Stakeholders identified the opportunity for the CTF's marketing, promotion and branding of industry to be updated to attract the next generation of apprentices.

Recommendation 8 – Role in addressing market limitations

Continue to help address instances where the market has been unable to provide sufficient training for the building and construction industry.

Relates to Key Finding 9 -

Stakeholders expressed support for the CTF's role in helping to address gaps in the provision of training for the building and construction industry. Stakeholders suggested that some small contractors, particularly in the residential and commercial construction industry, may not have the resources to provide training.

Recommendation 9 – Engagement with resources industry

The CTF should consider additional resourcing to ensure it has the capacity to liaise with, and gather information from, the resources industry.

Relates to Key Finding 13 -

The recent removal of the exemption for resources sector engineering construction work from the Levy has created a need for the CTF to expand its understanding and knowledge of the resources industry to support the application of the Levy to resource projects. Additional resourcing should be considered to enable this.

Legislative changes

Recommendation 10 – Introduce a capital value cap

Consider introducing a cap on the capital value of any single building and construction project for the purposes of calculating the Levy to prevent the policy intent of the Levy from being undermined by large capital value projects, where the capital value of the project is driven solely by the high value of imported capital equipment.

Relates to Key Finding 11 -

Resource industry stakeholders advised that some resource projects may have very large capital values due to the complex and highly specialised capital inputs required. These inputs may skew the capital-to-labour ratio of the project and lead to a levy payment that is disproportionately larger than the project's construction skills requirement, which could undermine the intent of the Levy. The introduction of a cap on the capital value of any project is a simple way to address this risk and should not undermine the policy intent of the Levy nor the achievement of the CTF's objectives. Queensland has adopted this approach through imposing a cap of \$5 billion on the capital value of a project. This addresses a recommendation from the 2014 statutory review to consider applying a tiered levy based on project value.

Recommendation 11 – Application for Levy payment instalments

Explore the feasibility of allowing project owners to apply to pay the Levy in instalments where it can be shown that payment of the full levy amount prior to the commencement of construction would negatively impact the project's viability.

Relates to Key Finding 12 -

Stakeholders raised concerns that payment of the full Levy amount prior to the commencement of construction may affect a project's viability in some cases. To address this concern, the CTF could explore introducing a mechanism for project owners to apply to pay the Levy in instalments. Payment instalment plans should only

be available for levy payments over a certain threshold and where it can be demonstrated that payment of the full levy amount prior to the commencement of construction would threaten a project's viability.

Recommendation 12 – Increase threshold at which the Levy applies

Increase the following thresholds in line with an appropriate indexation factor (such as the Consumer Price Index or Construction Cost Index) and introduce an annual indexation process to adjust them:

- *the threshold at which the Levy applies; and*
- *the threshold for application of adjustments to the value of construction projects on completion.*

Relates to Key Finding 21 -

The application of an appropriate indexation factor is good practice to ensure that the thresholds grow in line with industry costs. This addresses recommendations from the 2014 statutory review.

Recommendation 13 – Review of concessional expenditure threshold

Review the concessional expenditure threshold of \$10 million for alterations and additions to resources facilities prior to the next statutory review to ensure it is operating as intended.

Relates to Key Finding 13 -

The purpose of introducing the \$10 million threshold for alterations and additions to resources facilities was to exempt construction works in the resources sector that are required for operational purposes from the Levy. Further time is needed to assess whether this threshold will effectively delineate between the construction of a resources facility versus activities associated with operating and maintaining a resources facility. A review should be undertaken prior to the next statutory review once sufficient data and information becomes available on the operation of the concessional expenditure threshold.

Recommendation 14 – Board representation

Review the composition of the CTF Board and ensure it has adequate representation from the construction and resources engineering construction sectors, including Board members with experience or expertise in both minerals and petroleum projects.

Relates to Key Finding 15 -

The current composition of the CTF Board primarily reflects the building and construction industry. Given the recent inclusion of resource industry engineering construction projects within the scope of the Levy, it is appropriate to provide the resources industry with the ability to provide input into the CTF's decision making and information gathering processes. It is acknowledged that there are substantive differences in resources engineering construction work undertaken on minerals projects versus petroleum projects and that the Board should have substantial experience and/or expertise in each of these subsets of the resources industry.

Recommendation 15 – Limit on Board member terms

It is suggested that consideration is given to introducing a limit on the term of Board members.

Relates to Key Finding 15 -

Australian Institute of Company Directors literature¹ suggests that limits are applied to the terms of board members to enable new insights into corporate issues and promote innovation. The ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* recognises there are benefits to:

'...having a mix of directors, some with a longer tenure with a deep understanding of the entity and its business and some with a shorter tenure with fresh ideas and perspectives. It also recognises that the chair of the board will frequently fall into the former category rather than the latter.'²

The ASX Corporate Governance Council also recommends that boards should regularly assess whether a director who has served in that position for more than 10 years is still considered independent³. In addition, the Australian Stakeholders Association states in its voting guidelines that a director will not be classified as independent after 12 years of service⁴. These timeframes could be used as the basis for any limit imposed on the terms of board members to avoid compromising perceptions of independence and to promote innovation and diverse perspectives among Board members.

Recommendation 16 – Definition of Construction

Consider pursuing the following legislative changes in the medium to long term to address issues with the current definition of construction.

- *The Building and Construction Industry Training Fund and Levy Collection Act 1990 is amended to include a definition of construction without reference to other legislation.*
- *The definition adopted in the Act is made more general and all-encompassing, rather than the current approach of seeking to define what is construction in great detail.*
- *The Building and Construction Industry Training Fund and Levy Collection Regulations 1991 be the instrument which is used to define any and all exclusions from the Levy.*
- *Any reference to the difference between work being done on-site (and by implication off-site) is removed, with matters of applicability to be addressed by the current clause within the regulations of a person being engaged by an employer "whose primary activity is not related to the building and construction industry" being deemed not part of the construction industry.*

Relates to Key Finding 17 -

The definition of 'construction work' is not contained directly within the Act. Instead the Act refers to the definition within the *Construction Industry Portable Paid Long Service Leave Act 1985*. This approach creates a risk that the definition within this other legislation may be changed which could impact upon the strategy and operations of the CTF.

¹ O'Connell, A., 'A Fresh Pair of Eyes', *Australian Institute of Company Directors*, 2017.

² ASX Corporate Governance Council, 2014, *Corporate Governance Principles and Recommendations*, 3rd edition, p17.

³ *Ibid.*

⁴ Australian Stakeholders Association, 2016, *ASA Voting and Engagement Guidelines for ASX 200 Companies*, p6.

The current approach of defining construction includes prescriptive definitions of what is deemed construction within the Act and a secondary list of what is in and out of scope within the subsidiary legislation. A simpler approach of including a general and all-encompassing definition within the Act and specifying any exemptions or exclusions within regulations would be easier to understand and reflect contemporary legislation practices. The reference to on-site work (versus off-site work) within the Act was identified as being subjective, unlikely to remain relevant in the future due to changes in technology and unnecessary.

Recommendation 17 – Streamlined definition of resources construction

Explore amending the definition of ‘resources operational work’ to imply that all work which does not meet the definition of construction on what is defined as a resources facility is considered operational work and so does not attract a levy liability.

Relates to Key Finding 14 -

There may be benefit to streamlining the definition of ‘resources operational work’ to reduce any confusion about how the Levy applies to resources projects. This should be considered in conjunction with any refined definition of construction.

Recommendation 18 – Exemption for government work

Consider removing the current exemption for “government work” in the regulations as there does not appear to be a rationale for why government work undertaken by government employees should be exempt from the Levy.

Relates to Key Finding 17 -

The definition of construction currently excludes construction work undertaken on government projects directly by government workers and there is significant construction work undertaken within local government in Western Australia. There does not appear to be a clear rationale for this exclusion.

Recommendation 19 – Specify levy adjustments in regulations

That Sections 21, 22 and 30 of the Act, providing for adjustment of amounts paid after completion of construction work, are amended by removing reference to the specific threshold value for adjustment of the Levy and that the threshold value be specified within the Building and Construction Industry Training Fund and Levy Collection Regulations 1991.

Relates to Key Finding 21 -

This recommendation arose out of the 2014 statutory review and is supported.

Recommendation 20 – Remove ‘improve the quality of training’ from the Act

Relates to Key Finding 21 -

This recommendation arose out of the 2014 statutory review and is supported.

Future review areas

Recommendation 21 – Resources integration

Carry forward the review of any legislative implications of the Levy on the resources sector, including those matters raised by them relating to the operation of the Act (item four of the Terms of Reference of the review) to the next statutory review to provide a longer timeframe over which the operation of the new policy can be assessed.

Relates to Key Finding 10 -

Given the short amount of the time that resources engineering construction work has been in scope of the Levy, there is insufficient information to make any definitive recommendations at this point in time. Carrying this item forward to the next review with allow for more rigorous consideration of any issues and challenges that arise.

Recommendation 22 – Review of levy revenue and CTF expenditure

Review the amount of revenue raised by the Levy and the demand for the CTF's programs in light of the removal of the exemption on resources engineering construction work undertaken by or on behalf of the resources industry, as part of the next statutory review.

Relates to Key Finding 16 -

Some stakeholder feedback suggested that the application of the existing 0.2 per cent levy rate to large resources projects would result in disproportionate contributions to the CTF given the labour and training needs of such projects. Given the short amount of the time that resources engineering construction work has been in scope of the Levy, there is insufficient information to make any definitive recommendations about the Levy rate as part of this review. The next statutory review should explicitly review the size of the CTF's revenue base and demand for its programs, which could have implications for the Levy rate.

NEXT STEPS

I suggest that the State Government considers the feasibility of recommendations 10 and 11 in an expedited timeframe, in view of resources projects of significance to the State commencing in the short term. The review includes recommendations, which support the strategic long term direction of the Act and may be considered for implementation over the longer term.

I trust these recommendations will support the continued effective operation of the *Building and Construction Industry Training Fund and Levy Collection Act 1990* and the Construction Training Fund.

Mr Jim Walker
Review Chair

REPORT TO
REVIEW OF THE BUILDING AND CONSTRUCTION INDUSTRY
TRAINING FUND AND LEVY COLLECTION ACT 1990 (2019)

OCTOBER 2019

REVIEW OF THE BUILDING AND CONSTRUCTION INDUSTRY TRAINING FUND AND LEVY COLLECTION ACT 1990



FINAL REPORT TO
REVIEW CHAIR





ACIL ALLEN CONSULTING PTY LTD
ABN 68 102 652 148

LEVEL NINE
60 COLLINS STREET
MELBOURNE VIC 3000
AUSTRALIA
T+61 3 8650 6000
F+61 3 9654 6363

LEVEL ONE
50 PITT STREET
SYDNEY NSW 2000
AUSTRALIA
T+61 2 8272 5100
F+61 2 9247 2455

LEVEL FIFTEEN
127 CREEK STREET
BRISBANE QLD 4000
AUSTRALIA
T+61 7 3009 8700
F+61 7 3009 8799

LEVEL SIX
54 MARCUS CLARKE STREET
CANBERRA ACT 2601
AUSTRALIA
T+61 2 6103 8200
F+61 2 6103 8233

LEVEL TWELVE, BGC CENTRE
28 THE ESPLANADE
PERTH WA 6000
AUSTRALIA
T+61 8 9449 9600
F+61 8 9322 3955

167 FLINDERS STREET
ADELAIDE SA 5000
AUSTRALIA
T +61 8 8122 4965
ACILALLEN.COM.AU

REPORT AUTHORS

JOHN NICOLAOU, EXECUTIVE DIRECTOR
E: J.NICOLAOU@ACILALLEN.COM.AU
D: (08) 9449 9616

RYAN BUCKLAND, PRINCIPAL
E: R.BUCKLAND@ACILALLEN.COM.AU
D: (08) 9449 9621

MARSHALL ROBERTS, ANALYST
E: M.ROBERTS@ACILALLEN.COM.AU
D: (08) 9449 9620

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C O N T E N T S

KEY FINDINGS

I

1

INTRODUCTION AND PRELIMINARIES	1
1.1 The Review of the Act	1
1.2 Review methodology	2
1.3 Structure of this report	3
1.4 Glossary of terms	3

2

INTERNAL AND EXTERNAL CONTEXT	5
2.1 The Construction Training Fund	5
2.2 Building and construction industry conditions and trends	11

3

STAKEHOLDER PERCEPTIONS OF THE CTF	15
3.1 Approaches to consultation	15
3.2 Key themes	17

4

EVALUATION OF THE CTF	23
4.1 Is the CTF operating efficiently?	23
4.2 Has the CTF been effective in meeting its overall objectives?	25
4.3 Does a demonstrable need exist for the CTF?	28

5

CRITICAL REFORM AREAS	30
5.1 Resource sector integration	30
5.2 The definition of construction	40
5.3 Enhancing information flows, and the use of data	44
5.4 Testing the 2014 Review recommendations	47

A

STAKEHOLDER SURVEY	A-1
A.1 Industry stakeholder survey questionnaire	A-1
A.2 Survey respondent profile	A-2

B

STAKEHOLDER CONSULTATION GUIDE	B-1
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KEY FINDINGS

The key findings presented throughout this report are presented below for information.

KEY FINDING 1 OPERATIONAL AND STRATEGIC PLANS


The CTF's annual operational plan appears to centre on financial projections, instead of presentation of planned activities and how these are linked to the CTF's KPIs and statutory objectives. The document is not published as a standalone plan and is instead a section in the previous year's annual report.

The operational plan is informed by a three year Strategic Plan, which outlines the Board's broader strategies to achieve the legislative objectives under the Act. The Strategic Plan is reviewed annually to ensure that the Board's framework is consistent with the contemporary construction industry. The Strategic Plan is not a public document, and therefore is not accessible to industry.



KEY FINDING 2 KEY PERFORMANCE INDICATORS OF THE CTF


The CTF has seven KPIs, four of which centre on its effectiveness and three on its efficiency in delivery of industry support programs. These KPIs align well with the statutory objectives of the CTF and the broader Outcomes Based Management framework of the State Government.



KEY FINDING 3 FINANCIAL PERFORMANCE OF THE CTF


The CTF's operating position is traditionally influenced by trends in the building and construction industry, both in terms of levels of activity which in turn corresponds to the amount of training undertaken in the sector. In more recent times the CTF's financial performance has mirrored the decline in the State's residential and non-residential construction industries.

The CTF's balance sheet has historically tracked its total cash reserves, however in recent years the investment made in the Construction Futures Centre has increased the CTF's total equity to approximately \$27 million.




KEY FINDING 4 DECLINE IN CTF GRANTS AND SUBSIDIES


There has been a significant decline in the grants and subsidies paid by the CTF to the building and construction industry over the past five years. This is likely to reflect market conditions more than a reflection of the performance of the CTF in delivering its objective, as apprenticeships and traineeships can only occur when there is work available in the sector.


KEY FINDING 5 APPRENTICESHIP TRENDS

Trends in apprenticeship commencements have historically followed the broader trends in building and construction activity. While the number of building and construction industry apprentice commencements has fallen significantly since the peak level of construction activity in 2014-15, the number reaching completion has remained broadly steady over the past decade.


KEY FINDING 6 BUILDING AND CONSTRUCTION INDUSTRY APPRENTICE DEMOGRAPHICS

The demographic make up of the building and construction apprentice pool is heavily skewed towards males, under the age of 21 of non-indigenous heritage. The pool is also skewed towards the Perth Metropolitan Area although to a lesser extent than other demographic factors.


KEY FINDING 7 CTF EFFICIENCY

The efficiency by which the CTF operates is measured through its **efficiency KPIs** which are transparently reported each year in its Annual Report. The targets for each KPI are set by the CTF Board, although it is not clear the rationale for how each target is set.

In relation to the CTF's performance against these efficiency targets, **administration costs as a share of total expenditure has generally been below its target**, except in 2017-18 when a significant reduction in total expenditure, rather than an increase in administration costs, drove up this ratio. In absolute terms, the CTF's administration costs have been relatively steady over the past decade, averaging \$2.2 million.

In relation to the other efficiency indicators, while the CTF failed to meet its "**administration costs per apprentice subsidised by the CTF**" and "**administration costs per person supported to undertake skills training of vocational education**" targets in 2017-18, this was again a reflection of broader considerations rather than a fundamental concern about the efficiency of the CTF.

Despite the CTF's failure to meeting its efficiency KPIs in 2017-18, **stakeholders believe that the CTF runs efficiently, with a small overhead relative to its overall expenditure**. This provides the industry with confidence that funds collected through the levy were being directed towards the achievement of the CTF's overall objectives.



KEY FINDING 8 EFFECTIVENESS OF THE CTF

Stakeholders were strong in their collective desire for more **proactive communications from the CTF**; both in terms of communicating broader trends in the industry, and in providing greater clarity regarding the strategic direction of the CTF as guided by the Board. Stakeholders believed that the **effectiveness of the CTF could be enhanced through more effective marketing, promotion and branding of the industry**.

The effectiveness by which the CTF operates is measured through its **effectiveness KPIs** which are transparently reported each year in its Annual Report. The targets for each KPI are set by the CTF Board, although it is not clear the rationale for how each target is set.


In relation to the CTF's performance against its effectiveness targets, the **CTF has failed to meet its target regarding the number of apprentices and trainees in training as a proportion of total tradespeople in the industry**, although this can be explained by softer market conditions which has seen the number of apprentices and trainees in training fall sharply in recent years. The **number of workers in the industry trained with CTF support compared to the number of workers in the industry has also fallen in recent years, and has been below the set target rate since 2013-14**.

In relation to the satisfaction KPIs, both the **builder worker satisfaction and employer satisfaction measures have exceeded their targets in recent years**.

In exploring the **CTF's overall effectiveness, the underlying economic conditions need to be taken into consideration when assessing the performance of the CTF in the achievement of its objectives**.

Ultimately, the achievement of the CTF's objective to increase the number of skilled persons in the building and construction industry can only occur when there is work available in the sector.

Overall, there was strong support from across industry that despite the challenging economic conditions, the **CTF was still effective in the achievement of its objectives**. As the CTF is funded by industry, this is a critical marker to assess the CTF's effectiveness. This was reinforced by the results of the industry survey, which found that 58 per cent of respondents believed that the CTF was effective in assisting the building and construction industry to have access to skilled workers, and that its focus on early skills acquisition and the importance of having a foundation trade was important in supporting their business needs into the future.



KEY FINDING 9 OVERALL ASSESSMENT – ONGOING NEED FOR THE CTF

Through its comprehensive stakeholder consultation process, ACIL Allen found that there was **widespread support for the role of the CTF and its importance to industry**. This was highlighted through the survey, where 88 per cent of all respondents stated that there was an ongoing need for the CTF.

Stakeholders were strong in an opinion that the CTF was **critical to the broader industry, helping to address areas of systemic challenge in the provision of training** and ensuring the levy was set at a level that gave the CTF the means to address that systemic challenge.


The broader trends in apprenticeships and traineeships commencements and completions in the building and construction industry have revealed that numbers have been in decline since 2014-15. Stakeholders reported that there were increasing **concerns within industry that the continuation of low levels of apprenticeships and traineeships will see skill shortages become a significant constraint** on the building and construction industry in the coming years, with some suggesting that these constraints will emerge within 12 months.

Stakeholders were of the view that the **continuation of the CTF will be more important than ever in helping industry navigate these emerging workforce challenges**.




KEY FINDING 10 RESOURCES INTEGRATION – NEXT STATUTORY REVIEW


It would be prudent that Item Four of the Terms of Reference for the 2019 Statutory Review be carried forward to the next statutory review, due in 2024. This would help ensure any issues or challenges which are not clear with current legislative settings can be reviewed thoroughly after a longer period of being in operation.


KEY FINDING 11 CAPPING THE CAPITAL VALUE OF PROJECTS FOR LEVY PURPOSES


The policy intent of the removal of the exemption granted to resources engineering construction work undertaken by or on behalf of the resources industry may be undermined in some isolated cases of very large capital value projects, where the capital value of the project is driven solely by the high value of imported capital equipment. To address this risk, a cap on the capital value of any building and construction project for the purposes of calculating the levy could be considered. The Queensland construction training levy capital value is capped at \$5 billion.


KEY FINDING 12 LEVY INSTALLMENTS IN ISOLATED CASES

Resources industry stakeholders raised concerns that full payment of the Levy up front may impact project viability in some cases. To address this risk, there may be an opportunity to introduce a mechanism to allow project owners to apply for a payment instalment plan where it can demonstrate full payment of a Levy liability up front impacts project viability. If progressed, an instalment plan should only be available for Levy payments over a certain threshold, and should be available to all projects not just resources industry engineering construction projects. Such an approach is unlikely to generate any cashflow issues for the CTF given its strong balance sheet position.



KEY FINDING 13 DELINEATING CONSTRUCTION AND OPERATIONAL SPEND ON RESOURCES PROJECTS

Resources industry stakeholders raised concerns with respect to the often blurred lines between activities which may be deemed to be construction related that are part of the regular operations of their projects. The existing mechanism to deal with this – the \$10 million concessional expenditure threshold for “minor works” on resources facilities – should be an appropriate means to address this concern. To give full effect to the concessional expenditure threshold the CTF may consider an increase its resourcing and capabilities in understanding resources industry engineering construction projects, and the industry should engage with the CTF to assist in building this capability. In addition the concessional expenditure threshold of \$10 million may be reviewed prior to the next statutory review to ensure it is operating as intended.




KEY FINDING 14 STREAMLINED DEFINITION OF RESOURCES CONSTRUCTION


In conjunction with a refined definition of construction, there may be benefit in pairing back the definition of resources operational work to imply that all work which does not meet the new definition of construction on what is defined as a resources facility is considered operational work (and so does not attract a Levy liability).


KEY FINDING 15 BOARD REPRESENTATION

The CTF Board sets the strategic direction of the CTF, and holds the organisation accountable for delivery of the objectives of the Act. The current composition of the Board primarily reflects the composition of the building and construction industry, and providers of training to building and construction industry participants. Given the removal of the exemption will bring resources sector construction issues into scope, it is appropriate to ensure the Board has substantial experience and/or expertise in resources engineering construction projects.


KEY FINDING 16 REVIEW OF CTF REVENUE AND EXPENDITURE


There is some uncertainty with respect to the additional draw on the CTF's grants and subsidies as a result of the removal of the exemption on resources engineering construction work undertaken by or on behalf of the resources industry which cannot be suitably resolved in the context of a legislative review given the length of time the policy has been operational. The next statutory review may instead include an item which explicitly reviews both the size of the CTF's revenue base and demand for its programs once further evidence is available.


KEY FINDING 17 THE DEFINITION OF CONSTRUCTION

There are a number of flaws in the current approach to defining construction in the Act. Most of these centre on the advances in lawmaking which have occurred since the Act was proclaimed. There are clear benefits associated with a change in the definition of construction, both from the perspective of the definition itself and the legislative mechanics associated with it. To capture these benefits, there is merit in exploring the following structural changes to the way construction is defined.

- The Building and Construction Industry Training Fund and Levy Collection Act 1990 to include a standalone definition of construction.
- The definition adopted in the Act is made more general and all-encompassing, rather than the current approach of seeking to define what is construction in great detail.
- The Building and Construction Industry Training Fund and Levy Collection Regulations 1991 be the instrument which is used to define any and all exclusions from the levy.
- Any reference to the difference between work being done on-site (and by implication off-site) to be removed, with matters of applicability to be addressed by the current clause within the regulations of a person being engaged by an employer "whose primary activity is not related to the building and construction industry" being deemed not part of the construction industry.

In addition, consideration should also be given to removing the current exemption for "government work" in the regulations. There is no rationale for why government work undertaken by government employees, such as maintenance work on local roads, should be exempt from the levy.



KEY FINDING 18 COMMUNICATION WITH INDUSTRY

The CTF's biannual Industry Snapshot is highly valued by industry, providing an important medium for the CTF to communicate with industry.

**KEY FINDING 19** MEDIUM TERM STRATEGIC PLANNING

Industry has communicated a strong desire for socialisation of a longer term strategic plan (5+ years) to ensure the CTF's subsidies and other programs align with industry cycles. A strategic plan of this nature is likely to better match the time horizons associated with training in the industry to the actions the CTF can take to achieve its objectives.

**KEY FINDING 20** USE OF DATA AND FORECASTING

The regulatory environment for qualification-based training in the industry is such that rich data is available on past and current skills supply, while other sources of data would allow for a sound understanding of demand for skills over the medium term. There is likely to be value associated with the development and implementation of a skills demand and supply forecasting capability, to complement the CTF's existing industry intelligence gathering channels.

**KEY FINDING 21** 2014 REVIEW FINDINGS

A number of the recommendations from the 2014 Review remain relevant today, and have been addressed by ACIL Allen in this review. ACIL Allen suggests recommendations regarding the various thresholds which apply to the CTF levy liability are indexed, in addition to being moved from the Act to the regulations. It is also relevant that the rate of the Levy should be reviewed as part of the next statutory review in light of evidence of the revenue and expenditure requirements of the CTF once the impact of removal of the exemption on resources engineering construction is known, as suggested in Section 6.1.





1.1 The Review of the Act

In March 2019, ACIL Allen was engaged by the Construction Training Fund ('the CTF') to provide professional support to the 2019 statutory review of the *Building and Construction Industry Training Fund and Levy Collection Act 1990* ('the Act'). Section 32 of the Act requires the responsible Minister conduct and table a review of the Act every five years.

The Review of the Act ('the Review') was guided and conducted by a Review Chair (the late Mr John Kobelke from March 2019 to July 2019, and by Mr Jim Walker from July 2019 to completion), and was assisted by a Steering Group made up of industry associations and labour organisations with a connection to Western Australia's building and construction industry.

ACIL Allen's scope of works called for it to provide stakeholder consultation, an industry survey, research and data analysis services for the purposes of reviewing the performance of the CTF over the five years ending 2018-19 (being the five years since the previous review), and to draft a report summarising the findings, to assist the Review Chair in preparing a suite of reform options for consideration by the State Government.

The Review was guided by a Terms of Reference, based on Section 32 of the Act, which required ACIL Allen and the Review Chair to:

- a) assess:
 - i: The Board's relationship with industry and effectiveness of communication
 - ii: The structure of the Board and its effectiveness in meeting the needs of different sectors of the industry
 - iii: The operation of the Board in strategic management of the Construction Training Fund
 - iv: The efficiency of the Board in collection of levy and administration of programs
- b) determine whether:
 - i: The Act improves the quality of training
 - ii: The Act increases the number of skilled persons in the building and construction industry
- c) assess the need for the Act to continue in operation
- d) review any legislative implications of the BCTIF levy on the resources sector, including those matters raised by them relating to the operation of the Act
- e) test the uncompleted recommendations arising from the 2014 Review.

At the first meeting of the Steering Group, it was decided the CTF's role in "improving the quality of training" would be deprioritised as there is currently a Bill before State Parliament to remove this from

the Act, at the suggestion of the 2014 Review, given there are a range of other State and Commonwealth institutions that monitor, and act to ensure, training quality, and the CTF has limited means to address this.

1.1.1 The 2014 Review

The last Review was conducted in 2014, by Quantum Consulting, and the following recommendations were made:

- retain the BCITF and Levy Collection Act 1990; and
- amend the Regulation 3 of the BCITF and Levy Regulations 1991 by increasing the threshold at which the levy applies from \$20,000 to \$45,000; and
- remove the reference to the specific threshold value for adjustments of the levy and that the threshold value be specified within the regulations; and
- increase the adjustment to the value of construction threshold from \$25,000 to \$45,000; and
- retain the levy at 0.2 per cent; and
- remove the reference to ‘improve the quality of training’ in the Act; and
- withdraw the exemption applying to engineering construction projects in the resource sector and consider a tiered levy based on project value; and
- review the effectiveness of the differential funding model for apprentice subsidies; and
- for the Board to develop strategic approaches to engage with stakeholders; and
- review the Fund’s KPIs to respond to any changes in key objectives of the legislation; and
- increase the level of research undertaken by the Board and for an associated performance measure/s be developed to assess outcomes achieved.

ACIL Allen understands that a number of amendments following the last Review were agreed upon, which required legislative change. A Bill was prepared to progress these changes, but it was unable to be progressed prior to the last State election. A number of these suggestions remain relevant to industry. In addition to the statutory requirements of the Review those recommendations which remain outstanding from the previous review have been included in the scope of this Review via the Terms of Reference.

1.2 Review methodology

To ensure the Review was conducted rigorously, ACIL Allen took an approach centred on the application of WA Treasury’s 2015 Evaluation Guide. This guide advises agencies to evaluate programs or policies on using three overarching measures: efficiency, effectiveness and appropriateness (or ongoing need). ACIL Allen completed a three phase methodology to achieve the Review’s objectives: initial engagement planning, consultation, and analysis, review and reporting.

The most intensive means of gathering feedback on the performance of the CTF the Review was stakeholder consultation. Approximately 30 individual stakeholder consultation sessions, involving 52 individuals and organisations, were conducted to gather diverse views from industry participants across sectors. These sessions were governed by a consultation guide⁵, to ensure feedback was as standardised as possible and relevant to exploring the most pertinent issues for the CTF and the industry more broadly. The list of stakeholders consulted, and the critical themes which emerged from the consultation, are discussed in Section 3.

In addition to individual and group stakeholder consultations sessions, an industry survey was conducted. For an engagement of this nature, it was important that the respondents were representative of the breadth of industry, to ensure the benchmarking activities are robust and meaningful. A representative sample of 408 responses to the survey were received.

The final element of stakeholder consultation included three industry workshops, to cover off on large segments of the industry which focussed on some key topics that are critical for the review, including;

⁵ A copy of ACIL Allen’s Consultation Guide is provided in the Appendix to this report.

- Resources sector integration issues, centred on discussion of a typical project lifecycle (post final investment decision) and the construction, construction like and other activities involved throughout the process and the industry's current internal and external training;
- The definition of construction; and
- Future skills needs in the sector, and the role of the CTF in addressing these.

Following the conclusion of the streams of consultation above, ACIL Allen prepared a consultation themes report which integrated the qualitative feedback from stakeholders with the quantitative insights of the industry survey.

In addition to the comprehensive consultation program, ACIL Allen sought detailed information on the operations and performance of the CTF from the CTF, which supplemented information that was available from annual reports. Other information sources included CTF research reports, data provided by the Performance, Evaluation and Statistics unit within the Department of Training and Workforce Development (DTWD), and the Australian Bureau of Statistics (ABS).

ACIL Allen's evaluation focussed on assessing the efficiency, effectiveness and ongoing need of the CTF using data and perceptions on the CTF's performance over the five year period ending June 2019. This in turn was used to provide some direction to suggested reform options for the consideration of the Review Chair, which were also informed by stakeholder feedback and specific policy issues which emerged during the Review.

1.3 Structure of this report

The structure of this report follows ACIL Allen's review methodology described above.

- **Chapter 2: Internal and External Context** provides a general overview of the operations and performance of the CTF, as well as an external view of the recent trends in the building and construction industry, which influence the outcomes of the CTF.
- **Chapter 3: Stakeholder perceptions of the CTF** provides a summary of consultation feedback from stakeholders. This predominantly includes feedback from face to face, tele-interview and group consultation sessions. Input from group workshops has been included in Chapter 5.
- **Chapter 4: Evaluation of the CTF** provides an evaluation of the CTF against WA Treasury's evaluation framework. The framework calls for an evaluation to be centred on three fundamental questions: *Is the CTF operating efficiently? Has the CTF been effective in meeting its overall objectives? Does a demonstrable need exist for the CTF?*
- **Chapter 5: Critical issues for the Review** provides a summary of the output from the three critical issue topics discussed in the three workshops, namely 'Resource sector integration', 'The definition of construction' and 'Future skills need and the CTF's role'. This chapter will also assess this Review's findings against the recommendations of the 2014 review.
- **Appendix A** provides the details of ACIL Allen's industry stakeholder survey questions and the profile of respondents.
- **Appendix B:** provides the details of ACIL Allen's Consultation Guide which was used to guide the stakeholder consultation discussions.

1.4 Glossary of terms

1.4.1 Acronyms used

The following acronyms have been used in this report.

TABLE 1.1 ACRONYMS USED

Acronym	Description
ABS	Australian Bureau of Statistics
ACIL Allen	ACIL Allen Consulting
CTF	The Construction Training Fund

Acronym	Description
BCITF	The Building and Construction Industry Training Fund
BCITFB	The Building and Construction Industry Training Fund Board
DTWD	Department of Training and Workforce Development
WA	Western Australia

SOURCE: ACIL ALLEN CONSULTING

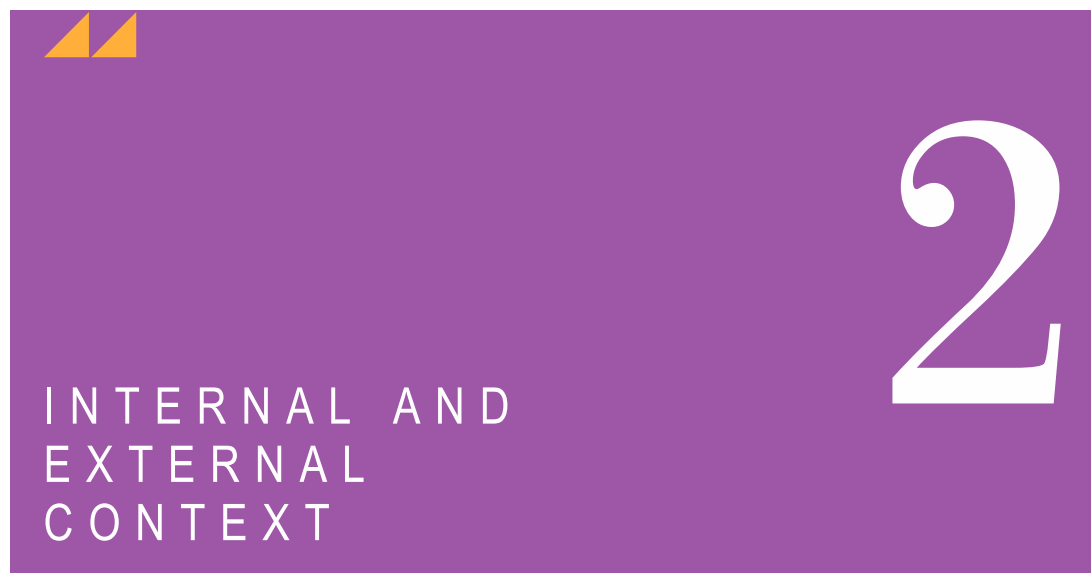
1.4.2 Terms used

The following terms have been used in this report.

TABLE 1.2 TERMS USED

Term	Description
ACIL Allen	ACIL Allen Consulting
The Act	The Building and Construction Industry Training Fund Act 1990
The Levy	The Building and Construction Training Fund Levy
The Fund	The Building and Construction Industry Training Fund
The Board	The Building and Construction Industry Training Fund Board

SOURCE: ACIL ALLEN CONSULTING



As part of the review process, ACIL Allen has examined the organisational context and external economic environment in which the CTF operates, which is detailed in this chapter. The research and findings from this chapter will help to inform the overall review of the CTF.

2.1 The Construction Training Fund

The concept of an industry levy to fund training was considered in 1986-87 after a review on training issues. Following a commissioned study, a steering committee was established and the recommendation was to support the introduction of a levy. The Act was passed in 1990, proclaimed in 1991 and the Board was established to prepare organisational structures and policy for the introduction of the Act.

The Building and Construction Industry Training Board ('the Board') operates under the name Construction Training Fund ('The Fund') and are a statutory authority which aims to help the industry meet the demand for skilled workers in Western Australia. The Fund administers the training levy on building and construction work and revenue generated from the levy is returned to industry employers and workers through grants and subsidies.

2.1.1 Governance framework of the CTF

The two key functions of the CTF as specified by the Act is for it to be used to:

- improve the quality of training; and
- increase the number of skilled persons in the building and construction industry.

Similarly, the CTF's key priority is to assist the State's building and construction industry meet the demand for skilled workers. To achieve these priorities, the CTF provides a range of industry programs primarily in the form of subsidies for education and training, including subsidies for apprentices and trainees to earn formal qualifications in building and construction trades. To fund these initiatives, the CTF applies a 0.2 per cent levy on the value of the majority of building and construction projects undertaken in Western Australia. The CTF is 100 per cent industry funded, and does not receive an appropriation from the State Government to deliver its industry support programs.

CTF administers the training levy and returns the revenue collected from the levy to the industry's employers and workers in the form of grants and subsidies. These subsidies reduce the total cost of the provision of training by the private sector. In addition to training subsidies, the CTF provides broader programs that seek to increase the profile of the building and construction industry as a career opportunity, and undertake research on building and construction industry training matters for the benefit of the industry in the State.

The CTF Board

The CTF's seven member Board is selected by and reports to the Minister for Education and Training, and is made up of a group of representatives selected by a specified group of industry associations and employee unions (five members) and independent members selected by the Minister (two members). The CTF Board has some specific functions specified in the Act which are:

- to ensure the efficient collection of levy; and
- to control and administer the Fund; and
- 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
- to formulate operational plans; and
- to implement operational plans approved by the Minister.

As of the time of this report, the CTF Board comprised of:

- Ian Hill (Chair) who is an independent director, appointed in May 2016 (term expiring June 2021);
- Mike McLean, representing MBA, appointed July 2018 (term expiring December 2020);
- Dean O'Rourke, representing HIA, appointed July 2018 (term expiring December 2020);
- Les Wellington, representing the CFEMU, appointed June 2018 (term expiring December 2020);
- David Von Kalaita, representing the ETU, appointed October 2017 (term expiring December 2021);
- Cheng Rolfe, representing CCF, appointed June 2016 (term expiring December 2021); and
- Sandra McInness, who is an independent appointment representing the resources sector, appointed December 2018 (term expiring December 2021).

The Board's formulation and preparation in writing of an operation plan each year (as required by the Act), aims to improve the two key functions of improving the training quality and increasing the number of skilled workers in the industry. They are to do this by allocating resources to programmes that support apprenticeships, supplementary training, training in technology, recognition of existing skills, accreditation of training courses and innovations and research in training in the industry.

Furthermore, the operational plan should set out the Board's priorities for the allocation of resources during a specific financial year. The operational plan is submitted to the Minister who may request amendments or approve the plan.

The annual operational plan, which guides the activities of the CTF in pursuit of its objectives, is not published on the CTF website as a standalone document. Instead, it is a component of the annual report which discusses CTF revenue and expenditure, without any detail as to the specific activities that underpin these projections nor how they link to the achievement of the CTF's objectives. As the primary means of governing the activities of the CTF, this operational plan should be more robust and include specific linkages to the CTF's KPIs as they relate to its statutory objectives.

ACIL Allen has been advised by the CTF that the operational plan is informed by a three year Strategic Plan, which outlines the Board's broader strategies to achieve the legislative objectives under the Act. The Strategic Plan is reviewed annually to ensure that the Board's framework is consistent with the contemporary construction industry. The Strategic Plan is not a public document, and therefore is not accessible to industry.

KEY FINDING 1 OPERATIONAL AND STRATEGIC PLANS

The CTF's annual operational plan appears to centre on financial projections, instead of presentation of planned activities and how these are linked to the CTF's KPIs and statutory objectives. The document is not published as a standalone plan and is instead a section in the previous year's annual report.

The operational plan is informed by a three year Strategic Plan, which outlines the Board's broader strategies to achieve the legislative objectives under the Act. The Strategic Plan is reviewed annually to ensure that the Board's framework is consistent with the contemporary construction industry. The Strategic Plan is not a public document, and therefore is not accessible to industry.

The CTF Board also acts as the Construction Industry Training Council, which is part of the State Training Board and provides advice and recommendations with respect to the structure and nature of formal qualifications in the building and construction industry. The Board has a number of sub-committees and ad-hoc working groups established to provide industry intelligence and insights relevant to the CTF's objectives. Finally, the Board is a key interface with other State Government agencies – such as the Department of Training and Workforce Development – on broader building and construction industry training matters.

Key Performance Indicators

As required by the WA Government's Outcomes Based Management framework, the CTF sets both efficiency and effectiveness Key Performance Indicators ('KPIs') which are intended to guide the activities of the CTF and how it achieves its outcomes. These KPIs are:

- Effectiveness:
 - The number of apprentices and trainees employed in the building and construction industry as a percentage of the trade workforce in the industry
 - The number of people supported to undertake supplementary skills and occupational safety and health training or skills assessment as a percentage of the total workforce in the building and construction industry
 - The proportion of workers surveyed who are satisfied with the quality of training supported by the CTF
 - The proportion of employers surveyed who are satisfied with the quality of training supported by the CTF
- Efficiency:
 - The total administration costs of the CTF as a percentage of the CTF's total expenditure
 - The specific administration costs of the CTF represented as a cost per apprentice or trainee subsidised by the CTF
 - The specific administration costs of the CTF represented as a cost per person supported by the CTF to undertake skills training or vocational education

These indicators align well with the statutory objectives of the CTF. The CTF's performance against these KPIs is discussed in Chapter 4.

KEY FINDING 2 KEY PERFORMANCE INDICATORS OF THE CTF

The CTF has seven KPIs, four of which centre on its effectiveness and three on its efficiency in delivery of industry support programs. These KPIs align well with the statutory objectives of the CTF and the broader Outcomes Based Management framework of the State Government.

2.1.2 Financial performance of the CTF

The CTF generates revenue by charging a levy of 0.2 per cent of the value of all residential, commercial and civil engineering construction projects with a construction value over \$20,000. The subsidies and employer grants provided by the CTF assists in meeting the cost of relevant industry training, qualifications and programs. The Levy is calculated on the estimated value prior to the start of the construction project and considers costs of labour, goods, services, fees, overheads and profit margin. The final value of the construction work determines the total levy paid with amendments occurring when the value of the construction project varies by more than \$25,000 from the estimate.

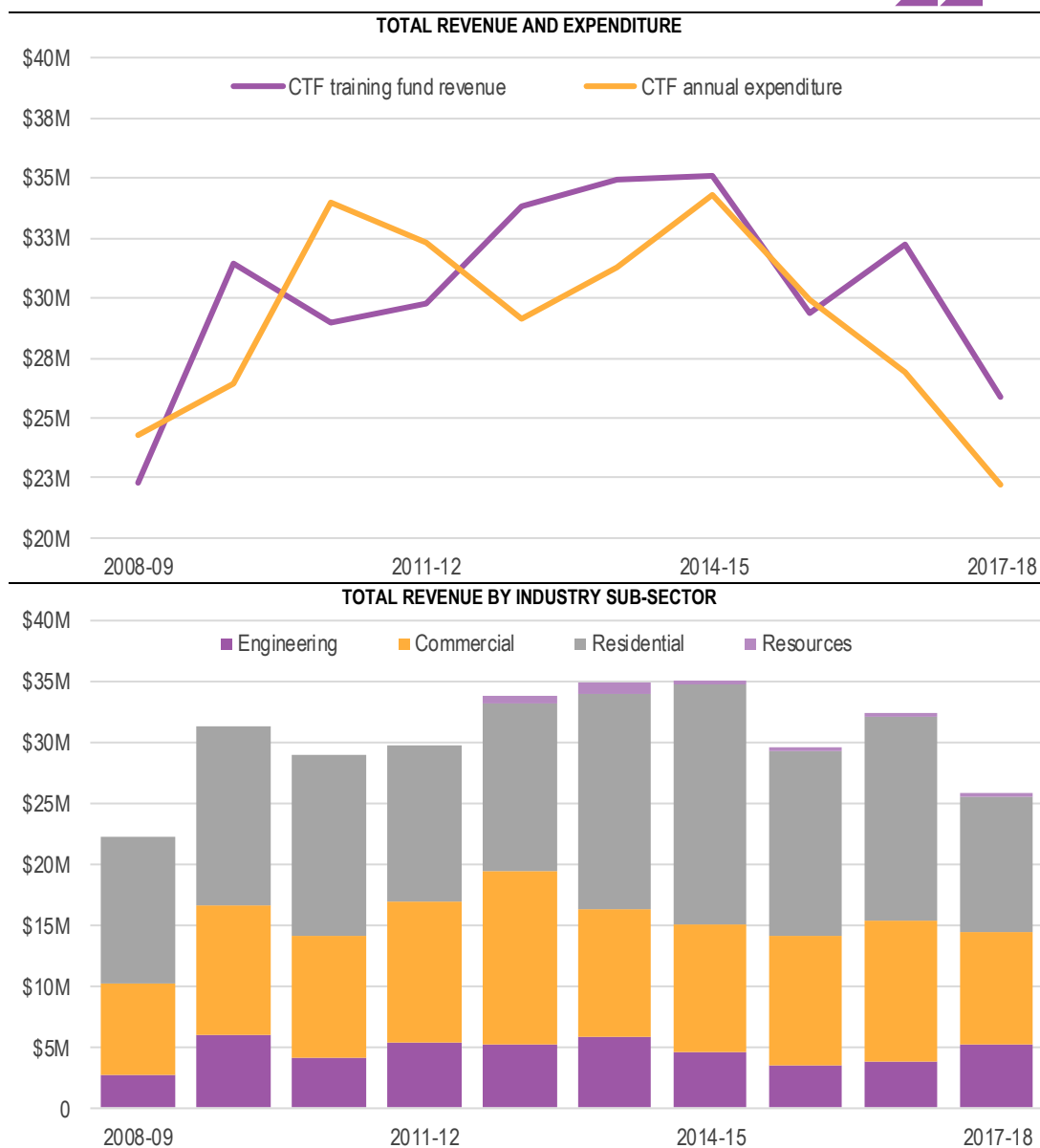
The Levy applies above the minimum threshold of \$20,000 to residential, commercial, civil engineering and recently the resource sector engineering work. Subject to the inclusions and exclusions⁶ all construction work over \$20,000 is subject to the Levy. Some exclusions include

⁶ As per the definition in the *Construction Industry Portable Paid Long Service Leave Act 1985*.

resource operational work, repair and maintenance, work associated with relocation and work associated with replacement, renovation, alteration, reconfiguration or refurbishment.

On average since 2008-09, CTF training revenue has exceeded expenditure by \$1.3 million per annum, with a peak annual operating surplus of \$5.3 million in 2016-17. Training revenue has averaged \$30.4 million per annum over the decade to 2017-18, compared to average expenditure of \$29.1 million. After peaking at \$35.1 million in 2014-15, the CTF's revenue fell to \$25.9 million in 2017-18 in line with the steep decline in industry activity levels. Similarly, total expenditure has fallen from a peak of \$34.3 million in 2014-15 to \$22.2 million in 2017-18 (Figure 2.1).

FIGURE 2.1 CTF TRAINING FUND REVENUE AND EXPENDITURE TRENDS



SOURCE: CONSECUTIVE BCTF ANNUAL REPORTS

The most significant source of revenue for the CTF is typically come from the residential sector which provided approximately 43 per cent of total sector revenue in 2017-18. In 2017-18, the commercial sector contributed 36 per cent of sector revenue followed by engineering (20 per cent) and resources industry (about one per cent).

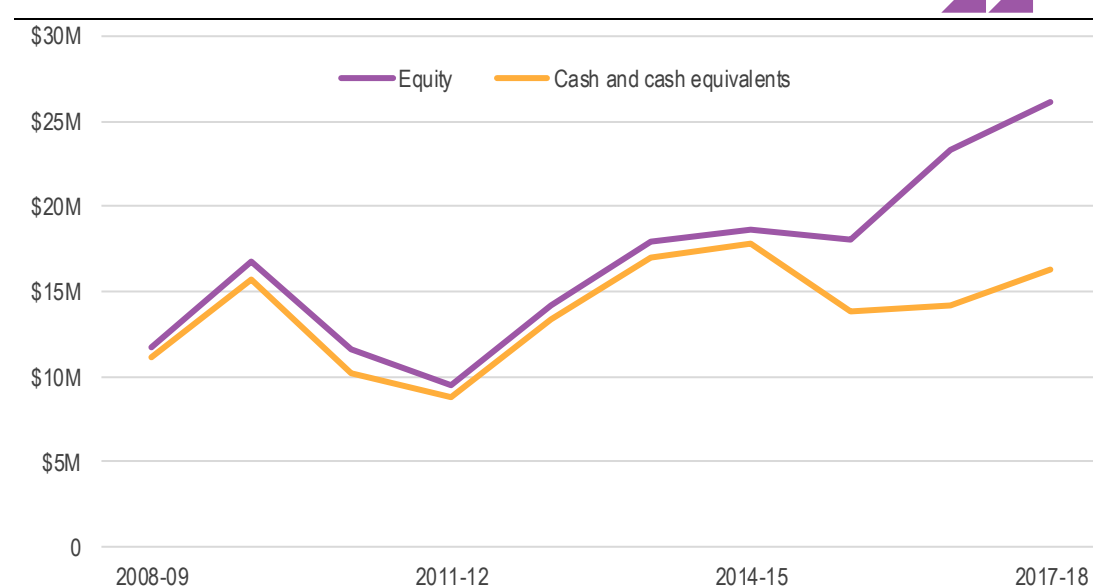
Since 2008-09, residential construction has made up an average of 49 per cent of total revenue, commercial construction an average of 35.2 per cent and engineering construction 15.3 per cent. Over

the last four years, the contribution of residential construction has fallen from 56 per cent to 43 per cent, whilst engineering and commercial construction have increased by seven and six per cent respectively.

The CTF's overall financial performance reflects broader trends in Western Australia's building and construction industry, but particularly follows activity in the residential construction industry. This is likely a reflection of the scale and scope of homebuilding in the building and construction industry, and the previous exemption on resources engineering construction.

The Fund's cash and cash equivalents have increased from \$11.2 million in 2008-09 to \$16.3 million in 2017-18, an increase of 45.3 per cent over the decade (**Figure 2.2**). Cash reserves peaked in 2014-15 at \$17.9 million on the back of strong levy revenue in 2014-15 and in the years prior. In general terms the CTF's cash position has fluctuated in line with trends in both revenue and expenditure, although has increased in recent years due to the decline in grants and subsidies paid to the industry.

FIGURE 2.2 CTF EQUITY AND, CASH AND CASH EQUIVALENTS



SOURCE: CONSECUTIVE BCTF ANNUAL REPORTS

Over the same period, the CTF's equity position has followed a similar pathway but has recently increased by more than cash and cash equivalents. This is due to the CTF's investment in the Construction Futures Centre in Belmont.

KEY FINDING 3 FINANCIAL PERFORMANCE OF THE CTF

The CTF's operating position is traditionally influenced by trends in the building and construction industry, both in terms of levels of activity which in turn corresponds to the amount of training undertaken in the sector. In more recent times the CTF's financial performance has mirrored the decline in the State's residential and non-residential construction industries.

The CTF's balance sheet has historically tracked its total cash reserves, however in recent years the investment made in the Construction Futures Centre has increased the CTF's total equity to approximately \$27 million.

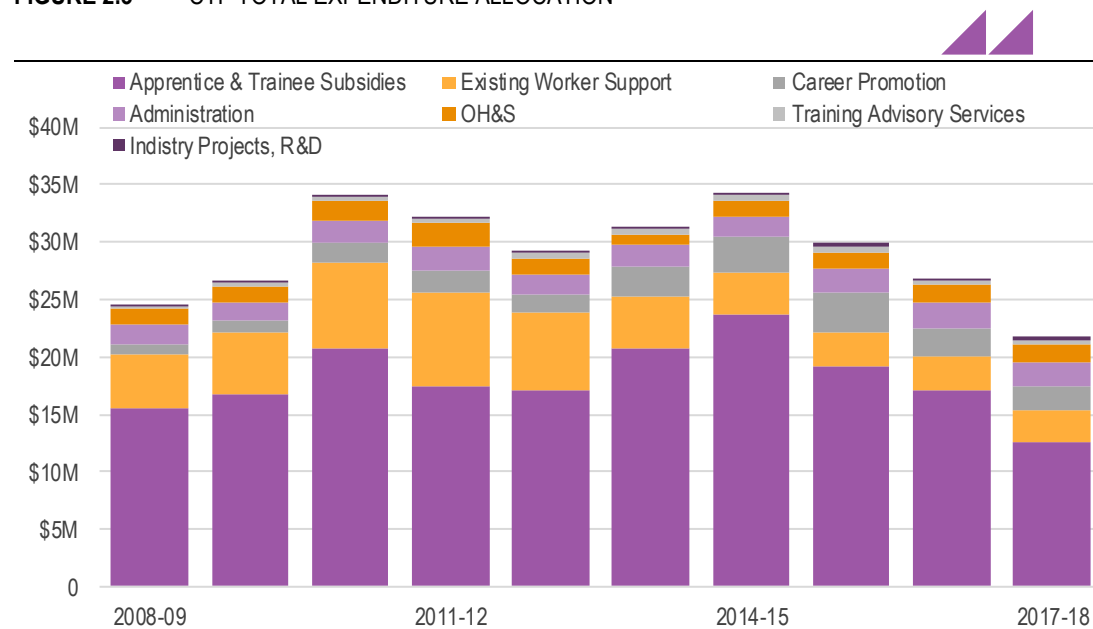
2.1.3 CTF grants, subsidies and programs

Employers of a trainee or apprentice can also be eligible for grants between \$3,000 and \$10,000 from the Fund depending on the training. A maximum of \$25,000 is available per apprentice which can

include additional supplements and trade bonuses. Additionally, short course training can be subsidised by up to 80 per cent.

With funds that are raised from the Levy, the CTF provides support for apprentice and trainee subsidies, supplementary skills, career promotion, occupational health and safety and, industry projects, research and development (**Figure 2.3**). In 2017-18, the CTF spent most of its total expenditure (\$21.8 million) on 'apprentice and trainee subsidies' which accounted for \$12.5 million or 57.4 per cent of total spending.

FIGURE 2.3 CTF TOTAL EXPENDITURE ALLOCATION



SOURCE: CONSECUTIVE BCTF ANNUAL REPORTS

Since 2008-09, apprentice and trainee subsidies have accounted for an average of 62 per cent of total CTF expenditure. Existing worker support expenditure has made up 16.9 per cent of total expenditure on average. Career promotion (7.1 per cent), administration (6.8 per cent) and OH&S (5.1 per cent) are the other main contributors on average per annum.

The CTF also provides supplementary skills and occupational safety and health programs in an aim to maintain the level of skill and ensure effective and safe operations in the State's construction industry. Approximately 300 short training courses are recognised by the CTF which are delivered by registered training providers.

With respect to existing worker support, the CTF provided 7,014 supplementary skills subsidies (valued at \$2.4 million), 731 occupational and trade licence subsidies (worth \$0.3 million) and 69 higher qualification subsidies in 2017-18. The total value of supplementary skills training subsidies has fallen by 65.8 per cent (or 15.7 per cent on average per annum) since 2011-12. In addition, the CTF provided 8,643 occupational safety and health subsidies worth \$1.5 million in 2017-18, with demand for this program being relatively steady over the period.

In addition to training subsidies, the CTF funds a range of additional programs targeted at building the supply of apprentices and trainees via targeted additional incentives and a number of school-based programs.

As a means of targeting under-represented groups, the CTF pays the apprentice employer supplementary subsidies (up to 30 per cent) available for female, regional and indigenous apprentices. Further insights into the effectiveness of these subsidies is provided in Section 3.

Additionally, the CTF has an objective to promote the careers in the industry and does this through a 'Scholls2Skills' program. The aim of this is to increase the awareness within the community of the opportunities available in the industry. In 2017-18, the CTF supported a total of 2,919 students and conducted 306 school presentations and career expos.

The CTF also undertakes a research and development program using raised funds. In 2017-18, the CTF spent \$0.3 million on industry projects, research and development. Some examples include publishing construction industry snapshots, collaborating with industry to develop teaching resources, conducting presentations, developing new skills that can be delivered by RTOs and providing advice to government, State Training Board, DTWD regarding strategic training issues.

KEY FINDING 4 DECLINE IN CTF GRANTS AND SUBSIDIES

There has been a significant decline in the grants and subsidies paid by the CTF to the building and construction industry over the past five years. This is likely to reflect market conditions more than a reflection of the performance of the CTF in delivering its objective, as apprenticeships and traineeships can only occur when there is work available in the sector.

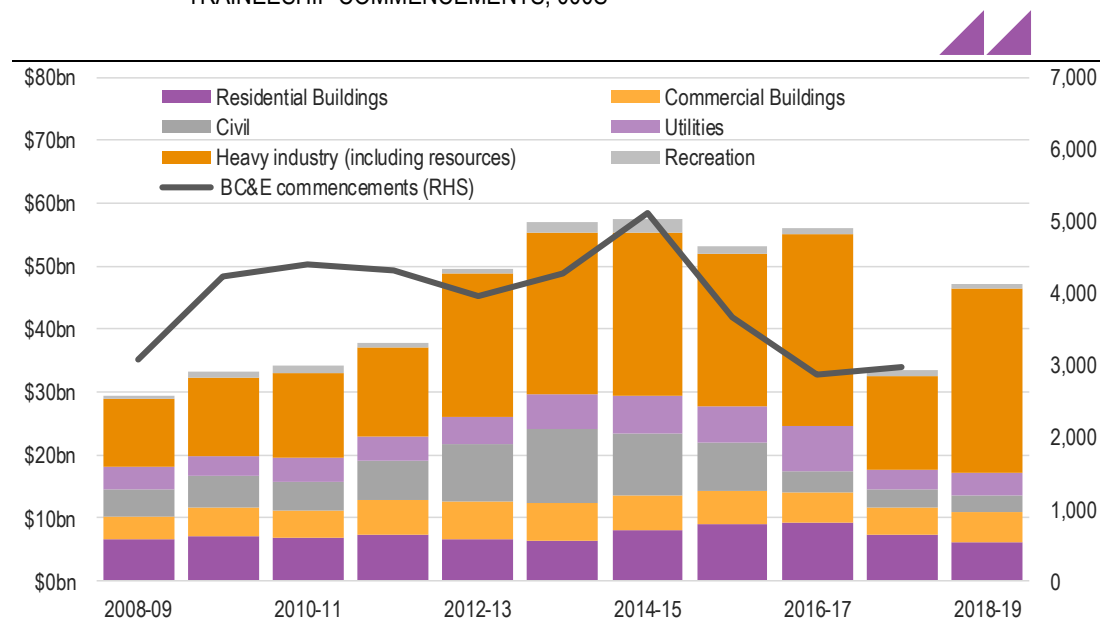
2.2 Building and construction industry conditions and trends

The building and construction industry critical part of the Western Australian economy in its own right, and in supporting the growth and development of other key industries by building their productive capacity through construction work.

In terms of recent trends, the level of building and engineering construction activity in Western Australia has fallen from a peak of \$57.5 billion in 2014-15 to \$33.4 billion in 2017-18. The rebound in 2018-19 reflects a one-off spike in heavy industry engineering construction driven by the installation of a large offshore petroleum production facility.

Not surprisingly, the level of construction activity is closely linked to the industry’s workforce trends, including apprenticeship and traineeships, as highlighted in **Figure 2.4** where the level of construction activity is mapped against the number of apprenticeship commencements between 2008-09 and 2018-19.

FIGURE 2.4 CONSTRUCTION ACTIVITY TRENDS, ACTIVITY BY CONSTRUCTION SUB-INDUSTRY, \$BN VS CONSTRUCTION & ELECTRICAL TRADES APPRENTICESHIP AND TRAINEESHIP COMMENCEMENTS, 000S



SOURCE: ACIL ALLEN CONSULTING, ABS

In relation to the trends in construction activity, a range of major public and private infrastructure projects have been undertaken over the 10 years to 2017-18, including the construction of Perth Stadium, the Gateway WA project, development of a number of iron ore mines and associated

logistics, Elizabeth Quay and Perth City Link, Fiona Stanley Hospital, and the Perth Children’s Hospital.

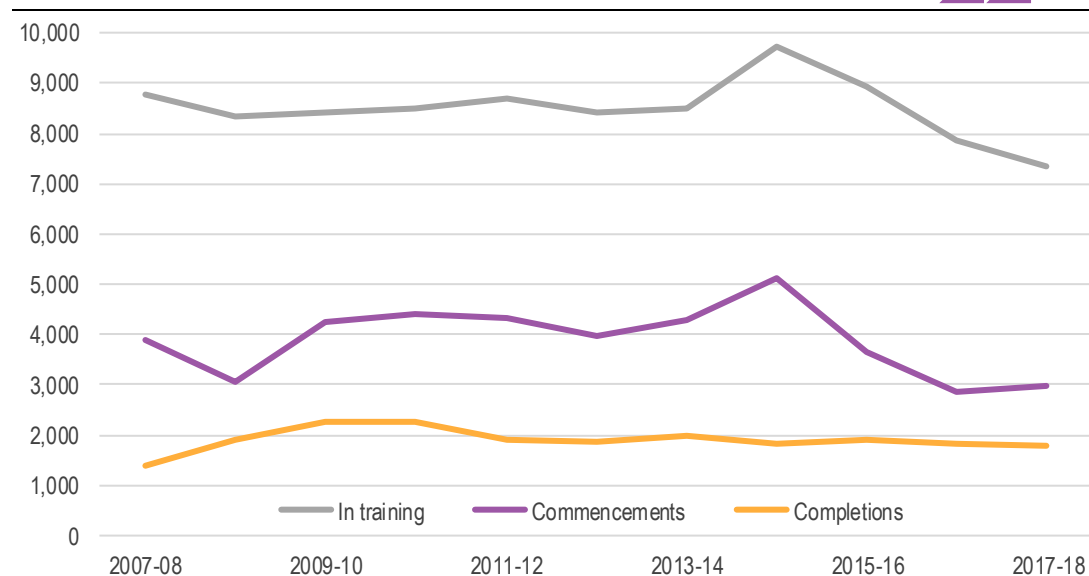
Over this period, heavy industrial engineering construction activity, which includes engineering construction activity undertaken by and on behalf of the resources industry, has accounted for nearly half of all construction activity in Western Australia (by value). The total value of heavy industrial engineering construction (\$224.6 billion) is more than the total value of all residential (\$80.4 billion), civil (\$67.4 billion) and non-residential building (\$54.8 billion) construction undertaken in the State combined.

This level of activity created significant demand for building and construction labour and skills in Western Australia – particularly during the peak periods between 2009-10 and 2014-15. One source of this labour and skills has been via training and development of the State’s construction workforce through the vocational education and training system, and in particular through apprenticeships.

The trends in apprenticeship **commencements** has typically followed the broader trends in the construction industry. After peaking at 5,117 commencements in 2014-15, numbers have fallen sharply thereafter to a record low of 2,974 in 2017-18. The trends in the number **in-training** have followed a similar path, falling from a high of 9,719 in 2014-15 to a low of 7,341 in 2017-18.

By contrast, the number of people who **complete** an apprenticeship or traineeship across building construction and electrical trades has remained relatively stable over the 10 years to 2017-18, with peak completions of 2,267 in 2010-11 compared a low of 1,781 completions in 2017-18. These trends are presented in **Figure 2.5** below.

FIGURE 2.5 BUILDING CONSTRUCTION AND ELECTRICAL TRADES APPRENTICESHIP AND TRAINEESHIP COMMENCEMENTS, COMPLETIONS AND IN-TRAINING IN WA



SOURCE: DEPARTMENT OF TRAINING AND WORKFORCE DEVELOPMENT

KEY FINDING 5 APPRENTICESHIP TRENDS

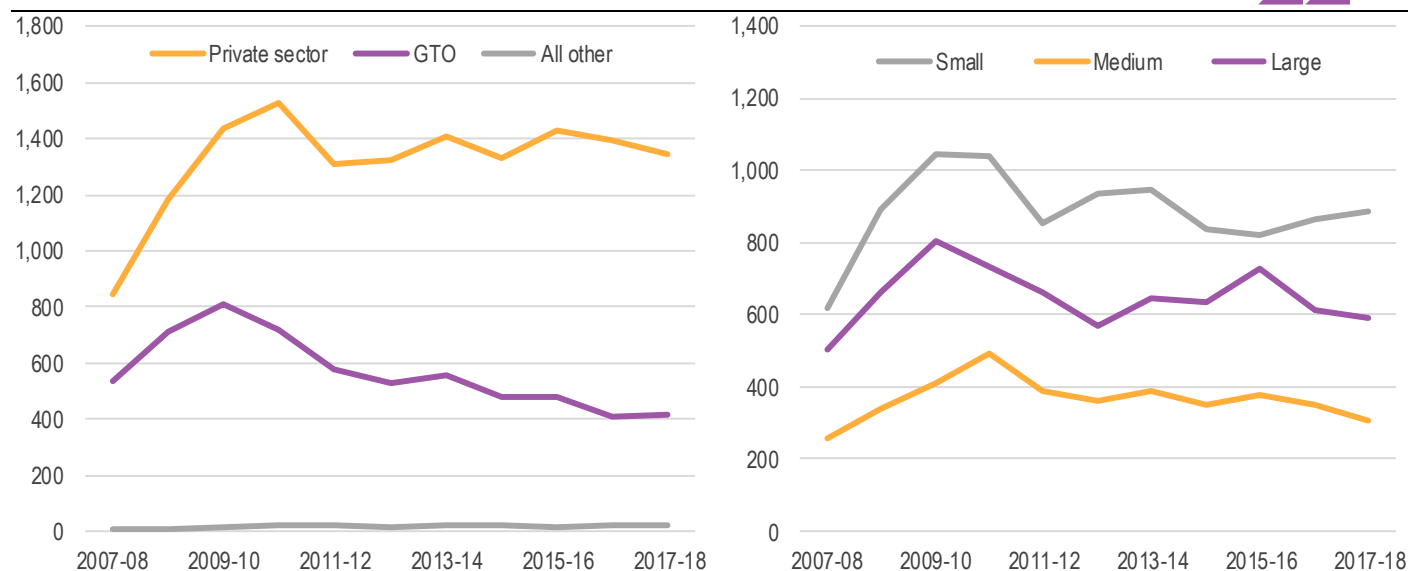
Trends in apprenticeship commencements have historically followed the broader trends in building and construction activity. While the number of building and construction industry apprentice commencements has fallen significantly since the peak level of construction activity in 2014-15, the number reaching completion has remained broadly steady over the past decade.

The private sector has been the most significant host of apprenticeship and traineeship completions since 2007-08, accounting for more than two-thirds of all completions, with GTOs typically accounting

for the remainder of all completions. In recent years, the decline in GTO completions has been the main contributor to the decline in total completion levels (**Figure 2.6**).

By business size, small business has hosted almost half of all apprentice and trainee completions across building construction and electrical trades over the past decade. Of the remainder, large business on average accounts for about a third of all completions, with medium business accounting for the remainder (almost 20 per cent of all completions).

FIGURE 2.6 BUILDING CONSTRUCTION AND ELECTRICAL APPRENTICESHIP AND TRAINEESHIP COMPLETIONS BY TYPE OF EMPLOYER (LHS) AND SIZE OF HOST BUSINESS (RHS)



Note: 'Large' business is classified as 200 or more employees, 'Medium' 20 to 199 employees and 'Small' less than 20 employees. 'All other' apprenticeship providers include the Commonwealth Government, Government Business Enterprise, Local Government, State Government and 'Not Elsewhere Classified'.

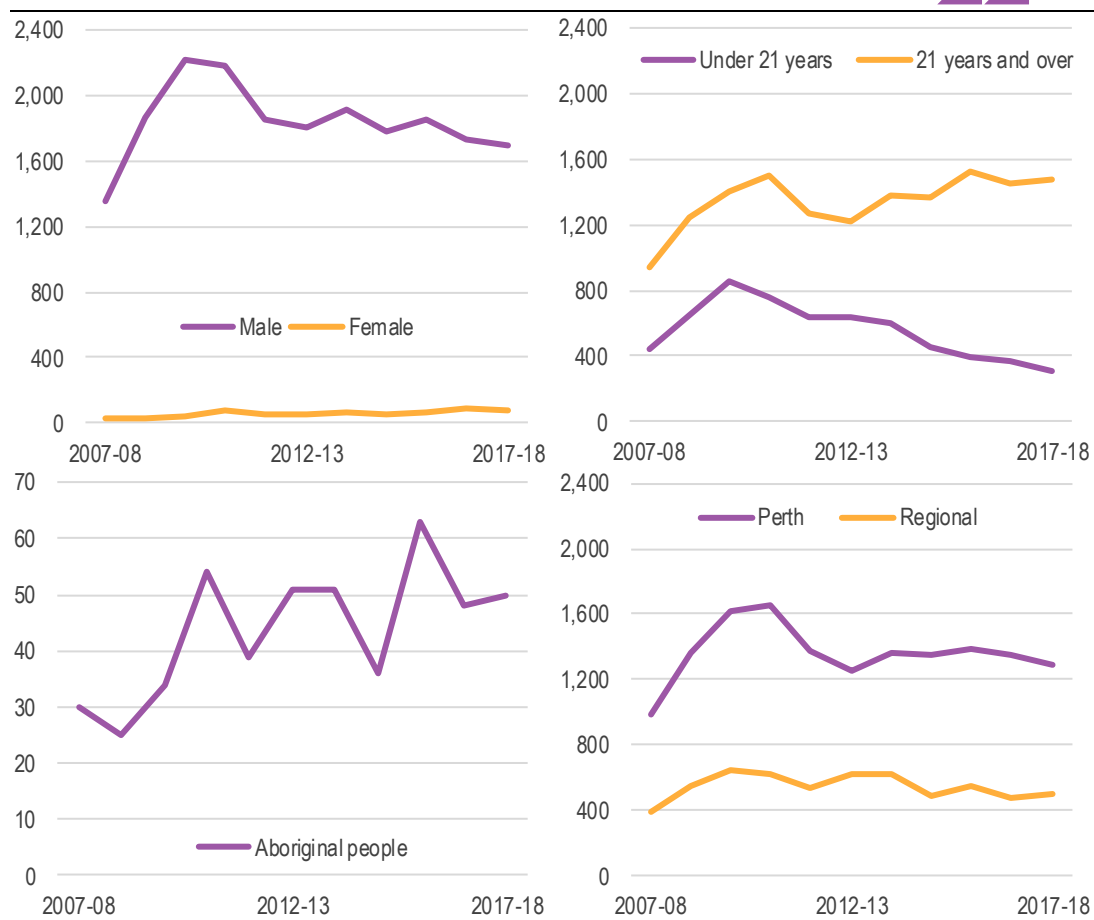
SOURCE: DEPARTMENT OF TRAINING AND WORKFORCE DEVELOPMENT

The trends in the profile of apprenticeships and traineeships is presented in **Figure 2.7** below. By **gender**, typically 97 out of 100 building construction and electrical trade apprenticeships or traineeships completed are done so by males. By **age**, there are typically greater numbers of apprentices and trainees over the age of 21, with the overall numbers increasing over the past 10 years (from 1,403 in 2009-10 to 1,477 in 2017-18). By contrast, there has been a clear downward trend in the number of apprenticeships or traineeships completed by those aged under 21 years of age, from a peak of 858 in 2009-10 to 304 in 2017-18.

Aboriginal people account for a disproportionately low share of the number of apprentices and trainees, accounting for 2.3 per cent of all building construction and electrical sector's completed apprenticeships and traineeships.

From a **regional** perspective, the share of building construction and electrical trade apprenticeships and traineeships that are completed by people living in regional WA has been relatively stable, at just under 30 per cent of all completions in WA each year.

FIGURE 2.7 APPRENTICESHIP COMPLETIONS FOR BUILDING AND CONSTRUCTION, AND ELECTRICAL BY AGE, GENDER, ABORIGINAL STATUS AND LOCATION



SOURCE: ACIL ALLEN CONSULTING

KEY FINDING 6 BUILDING AND CONSTRUCTION INDUSTRY APPRENTICE DEMOGRAPHICS

The demographic make up of the building and construction apprentice pool is heavily skewed towards males, under the age of 21 of non-indigenous heritage. The pool is also skewed towards the Perth Metropolitan Area although to a lesser extent than other demographic factors.



This chapter provides detailed insights from stakeholders that were consulted as part of this review.

3.1 Approaches to consultation

Gathering evidence from stakeholders was a critical part of this statutory review, as it was seeking to understand whether the functions and operations of the legislation were having the desired impact in the real world. Acknowledging this, ACIL Allen planned a comprehensive approach to stakeholder engagement.

3.1.1 Survey

In developing survey questionnaires, ACIL Allen utilised a combination of:

- Scale questions, which presented respondents with a statement and ask respondents to specify their level of agreement or disagreement on a scale with five options. This scale captures the intensity of respondents' views towards a given item.
- Multiple choice, which presented respondents with multiple answers from which they can choose one or more options.
- Free text, which enabled more qualitative answer from respondents. These questions allowed respondents to provide their views in free text fields.

The survey was conducted on an online platform (SurveyMonkey) to allow for ease of use and dissemination. The survey was mostly centred on gathering qualitative feedback on the operations of the Fund, and the extent to which stakeholders perceive the Fund has achieved its statutory objectives.

The survey had a strong response with approximately 400 industry participants completing the survey. Further information on the survey questions and the profile of respondents is presented in **Appendix A**.

3.1.2 One on one consultation

ACIL Allen also embarked in a comprehensive program of one-on-one stakeholder consultation. These sessions were governed by the Consultation Guide (**Appendix B**), to ensure feedback was as standardised as possible and relevant to exploring the most pertinent issues for the Fund and the industry more broadly.

These one-on-one stakeholder consultation sessions were reserved for the most critical stakeholders as identified by the Fund and included industry peak bodies and some critical users of the Funds' services.

The following stakeholders were involved in consultation either in person or tele-interview. Stakeholders who were unavailable or declined the invitation have been excluded from the list.

TABLE 3.1 STAKEHOLDER CONSULTATION LIST - INDIVIDUALS

Stakeholder	Method	Affiliation
ABN Group	Face-to-face	Construction industry
Admast Painting	Tele-interview	Painting contractor
Australian Brick & Block Training Foundation (ABBTF);	Face-to-face	Training organisation
BHP Billiton	Face-to-face	Resource sector
Cape Mining/ Cape Utilities	Tele-interview	Engineering construction
Chamber of Commerce & Industry of Western Australia (CCIWA)	Face-to-face	Training organisation
Chamber of Minerals and Energy of Western Australia (CME)	Face-to-face	Resources sector
Civil Contractors Federation (CCF)	Face-to-face	Engineering construction
Construction, Forestry, Maritime, Mining and Energy Union (CFMEU)	Face-to-face	Trades union
Decmil	Face-to-face	Diversified construction
Department of Training and Workforce Development (DTWD)	Face-to-face	Training organisation
Directions Workforce Solutions	Tele-interview	Training organisation
DNA Painting & Decorating	Tele-interview	Trade contractor
Housing Industry Association (HIA)	Face-to-face	Residential construction
Kelly's Hot Water Gas & Air	Tele-interview	Trade contractor
Master Builders Association of Western Australia (MBAWA)	Face-to-face	Construction association
Master Painters & Decorators Australia (MP&DA)	Face-to-face	Trade contractor
Master Plumbers and Gasfitters Association of Western Australia (MPGWA)	Face-to-face	Trades association
Richard Marsh (Contract bricklayer)	Tele-interview	Trade contractor
Stannard Homes	Tele-interview	Residential construction
The Apprentice and Traineeship Company (GTSW)	Tele-interview	Training organisation
Theia Energy	Face-to-face	Resources sector
WBHO Infrastructure	Face-to-face	Civil contractor
Woodside Energy	Face-to-face	Resources sector

Note: Stakeholders that were unavailable for consultation are not listed.

SOURCE: ACIL ALLEN CONSULTING

The following table lists the stakeholders who were engaged in a group and the members that attended the session.

TABLE 3.2 STAKEHOLDER CONSULTATION LIST - GROUPS

Stakeholder group	Method	Sector/ affiliation
Australian Mining and Exploration Companies (AMEC); Fortescue Metals Group (FMG); Jackson McDonald; Kalium Lakes; Millennium Minerals; Roy Hill Holdings; Sandfire Resources NL; Western Areas & Westgold Resources.	Face-to-face	Resources sector association
Australian Petroleum Production and Exploration Association (APPEA); Woodside Energy; Chevron; INPEX & Santos.	Face-to-face	Resources sector association
The Electrical and Communications Association Western Australia Inc (ECA WA Inc); National Electrical Contractors Association of Western Australia (NECA WA Chapter); Electrical Group Training (EGT); College of Electrical Training (CET); Apollo Electrotech; Downer Group; Williams Electrical Service; Global Cabling; Wellington Electrical; Bon Electrics; Westwide Electrical & MizCo.	Face-to-face	Electrical trade association

Stakeholder group	Method	Sector/ affiliation
Note: Stakeholders that were unavailable for consultation are not listed. SOURCE: ACIL ALLEN CONSULTING		

3.1.3 Workshops

The final element of the stakeholder consultation were three industry workshops, to cover off the critical issues that were identified in the earlier stages of consultation. The topic of these three workshops were as follows:

1. Developing a typical mine lifecycle and determining construction type activities, and the internal and external training; and
2. The definition of construction; and
3. The future training needs of the industry.

The following participants of these workshops were as follows:

The following table lists the stakeholders represented at one of the three workshops facilitated by ACIL Allen.

TABLE 3.3 STAKEHOLDER CONSULTATION LIST - WORKSHOPS

Stakeholder group	Workshop theme	Sector/ affiliation
AMEC, APPEA, BHP, Chevron, Rio Tinto, Sandfire Resources, Woodside Energy.	Developing a mine lifecycle and internal and external training	Resources sector
HIA, MBA, CCF, CCA, AMWU, ETU, CFMEU, MPA, APPEA, AMEC, CME, DTWD	The definition of construction	Steering group
HIA, MBA, CCF, CCA, CFMEU, MPA, APPEA, CME	Future skills needs	Steering group

SOURCE: ACIL ALLEN CONSULTING

3.1.4 Written submissions

The following stakeholders provided written submissions to the Review.

- Woodside Petroleum Ltd
- The Chamber of Commerce and Industry WA
- The Housing Industry Association (WA)
- The Chamber of Minerals and Energy of Western Australia
- The Construction, Forestry, Maritime, Mining and Energy Union
- Australian Petroleum Production and Exploration Association
- The Association of Mining and Exploration Companies
- Master Builders Association (WA)

3.2 Key themes

The following section presents the key themes identified in the consultation process. Data gathered from stakeholder consultation and the industry survey has been included in relevant sections to support these themes.

The following themes synthesize stakeholder feedback as a collective rather than presenting the views of individuals. Feedback is grouped into a number of sub-headings being:

- Role of the CTF in the construction industry
- The levy, its base and application
- Evolving skills needs
- Binging a future focus
- Information flows

- Resource sector integration
- The Act itself
- Other / Out of scope

3.2.1 Role of the CTF in the construction industry

Overall, there is widespread support for the role of the Construction Training Fund (the Fund), and the continued need for the Fund and the Construction Training Fund Board (the Board).



88 per cent of all survey respondents said that there was an ongoing need for the CTF and 12 per cent said there was no ongoing need. When excluding those that hadn't engaged with the CTF over the last 12 months, the affirmative response increased to 92 per cent against 8. per cent who remained of the view that there was no ongoing need.

Some stakeholders were unsure whether the overarching objective of the CTF remained relevant, given how the industry was evolving. Some stakeholders suggested that the focus of the Fund needs to expand from the focus on the number of skilled people in the industry to a “contribution to skills development”. The aim of this is to ensure the industry has the skills available to support future needs, in line with industry trends and changes.

Stakeholders were strong in an opinion that the CTF should focus on areas of systemic challenge in the provision of training and ensuring the levy was set at a level that gave the CTF the means to address that systemic challenge. When prompted, stakeholders suggested the systemic challenge was largely a reflection of the residential and commercial construction industry, which was characterised by small contractors. By contrast, larger companies and resources sector participants had the means to train to their own requirements.

There was also a view that the CTF had a broader role to play other than just providing training subsidies, noting the school outreach programs, and the ability to influence perceptions of the industry among young people and their families were important to them. This included marketing the long-term career potential of the industry and the potential for strong pathways to business ownership and white collar and management roles.



59 per cent of survey respondents who have engaged with the CTF over the last 12 months said that the CTF had effectively promoted the benefits of a career in the industry via marketing and communications (such as the No Limits campaign), 17 per cent said they had been ineffective and 24 per cent were unsure.



49 per cent of survey respondents who have engaged with the CTF over the last 12 months said that the CTF had been effective in promoting the benefits of a career in the industry via experiences (such as the Construction Futures Centre) and direct programs (such as career talks in schools), 17 per cent said they had been ineffective and 34 per cent were unsure.

3.2.2 The levy, its base and application

Most stakeholders were supportive of the 0.2 per cent levy. Some stakeholders discussed the potential to review the rate following full integration of the resources sector (i.e. could the rate be lowered now the base has expanded). General support exists for an approach that would exempt small projects from paying the levy with stakeholders supporting the previous Review's recommendation to increase the threshold due to increase building costs.

There is no material issue with the process of paying or receiving levies, noting some resources sector specific issues around calculating project values, passing on the levy to multiple contracts or contractors, having a single sign in point, and the timing of payments (i.e. paying up front might be required for small contractors but for large businesses the ability to pay is not an issue).

In relation to the base, stakeholders were generally supportive of the move to bring resources sector engineering construction projects into scope. This was particularly the case for residential, non-residential and non-resources civil construction stakeholders, and stakeholders from the training industry. Resources industry stakeholders were generally supportive but expressed a desire for certainty regarding what was in and what was out for levy purposes (see Resources sector integration).

There is general support that the key funding remains primarily for apprenticeship subsidies. Some stakeholders noted the need for the subsidy to be greater for the early stages of the apprenticeship to reduce the risk for the apprentice host and increase the incentive to take on apprentices. The risk is that apprentices leave the host (to go to another business, sector or career) in later years of their apprenticeship. Additionally, stakeholders noted that apprentices were relatively unproductive in their first two years compared to their third and fourth year of training.

Stakeholders also noted increased demand for mature age apprenticeships. However, there were some concerns raised regarding the adequacy of incentives for mature age apprentices versus “standard” apprentices, noting industrial relations issues relating to higher rates of pay which were in excess of the additional subsidies provided.



58 per cent of survey respondents who that have engaged the CTF over the past 12 months said the CTF assisted the building and construction industry to have access to skilled workers, 13 per cent said the CTF hadn’t assisted whilst 30 per cent were unsure.

3.2.3 Evolving skills needs

Stakeholders were generally supportive of the focus on early skills acquisition and the importance of having a foundation trade. However, stakeholders noted the construction industry was changing and becoming more complex which is driving a demand for white collar roles and a greater focus on soft skills. The introduction of a mandatory career professional development (CPD) program is also desirable to some stakeholders, noting this was beyond the scope of the CTF to deliver or mandate.

The demand for the diversification of training relating to “soft skills” was a strong theme, including funding for suicide awareness and mental health training. The program “Mates in Construction” has been described as a successful program but has a shortfall in funding support. There are likely to be other, similar programs in the space that would fit the “soft skills” theme.

Funding for training relating to industry sustainability and technology was also raised. However, some stakeholders were wary these social issues impact all sectors and may not represent an appropriate use of funds. A risk was also raised that the CTF will become an “everything for everyone”.

While the importance of a foundation skill was supported, there was a strong role for ongoing skills acquisition. In addition, stakeholders saw increased demand for secondary apprenticeships where a qualified tradesperson wanted to pursue a career in a different trade. Stakeholders suggest there are barriers to funding for additional apprenticeships centred on the CTF’s application criteria.

Stakeholders also noted an increase in demand for mature age apprentices, particularly for women re-entering the workforce after having children. However, the high costs (differential wages) associated with taking on a mature age apprentice was raised as a barrier to taking on a mature age apprentice, with CTF subsidies not large enough to account for this.

The changes to construction methods was another point raised by stakeholders due to technology and innovation, and an increasing amount of work being completed off site even though it ultimately made up part of the building or construction project. A suggestion was made to refresh the definition of construction to relax the distinction between onsite and offsite work.



Of respondents who had engaged with the CTF over the last 12 months, 48 per cent said the current menu of training subsidies provided by the CTF were adequate for their business needs into the future, 19 per cent said the menu was inadequate for their future needs, 29 per cent were unsure and 4 per cent had no opinion.

3.2.4 Bringing a future focus

Some stakeholders were unclear on how or why some apprenticeships received a higher rate of subsidy compared to others.

Stakeholders expressed a desire for the CTF to be more forward-looking in how it disburses funds, noting some trades are in structural or cyclical decline no matter what the CTF may fund (i.e. industry conditions are driving it, not subsidies). The lack of understanding of how and why the CTF allocated its funding may contribute to this.

Stakeholders were unclear of whether there was a long-term strategy in place, even though it was noted that the Board has a 12-month strategic plan. Similarly, stakeholders were unaware about what data, research or forecasting (if any) fed into the CTF's decision making process to determine subsidies, future skills need and longer-term decision making. There was also a demand for the CTF to determine or model the quantity of funding that they will need in the future and where it will come from prior to setting the subsidies, levies and thresholds. This was particularly relevant for resources companies, who expressed a desire to know how the CTF planned to discharge new funding.

Some stakeholders indicated there was a perception the “squeaky wheel gets the oil” rather than the CTF playing a proactive role in identifying and responding to projected future skills gaps.

Stakeholders also raised the point of ensuring the CTF can meet the evolving needs of industry in an environment of rapid technological change.

3.2.5 Information flows

Regarding the application of the levy, a general view the system could be complex at times and required a strong understanding to navigate effectively. However, stakeholders were strong of the view that when they engaged with the CTF or their training provider they received the information they needed.

There is a strong desire for more proactive communications from the CTF, around industry conditions, training needs, and board discussions amongst others. Stakeholders suggest that there is limited clarity regarding board matters, agendas or minutes, all of which would benefit industry participants if communicated.

Stakeholders also noted that a report was previously issued by the CTF discussing the industry, and training trends and this was useful. Stakeholders would like this report to be re-introduced.

Some stakeholders suggest information gaps may discourage the single contractor market in taking up funding with corporations and GTOs better able to navigate the system.

Stakeholders suggested the CTF should adjust its marketing, promotion (and use of ambassadors) and branding of the industry. In some cases, the marketing is described as being out-dated and unfit for the current generation or industry target market. The next generation of potential apprentices were described as being “better educated, more sophisticated and more demanding” compared to the vision of being in a “trade-for-life”.

To attract the future generation, stakeholders suggest that the CTF should more effectively sell the story of what the industry can offer and the potential for a career pathway to management roles or business ownership, and a role that is both intellectually stimulating as well as one that requires a higher level of acumen.



39 per cent of all survey respondents said that the CTF has established effective communications with industry, 26 per cent said they had failed to be effective in this area whilst 35 per cent were unsure. Of respondents who had engaged with the CTF over the last 12 months, 47 per cent responded affirmatively, 21 per cent remained with the view that the CTF was ineffective in this area, and 32 per cent remained unsure.

3.2.6 Resources sector integration

There was some disagreement on a fundamental issue with respect to the resources industry and the CTF. Most building and construction stakeholders suggest that there is a high degree of sectoral shift and skills transferability (especially seen in FIFO) between the construction and resources industries (noting the loss of employees during the resources boom). By contrast, resources stakeholders suggest that the skilled workers they employ require significant investment in training to ensure that they have the requisite skills to work on resources projects. In addition, resources stakeholders suggested there was no targeting of construction trades, but rather the skills required were complementary.

There was a general sense of “nervousness” from both the resources and non-resources stakeholders during consultation. Resources sector stakeholders are mainly nervous about the potential for scope creep into operational spend, in addition to uncertainty regarding how the definition of construction fit

with their projects and skills needs. Meanwhile, non-resources stakeholders want to ensure the resources companies are “net payers” and do not draw more than they contribute to the fund. These views were generally consistent.

Resource industry stakeholders stressed the need for a clear distinction between hard rock mining and oil and gas, as well as underground against open-pit mining. Stakeholders noted modes of construction and skills needs differed for both sectors. It was suggested that hard rock and oil and gas should not be grouped together as “resources” for levy or application purposes.

There is also a desire from the resources sector to see the CTF increase its knowledge of the resource industry, specifically in relation to the hard rock mining and oil and gas sectors. Stakeholders have noted that they have all primarily dealt with only one CTF staff member (Eamon Moore) to this point and that the sector was likely to see increased demand on its internal resourcing owing to the increase in the size of the fund.

There is also a desire for certainty over a negotiated outcome approach that the resources industry has experienced to date. The oil and gas industry was particularly keen to see the application of the levy to its projects in “black and white”.

Stakeholders also have a desire that imported capital values of projects are not included in the assessable project value. The suggested approach is to “seek commonalities” in work (construction) completed on a metropolitan construction site against a mine site and to simplify the “construction work” that is subject to the levy.

The “Queensland model” (Building and Construction Industry Training Fund Qld) was raised multiple times by stakeholders, as a simple way to ensure large projects do not have very large levy payable. Simply, the Queensland model includes a charge on all building and construction work performed with a cost of \$150,000 or more at a rate of 0.1 per cent. If the total cost of work is over \$1.161 billion, the rate is reduced as the project value increases.

There were some stakeholders outside of the resources industry that suggested that the CTF apply to “miners” instead of “contractors”, which would mean that the miner would pay the levy, but individual contractors would receive the benefit of the CTF funding. However, it is noted this was the same transmission mechanism for the construction sector.

It was also expressed that a level of certainty is desired regarding to the application of the levy to offshore construction in the oil and gas sector, noting Commonwealth and State issues.

Resource sector stakeholders are desiring an appropriate level of board representation to give its industry a voice commensurate with funds raised. Some stakeholders suggest a representation that reflects the resource sector’s contribution to the fund, whilst others are wary of the resources sector being over-represented on the Board.



Of construction/resources industry contractor survey respondents who had engaged with the CTF over the last 12 months, only 33 per cent said that the current menu of training subsidies provided by the CTF was adequate for their business needs into the future, 19 per cent said it was inadequate and 48 per cent were unsure. 80 per cent, or four out of five resources company respondents said the current menu for training was inadequate.

3.2.7 The Act itself

A majority of stakeholders agree that the previous amendments of the Act are still warranted. There is some concern around the removal of “training quality” from the CTF’s responsibilities; however, no stakeholder could provide a view on what the CTF could or should do to address this.

There’s a strong sense that the Act may be outdated and has not kept up with the evolution of the building and construction industry. Stakeholders see this in several instances, including the exclusion of Levy application on Commonwealth land, the definition of construction, and the use of trusts as a corporate structure.

Stakeholders noted the Act was set up to provide support to a “cottage industry” (being small construction or trades companies) and was now being retrofitted around a global industry. This may provide some grounds for more fundamental changes to the Act to ensure it is fit for purpose.

3.2.8 Other / Out of scope

Administrative burdens

Some stakeholders have found it increasingly difficult to access funding due to delays in the processing of funding applications which are resulting in greater administration burdens. Stakeholders further explain that they are requiring new staff to manage the whole process. Similarly, some stakeholders suggest that funding applications could previously be made via “batch-based evidence” but now require individual evidence per apprentice which further increases administrative burdens.

Incentives for individual groups

Some stakeholders are suggesting that there needs to be a renewed focus and strategy for individual groups (such as indigenous groups and regional people) because the subsidies alone won't drive training demand. Alternatively, stakeholders recommend the need for additional support for mentoring and for training organisations to be better placed to provide this support. The issues are described as being greater than the subsidy can influence and that the current incentives are failing.

Key performance indicators (KPIs)

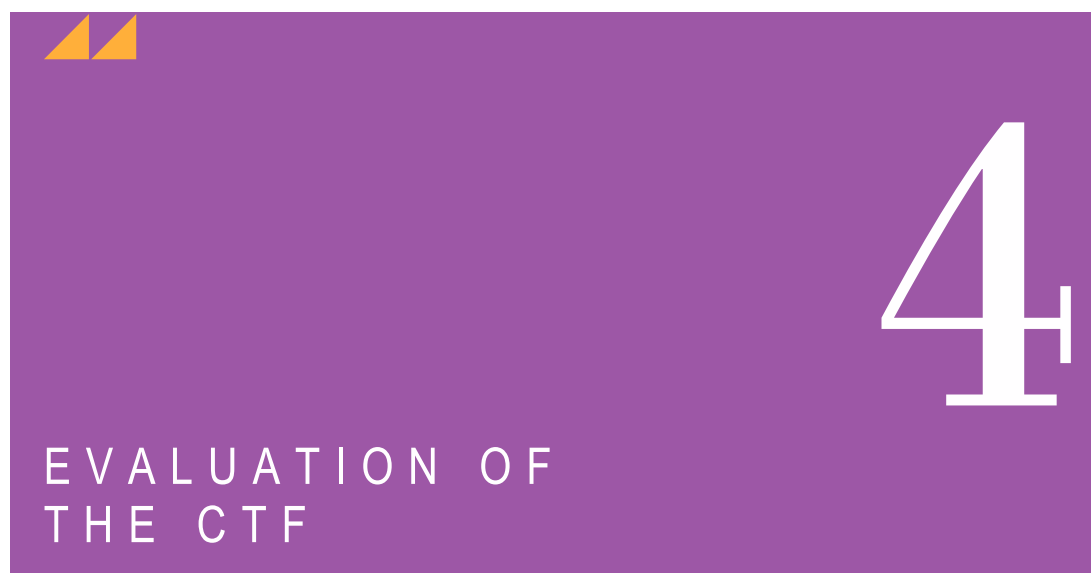
Some stakeholders aren't clear on how they can assess the CTF's performance. For example, measuring and reporting on apprenticeship numbers. Stakeholders would also like to see more reporting on KPIs that may include: the generation of leads, placements into programs, placements by trade, apprenticeships by trade and workplace safety comparisons to other industries. A reduced focus on funds raised and dispersed funds is desired in favour of apprenticeship completion rates.

Monitoring of apprentice pathways

One stakeholder raised the need for apprentice “destination mapping” to track apprentice movement from the first contact with a host to the end of their apprenticeship. This mapping would monitor if apprentices are dropping out of the industry forever, if they return in a few years or if they go to another host.

Quality of training

In line with the apparent “fall in training quality” in the industry, one stakeholder raised the issue of apprentice mistreatment by hosts who fail provide an adequate level training during an apprenticeship. The stakeholder has a desire for an emergency fund to be available for these such cases.



This chapter provides an evaluation of the CTF, guided by a review of its Key Performance Indicators (KPIs), stakeholder feedback, and assessed against WA Treasury's evaluation framework. The framework calls for an evaluation to be centred on three fundamental questions:

- Is the CTF operating efficiently?
- Has the CTF been effective in meeting its overall objectives?
- Does a demonstrable need exist for the CTF?

While this review has been guided by the Terms of Reference, these evaluation questions provide an appropriate framework from which this review can be based.

4.1 Is the CTF operating efficiently?

The CTF's efficiency has been assessed using following frames of reference:

- *Do adequate governance and decision making processes exist?*
- *Has the CTF met its efficiency KPIs?*
- *Do stakeholders perceive CTF as operating efficiently?*

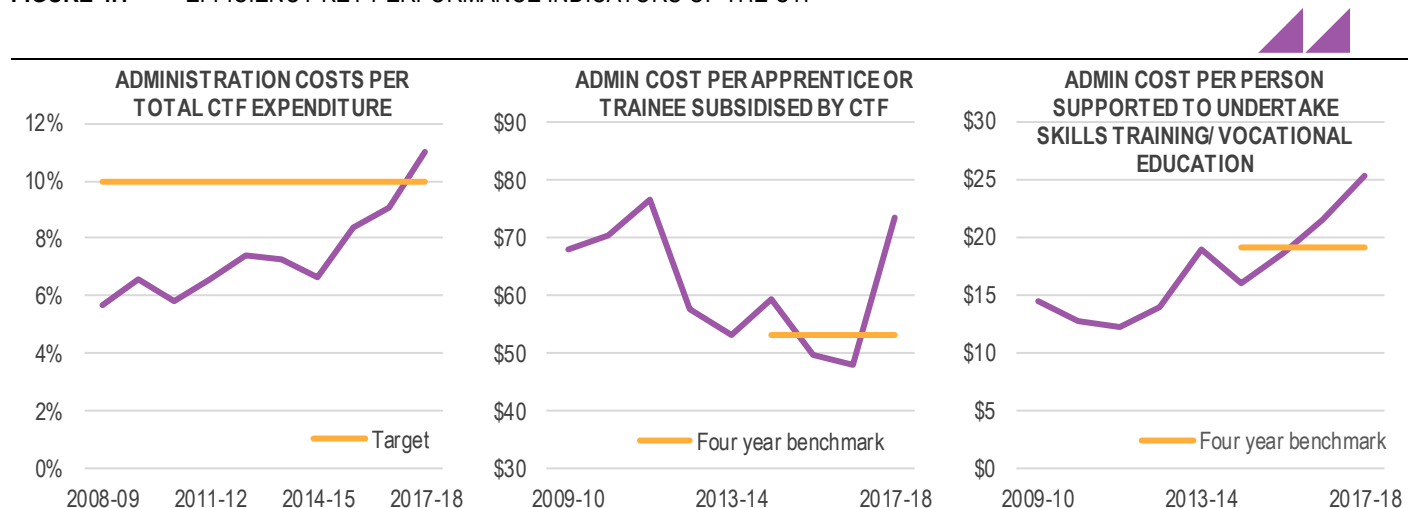
The findings of each of these aspects of the assessment are discussed below.

From a **governance** perspective, the CTF's seven member Board reports to the Minister for Education and Training, and is made up of a group of representatives selected by a specified group of industry associations and employee unions (five members) and independent members selected by the Minister (two members). This process of Board selection ensures that the industry is appropriately represented on the Board, and that it acts in accordance with the needs of industry. The Board also is required to ensure the efficient collection of levy and to control and administer the Fund.

The efficiency by which the CTF operates is measured through its **efficiency KPIs** which are transparently reported each year in its Annual Report. The CTF's performance against these efficiency KPIs is presented in **Figure 4.1** below. In relation to the targets for each KPI, they are set by the CTF Board, however, it is not clear the rationale for how each target is set.

Since 2008-09, the Fund's **administration costs as a share of total expenditure** has averaged 7.4 per cent but has generally trended upwards, increasing from 5.7 per cent in 2008-09 to a peak of 11 per cent in 2017-18. The Fund has met its target level in all years except for 2017-18 due to a significant reduction in total expenditure, rather than an increase in administration costs (which has remained relatively steady at \$2.2 million).

FIGURE 4.1 EFFICIENCY KEY PERFORMANCE INDICATORS OF THE CTF



Note: Some of the Fund's efficiency KPIs changed in 2009-10 and did not report figures for 2008-09. Some of the KPIs didn't have a target level prior to 2014-15.

SOURCE: CONSECUTIVE BCTF ANNUAL REPORTS

Administration costs per apprentice subsidised by the CTF has decreased from a peak of \$77 in 2011-12 to a low of \$48 in 2016-17 where it achieved the Fund's target level cost. In 2017-18, the Fund failed to meet its target cost recording an administration cost per apprentice of \$74 (an increase of 53.7 per cent for the year). This was largely caused by a fall in the number of subsidies paid (5,903 in 2016-17 to 4,295 in 2017-18).

Administration costs per person supported to undertake skills training of vocational education has trended up from \$12 in 2011-12 to \$25 in 2017-18. In the last two years, the Fund has failed to meet its target cost of \$18. Once more, this wasn't due to increasing administration costs but rather a fall in the number of subsidies paid.

From a **stakeholder perspective**, the CTF is seen as an organisation that runs efficiently, with a small overhead relative to its overall expenditure, which provided stakeholders with confidence that industry funds collected through the levy were being directed towards the achievement of the CTF's overall objectives.

Overall, while this review has assessed that the CTF is running efficiently, there are opportunities for further efficiencies to be realised. The next chapter to this review examines some of the critical reform issues which will help to generate efficiencies, both for the CTF and for industry more broadly.

KEY FINDING 7 CTF EFFICIENCY

The efficiency by which the CTF operates is measured through its **efficiency KPIs** which are transparently reported each year in its Annual Report. The targets for each KPI are set by the CTF Board, although it is not clear the rationale for how each target is set.

In relation to the CTF's performance against these efficiency targets, **administration costs as a share of total expenditure has generally been below its target**, except in 2017-18 when a significant reduction in total expenditure, rather than an increase in administration costs, drove up this ratio. In absolute terms, the CTF's administration costs have been relatively steady over the past decade, averaging \$2.2 million.

In relation to the other efficiency indicators, while the CTF failed to meet its **“administration costs per apprentice subsidised by the CTF”** and **“administration costs per person supported to undertake skills training of vocational education”** targets in 2017-18, this was again a reflection of broader considerations rather than a fundamental concern about the efficiency of the CTF.

Despite the CTF's failure to meeting its efficiency KPIs in 2017-18, **stakeholders believe that the CTF runs efficiently, with a small overhead relative to its overall expenditure**. This provides the industry with confidence that funds collected through the levy were being directed towards the achievement of the CTF's overall objectives.

4.2 Has the CTF been effective in meeting its overall objectives?

Overall, the CTF's effectiveness has been assessed using following frames of reference:

- Has the CTF met its objectives?
- Has the CTF's governance and operating framework supported the achievement of its objectives?
- Has the CTF met its effectiveness KPIs?
- Do stakeholders perceive the CTF as operating effectively?

The **objectives** of the CTF as specified by the Act is for it to be used to: (1) improve the quality of training; and (2) increase the number of skilled persons in the building and construction industry. The latter is the subject of this review.

To achieve these priorities, the CTF provides a range of industry programs primarily in the form of subsidies for education and training, including subsidies for apprentices and trainees to earn formal qualifications in building and construction trades. To fund these initiatives, the CTF applies a 0.2 per cent levy on the value of the majority of building and construction projects undertaken in Western Australia. The CTF is 100 per cent industry funded, and does not receive an appropriation from the State Government to deliver its industry support programs.

From an effectiveness perspective, it is important that the CTF has a strong governance and reporting framework and close engagement with industry, given that industry exists to benefit industry.

In this regard, from a **governance** perspective, the CTF's seven member Board is made up of a group of representatives from industry, which ensures that the CTF acts in accordance with the needs of industry. The Board's formulation and preparation in writing of an **operational plan** each year (as required by the Act), aims to improve the two key functions of improving the training quality and increasing the number of skilled workers in the industry. They are to do this by allocating resources to programmes that support apprenticeships, supplementary training, training in technology, recognition of existing skills, accreditation of training courses and innovations and research in training in the industry.

The annual operational plan, which guides the activities of the CTF in pursuit of its objectives, is presented on the CTF website, but is not proactively presented to industry. ACIL Allen understands that the annual operational plan is informed by a **three year strategic plan**, however, this is not publicly available for industry and other stakeholders to review. This lack of transparency, perceived or otherwise, limits the effectiveness of the CTF in the fulfilment of its objectives.

Stakeholders were strong in their **collective desire for more proactive communications** from the CTF, around industry conditions, training needs, and board discussions amongst others. Stakeholders suggest that there is limited clarity regarding board matters, agendas or minutes, all of which would benefit industry participants if communicated.

Some stakeholders suggest **information gaps may discourage the single contractor market** in taking up funding with corporations and GTOs better able to navigate the system.

Stakeholders suggested the CTF should adjust its marketing, promotion (and use of ambassadors) and branding of the industry. In some cases, the marketing is described as being out-dated and unfit for the current generation or industry target market. The next generation of potential apprentices were described as being “better educated, more sophisticated and more demanding” compared to the vision of being in a “trade-for-life”.

To attract the future generation, stakeholders suggest that the **CTF should more effectively sell the story of what the industry can offer** and the potential for a career pathway to management roles or business ownership, and a role that is both intellectually stimulating as well as one that requires a higher level of acumen.

These views were reinforced in the responses to the survey, where 26 per cent of all survey respondents said that the CTF had failed to be effective in its communications with industry, with a further 35 per cent unsure.

The effectiveness by which the CTF operates is measured through its **effectiveness KPIs** which are transparently reported each year in its Annual Report. The CTF’s performance against these effectiveness KPIs is presented in **Figure 4.2** below. In relation to the targets for each KPI, they are set by the CTF Board, however, it is not clear the rationale for how each target is set.

The KPI regarding the **number of apprentices and trainees in training as a proportion of total tradespeople in the industry** has fallen from a high of 16.7 per cent in 2011-12 to a low of 10 per cent in 2016-17, rising to 11.2 per cent in 2017-18. The CTF has a target training rate of 15 per cent⁷ which has only been met once in 2011-12. The decline in the training rate has been caused by a fall in the number of apprentices and trainees in training which has decreased from 9,061 in 2015-16 to 7,358 in 2017-18.

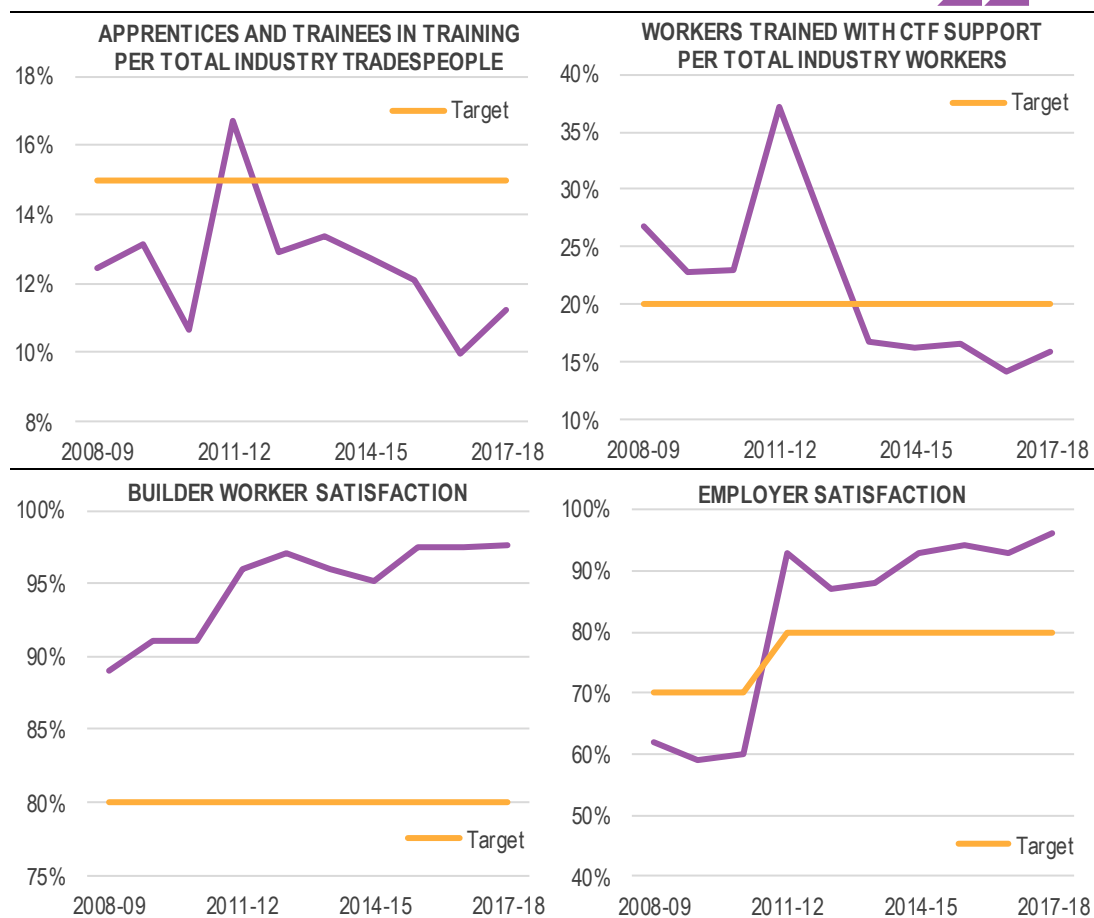
The **number of workers in the industry trained with CTF support compared to the number of workers in the industry** has also fallen, decreasing from a peak ratio of 37.2 per cent in 2011-12 to 14.1 per cent in 2016-17. The target rate has been met in all years prior to 2013-14 before falling below the target rate in all following years. The cause of this has largely been due to a decline in the number of workers trained by the CTF. The CTF 2017-18 Annual Report suggests that the fall in people receiving CTF support may be due to construction workers returning to traditional sectors of the construction industry who have already undertaken supplementary skills training.

In relation to the satisfaction KPIs, both the **builder worker satisfaction**⁸ and **employer satisfaction**⁹ measures have exceeded their targets in recent years.

⁷ BCTF Annual Report 2017-18. Based on national research to replace tradespeople leaving the industry.

⁸ Satisfaction of students who had undertaken supplementary skills training, and OS&H training that was subsidized by the CTF in the last 12 months.

⁹ Satisfaction of employers with the overall quality of training supported by the CTF.

FIGURE 4.2 EFFECTIVENESS KEY PERFORMANCE INDICATORS OF THE CTF

SOURCE: CONSECUTIVE BCTF ANNUAL REPORTS

In exploring the CTF's overall effectiveness, the **underlying economic conditions need to be taken into consideration when assessing the performance of the CTF in the achievement of its objectives**. The CTF's operating position is traditionally influenced by trends in the building and construction industry, both in terms of levels of activity which in turn corresponds to the amount of training undertaken in the sector.

In more recent times the CTF's financial performance has mirrored the decline in the State's residential and non-residential construction industries. This has, in turn, been the driver behind the significant decline in the grants and subsidies paid by the CTF to the building and construction industry over the past five years. Ultimately, the **achievement of the CTF's objective to increase the number of skilled persons in the building and construction industry can only occur when there is work available in the sector**.

In relation to **stakeholder views** on the effectiveness of the CTF, some of the key messages arising from stakeholder feedback include:

- The CTF is effective in **promoting the benefits of a career in the industry** via marketing and communications (59 per cent of all survey respondents believed CTF was effective in this regard) and via experiences such as the Construction Futures Centre and direct programs such as career talks in schools (49 per cent of survey respondents believed the CTF had been effective in this regard).
- The CTF has been **effective in assisting the building and construction industry to have access to skilled workers** (58 per cent of survey respondents who that have engaged the CTF over the past 12 months believed this to be the case).
- The CTF's **focus on early skills acquisition and the importance of having a foundation trade was supported by industry**, which was reinforced by the results of the survey which found that of

those respondents who had engaged with the CTF over the last 12 months, 48 per cent said the current menu of training subsidies provided by the CTF were adequate for their business needs into the future.

Assessing the overall effectiveness of the CTF is difficult in an environment where industry conditions are so challenging. Notwithstanding, stakeholders were firmly of the view that the CTF had been effective in the achievement of its objectives, but that there were opportunities to further enhance its effectiveness. The next chapter to this review examines some of the critical reform issues which will help the CTF in achieving its objectives.

KEY FINDING 8 EFFECTIVENESS OF THE CTF

Stakeholders were strong in their collective desire for more **proactive communications from the CTF**; both in terms of communicating broader trends in the industry, and in providing greater clarity regarding the strategic direction of the CTF as guided by the Board. Stakeholders believed that the **effectiveness of the CTF could be enhanced through more effective marketing, promotion and branding of the industry**.

The effectiveness by which the CTF operates is measured through its **effectiveness KPIs** which are transparently reported each year in its Annual Report. The targets for each KPI are set by the CTF Board, although it is not clear the rationale for how each target is set.

In relation to the CTF's performance against its effectiveness targets, the **CTF has failed to meet its target regarding the number of apprentices and trainees in training as a proportion of total tradespeople in the industry**, although this can be explained by softer market conditions which has seen the number of apprentices and trainees in training fall sharply in recent years. The **number of workers in the industry trained with CTF support compared to the number of workers in the industry has also fallen in recent years, and has been below the set target rate since 2013-14**.

In relation to the satisfaction KPIs, both the **builder worker satisfaction and employer satisfaction measures have exceeded their targets in recent years**.

In exploring the **CTF's overall effectiveness, the underlying economic conditions need to be taken into consideration when assessing the performance of the CTF in the achievement of its objectives**.

Ultimately, the achievement of the CTF's objective to increase the number of skilled persons in the building and construction industry can only occur when there is work available in the sector.

Overall, there was strong support from across industry that despite the challenging economic conditions, the **CTF was still effective in the achievement of its objectives**. As the CTF is funded by industry, this is a critical marker to assess the CTF's effectiveness. This was reinforced by the results of the industry survey, which found that 58 per cent of respondents believed that the CTF was effective in assisting the building and construction industry to have access to skilled workers, and that its focus on early skills acquisition and the importance of having a foundation trade was important in supporting their business needs into the future.

4.3 Does a demonstrable need exist for the CTF?

The CTF exists to support the building and construction industry by helping to improve the quality of training and to increase the number of skilled persons in the building and construction industry. It aims to achieve these objectives through the provision of a range of industry programs, which are funded by industry through the collection of a 0.2 per cent levy on the value of the majority of building and construction projects undertaken in Western Australia. Importantly, the CTF is 100 per cent industry funded, and does not receive an appropriation from the State Government to deliver its industry support programs.

In assessing this critical evaluation question, it is important to understand the degree to which industry believes that the need for the CTF to exist remains. Through its comprehensive stakeholder consultation process, ACIL Allen found that there was **widespread support for the role of the CTF and its importance to industry. This was highlighted through the survey, where 88 per cent of all respondents stated that there was an ongoing need for the CTF**, rising to 92 per cent of respondents when excluding those that had not engaged with the CTF over the past 12 months.

Stakeholders were strong in an opinion that the CTF was critical to the broader industry, helping to address areas of systemic challenge in the provision of training and ensuring the levy was set at a level that gave the CTF the means to address that systemic challenge. When prompted, stakeholders suggested the **systemic challenge was largely a reflection of the residential and commercial construction industry, which was characterised by small contractors**. By contrast, larger companies and resources sector participants had the means to train to their own requirements.

As discussed in Section 2.2, trends in apprenticeships and traineeships commencements and completions in the building and construction industry have been in decline since 2014-15. There are increasing concerns within industry that the **continuation of low levels of apprenticeships and traineeships will see skill shortages become a significant constraint on the building and construction industry in the coming years**, with some suggesting that these constraints will emerge within 12 months. Stakeholders were of the view that the continuation of the CTF will be more important than ever in helping industry navigate these emerging workforce challenges.


KEY FINDING 9 OVERALL ASSESSMENT – ONGOING NEED FOR THE CTF

Through its comprehensive stakeholder consultation process, ACIL Allen found that there was **widespread support for the role of the CTF and its importance to industry**. This was highlighted through the survey, where 88 per cent of all respondents stated that there was an ongoing need for the CTF.

Stakeholders were strong in an opinion that the CTF was **critical to the broader industry, helping to address areas of systemic challenge in the provision of training** and ensuring the levy was set at a level that gave the CTF the means to address that systemic challenge.

The broader trends in apprenticeships and traineeships commencements and completions in the building and construction industry have revealed that numbers have been in decline since 2014-15. Stakeholders reported that there were increasing **concerns within industry that the continuation of low levels of apprenticeships and traineeships will see skill shortages become a significant constraint** on the building and construction industry in the coming years, with some suggesting that these constraints will emerge within 12 months.

Stakeholders were of the view that the **continuation of the CTF will be more important than ever in helping industry navigate these emerging workforce challenges**.





The previous chapter provided an evaluation of the CTF, guided by WA Treasury's evaluation framework which requires an assessment against the criteria of efficiency, effectiveness and whether there is an ongoing need for the CTF. While there is widespread support amongst stakeholders for the continuation of the CTF, there are opportunities to enhance the way in which the CTF delivers on its objectives in an efficient and effective manner.

This chapter explores the three critical issues that were agreed by the Steering Committee warranted a more detailed examination as part of this review, all of which have the potential to enhance the way in which the CTF operates in the pursuit of its broader objectives. At the conclusion of the chapter, ACIL Allen will assess its findings with respect to these critical issues against the recommendations of the 2014 review.

5.1 Resource sector integration

Item Four of the Terms of Reference of the Review calls on the Review Chair to review any legislative implications of the removal of the exemption for resources sector engineering construction work raised by members of the resources industry. This section discusses those matters raised by members of the resources industry during stakeholder consultation, at a resources sector issues workshop, at project steering group meetings, and in written submissions received by resources industry representatives.

5.1.1 Current situation

In Opposition, the current State Government took to the election a policy of reversing a decision taken in 1995 to remove engineering construction activity undertaken by or on behalf of the resources industry from the scope of the Levy (and from the ability to claim against the Levy). The case for this change, according to WA Labor's State Election Policy Platform, was to "up skill apprentices and ensure that the building and construction industry has the skills to meet the needs of the future¹⁰".

The change was announced in May 2018 and enacted via regulation on 1 October 2018. During debate in State Parliament, the policy intent of the removal of the exemption was conveyed as below by the Hon. Sue Ellery, the Minister for Education and Training.¹¹

The consideration of getting the resources industry to contribute to this fund is not based on the proposition that the resources industry does not contribute to training—of course it does. It is about recognising that for that particular bit of the industry's work around engineering construction in particular, it currently does not contribute to formal qualifications, and when the economy is at its peak, it takes the best workers out of the construction industry, which the civil construction

¹⁰ WA Labor. 2017. *2017 WA Labor Platform*. Accessed online at <http://www.walabor.org.au/platform>

¹¹ WA Parliament. 2018. *Extract from Hansard, BUILDING AND CONSTRUCTION INDUSTRY TRAINING FUND MOTION AND AMENDMENT TO MOTION: [COUNCIL — Wednesday, 11 April 2018], p1738d-1752a*

industry has paid and committed its training dollars to, and those people do not come back once they have gone to the resources industry. I think it is an equity issue and recognising that an element of the resources industry's work requires formal qualifications and apprenticeships, and currently the industry is not pulling as much weight as it could in that area. Getting the resources industry to contribute to the training fund for that kind of work is worthy of serious consideration.

As it stands, the policy decision was given life by the introduction of two definitions in the regulations, being **resources facility** (which is in scope of the Levy) and **resources operational work** (which is not in scope of the Levy). When determining whether resources engineering construction activity is in scope, the CTF first deems whether the activity meets the definition of construction in the Act, before determining whether it is activity associated with a resources facility versus resources operational work.

There remains some uncertainty with respect to the additional Levy payments that will be made as a result of the removal of the exemption. In response to a Question Without Notice on 18 October 2018, the Hon. Sue Ellery, the Minister for Education and Training, stated the forecast revenue over the forward estimates period arising from the removal of the exemption was \$25.2 million, accounting for 18 per cent of the CTF's projected revenue over the forward estimates.

At the time of drafting the CTF reported that one resources industry participant had made a contribution to the Fund via the Levy.

5.1.2 Receiving feedback from resources industry participants

Throughout the Review participants in the resources industry were provided with a number of opportunities to present issues and considerations with respect to Item Four of the Terms of Reference. These included:

- Representation on the Project Steering Group by the three major industry representative groups (the Chamber of Minerals and Energy [CME], the Association of Petroleum Producers and Explorers Australia [APPEA], and the Association of Mineral and Exploration Companies [AMEC]),
- One on one and/or group consultation sessions with each of the representative bodies and their members, plus a handful of individual company consultation with companies,
- A standalone Resources Industry workshop, where resources companies were able to provide direct feedback to the Review,
- Participation in the two other Project Steering Group workshops, which was taken up by CME and APPEA,
- Opportunity to provide written submissions, of which four were received (three from the representative groups and one from an individual company, Woodside), and
- Opportunity to participate in the industry survey, of which ten responses were received.

While there were concerns raised by the resources industry with respect to the application of the Levy, the new policy has been operational for less than one year, and only one payment has been made into the Fund (as of the time of drafting). As the policy has only been operational for a short time, it is prudent that Item Four of the Terms of Reference is carried forward to the next statutory review, due in 2024, to ensure that any issues which emerged as the policy is bed down after the Review. This will provide a longer time period to assess any issues or concerns that industry may have as they materialise, instead of being based on assumptions with respect to how the policy may function in practice.

KEY FINDING 10 RESOURCES INTEGRATION – NEXT STATUTORY REVIEW

It would be prudent that Item Four of the Terms of Reference for the 2019 Statutory Review be carried forward to the next statutory review, due in 2024. This would help ensure any issues or challenges which are not clear with current legislative settings can be reviewed thoroughly after a longer period of being in operation.

5.1.3 Matters raised by resources industry representatives

ACIL Allen has summarised the issues raised by resources industry representatives in the table below. The extent to which these should be a consideration for the Review centre on whether the issue is relevant to realising the policy intent of the application of the Levy to engineering construction activity undertaken by or on behalf of the resources industry. The policy intent of the removal is discussed in Section 5.1.1. The matters raised are discussed below (**Table 5.1**).

5.1.4 Suggested reform options

ACIL Allen's consideration of the issues raised by resources industry stakeholders yields the following areas for further investigation:

Skewed capital to labour ratios on a small number of large resources industry engineering construction projects:

Some resources industry engineering projects, such as on shore LNG facilities, have very large capital values due to the complex and highly specialised (and therefore very expensive) capital inputs required, which may skew the project proponent's Levy payment against its utilisation of the State's construction workforce. One example provided by Woodside in its submission indicated the capital-to-labour ratio for a typical LNG train construction project was 35 times higher than a calculated ratio for the residential and non-residential building industries.¹² This meant an approach of levying the full capital value of the project may lead to a Levy payment that is disproportionately larger than the construction skills requirement on the project.

It is not clear from stakeholder information that this is a significant issue for project owners in the minerals sector, as no evidence was provided to support a claim that the capital expenditure-based approach of the Levy would raise amounts that were disproportionate to the construction labour requirements for minerals projects.

The central argument of the resources industry in this context is the CTF does not necessarily require a large injection of funds under its current framework for supporting the building and construction industry. This argument has some merit given the decline in apprentice and trainee numbers discussed in Section 2.2 and the subsequent increase in the CTF's cash reserves discussed in Section 2.1. However, an alternative view is the additional funds provide the CTF an opportunity to change the way it delivers programs to support its objectives, by increasing its level of support.

However, to the extent that the leviable value of a project is driven solely by the high value of imported capital equipment and not the true construction cost (which has historically been seen to be correlated to construction skills utilisation), the structure and rationale of the Levy begins to break down. No tax is perfectly efficient; there will always be some form of cross-subsidisation in a broad industry levy of this nature. The extreme nature of cross-subsidisation in the context of projects with very large capital values owing solely to the high value of imported capital equipment is not acceptable, and risks undermining the policy intent of the removal of the exemption all together.

As such, there is a reasonable case to impose some form of constraint on the capital value of very large projects in certain cases where the value of imported capital equipment is the lone reason for the very large capital value of the project.

There are options to tailor Levy payments that may more closely approximate the capital-to-labour ratio of these very high capital value resources construction projects against non-resources construction projects.

One proposal put forward by many resources industry stakeholders was to exempt some specific high value capital goods from the calculation of the capital value of a project for Levy purposes. Such an approach would be an extension on the current transition approach of defining certain activities and functions undertaken by or on behalf of the resources industry as resources operational work versus resources construction work.

¹² Woodside. 2019. *Woodside submission to 2019 Statutory Review of the Building and Construction Industry Training Fund and Levy Collection Act 1990*.

TABLE 5.1 MATTERS RAISED BY THE RESOURCES INDUSTRY WITH RESPECT TO ITEM FOUR OF THE REVIEW TERMS OF REFERENCE

Issue raised	About the issue and what it means for the BCITF	Discussion and considerations
The typical size and value of a resources project is very large.	Stakeholders have identified the high capital intensity of resources sector projects in comparison to the building and construction industry. Stakeholders suggest that the existing 0.2 per cent Levy would result in a disproportionate contribution to the Fund given their labour and training needs. The concern is that the Levy would trigger large, upfront, disproportionate payments to the CTF. The typical size of resources projects may warrant a cap on the contribution to the Fund and/or an instalment structure to smoothen the input of funds to the CTF.	<p>This may be the case for some large-scale, on-shore petroleum projects, such as construction of an LNG plant. Capital values in this sector routinely exceed \$5 billion. This reflects the highly complex nature of these facilities. For other resources projects, such as open pit mines, capital values tend to be large, but this simply reflects the scale – and therefore the construction workforce requirements – of the project.</p> <p>The case for a cap on the capital value of resources projects for the purpose of calculating Levy payments is discussed below.</p>
Resources sector projects typically have a high value of imported capital and overseas manufactured items.	Some stakeholders have identified the complexity of the industry and the requirement for specialised equipment especially in large oil and gas projects. These projects often require unique and highly specialised, high value technical equipment which is imported and manufactured overseas. These projects don't involve local construction activity nor utilise the local workforce. This may warrant an exemption on high value imported capital items, a cap on the Levy or a reduced Levy rate.	The importation of complex capital equipment from specialised manufacturers overseas is likely the principal driver of high capital values discussed above for onshore LNG plants. However, non-resources projects also require complex capital equipment, or imported capital equipment and materials more generally, meaning this is not a feature of construction projects specific to the resources industry. Some examples of imported capital on non-resources industry construction projects include turbines for gas fired power stations, structural steel for high rise apartment complexes, and elevators and escalators for office tower developments.
The resources sector is subject to the Levy on new builds, ongoing expenditure, replacements and relocations.	Some stakeholders highlight the overlap in construction and operational activities in the resources sector and call for a clearer definition of construction. Stakeholders point out that the resources sector is subject to the Levy not only on new builds but also ongoing expenditure, replacements of existing infrastructure and the relocation of existing infrastructure (which commonly exceed the \$10 million threshold) whilst the building and construction sector only pays the Levy at the start of the project.	<p>The assertion with respect to the payment of the Levy on non-resources industry construction activity is incorrect. All replacement, renovation and relocation activity in non-resources industry construction is subject to the Levy if the value of the activity exceeds \$25,000.</p> <p>The policy intent of the removal of the exemption on resources engineering construction work undertaken by or on behalf of the resources industry is for the industry to contribute to base level trades training of the State's construction workforce. A concession has been made to the resources industry in the form of the \$10 million threshold for these works as oppose to \$25,000 for non-resources works.</p> <p>To the extent these works require a skilled construction workforce they should be in scope of both the Levy and training subsidies.</p> <p>The definitions included in the Act and subsidiary regulations are intended to bring works related to the construction of a resources facility into scope of the Fund, and exclude operational expenditure from the scope of the Fund. Issues with respect to the definition of construction that may hinder this are discussed in Section 6.2.</p> <p>There are some activities undertaken by or on behalf of the resources industry where construction and non-construction activities are blurred. This is discussed below.</p>

Issue raised	About the issue and what it means for the BCITF	Discussion and considerations
Resources projects are typically built over an extended period of time.	The Levy, which is required to be paid upfront and applies to the total value of the construction project, can represent a significant upfront cost to the organisation on projects that may take several years to complete. Stakeholders suggest that due to the duration of some projects, it may be reasonable for Levy payments to be made in instalments to limit the significant upfront costs on companies whilst encouraging project development in the State.	<p>The request for full up front payment of CTF levies is a risk mitigation measure given the risks associated with residential and non-residential construction contractors and subcontractors becoming insolvent during construction projects. This risk may be less pronounced for companies undertaking resources engineering construction on behalf of the resources industry as businesses involved in these works are generally well capitalised. However, there is no evidence a high value resources engineering construction project will always take longer than a non-resources industry construction project.</p> <p>Upfront payment of a capital levy may however reduce the economics of a resources project to the extent it is required to pay levy before it is producing free cashflow. This may be a significant issue for small players in the sector. Given this, there may be merit in the CTF considering the introduction of a more tailored approach to levy payment on projects over a certain value threshold and where the payer (across all industries, not just resources) can make the case that full up front payment will harm project viability.</p>
Resources sector projects have high capital to labour ratios and have high cost individual capital components.	Stakeholders highlight the capital intensity of resources sector projects and the high capital to labour ratios of a typical resources project (compared to the building and construction industry). Under the existing structure of the Fund, stakeholders suggest that the resources sector would be paying in excess of their training requirements and labour utilisation. This may warrant a cap on Levy payments or an introduction of a tiered Levy rate.	This matter is addressed above.
The resources sector is under represented on the Board given its likely future contribution to the Fund.	Stakeholders suggest that there needs to be greater resources sector Board representation given the sector is now a contributing industry. The aim of increasing Board representation is said to enhance the understanding of resource sector projects, identify future workforce skills needs, improve the communication with the sector, assist in identifying the future skills needs of the sector and contribute to the strategic direction and operational plan of the Fund. This may warrant an increase in the resources sector representation on the Board.	<p>As discussed in Section 3, resources industry stakeholders made a strong argument that they should not be treated as a homogenous group given the significant variance between at least mineral and petroleum project construction and operating methods – and potentially between different kinds of minerals projects and on shore and off shore petroleum projects. This argument is supported.</p> <p>ACIL Allen understands that there has been one position added to the CTF Board, which is currently filled by a representative from the petroleum sector. Given the significant variance identified by stakeholders there is merit in a further expansion in the size of the CTF Board to facilitate an additional representative from the minerals industry.</p>

Issue raised	About the issue and what it means for the BCITF	Discussion and considerations
The unmet training needs in the resources sector haven't been identified.	Some stakeholders suggest that the training needs of the resources sector haven't been identified and it is therefore difficult to identify how much funding is required in the future. The resources sector wants to ensure that there is a skilled workforce at the right time, significant research, knowledge and planning to meet changing workforce needs. It may be warranted for the CTF to introduce a more comprehensive strategic plan to ensure the most effective use of revenue to support the future needs of the building, construction and resources sector.	The policy intent of the removal of the exemption on resources engineering construction work undertaken by or on behalf of the resources industry is for the industry to contribute to base level trades training of the State's construction workforce. The training requirements of the resources industry are only relevant to the extent they support this policy intent.
The resources sector has a different skill set compared to the building and construction sector.	Some stakeholders highlight the different skills requirements in the resources sector compared to the building and construction industry whilst acknowledging some degree of crossover. This may warrant the identification of these differences and required skills in the resources sector so that the CTF can support the areas that they raise funds from. However, stakeholder note that most of their construction activity is completed by contractors and not the resources companies themselves.	<p>The resources industry's strong training culture, specialised training requirements of the operational workforce, and contribution to the State's skilled workforce, has been acknowledged by the State Government in announcing the removal of the exemption.</p> <p>The policy intent of the removal of the exemption on resources engineering construction work undertaken by or on behalf of the resources industry is for the industry to contribute to base level trades training of the State's construction workforce. This differs from the training focus on resources industry participants.</p> <p>An approach of hypothecating Levy payments raised from resources industry engineering construction projects is not supported as it does not support the policy intent of the removal of the exemption.</p>

SOURCE: STAKEHOLDER WRITTEN SUBMISSIONS, RESOURCES SECTOR INDUSTRY WORKSHOP, ACIL ALLEN CONSULTING

While at face value this approach may seem sound, it is unclear how it would be workable in practice. For instance, it is likely an itemised exemption approach would require continuous negotiation between project owners and the CTF, imposing an additional administrative burden on both industry and the CTF. A negotiated approach also goes against the resources industry's stated desire for certainty with respect to future CTF liabilities. Such an approach also lends itself to gradual scope creep. By contrast, an approach of specifying a list of items in a legislative instrument is not practical as it would require constant refinement due to technological change and/or new production methods which may change the nature of capital employed on resources construction projects.

An alternative approach is to adopt a model similar to Queensland's own *Building and Construction Industry Training Levy*. The Queensland model applies a step rate methodology with three brackets, for projects with a capital value of greater than \$150,000, being:

Lower bound	Upper bound	Applicable rate
\$0	\$1,000,000,000	0.1%
\$1,000,000,000	\$5,000,000,000	0.05%
\$5,000,000,000+		0%

SOURCE: BUILDING AND CONSTRUCTION INDUSTRY (PORTABLE LONG SERVICE LEAVE) REGULATIONS 1991 (QLD)

In this case, a project with a capital value of \$5 billion or more pays a levy of \$3 million.

Queensland adopted the tiered approach to its construction training levy in 2014, meaning the policy has been in operation for just over five years. The explanatory memorandum suggests the intent of the policy change was to reduce the cost of construction in Queensland. Prior to this change the Queensland levy was set at a flat 0.1 per cent for all projects valued at over \$80,000 (the change to \$150,000 was made at the same time as the step rate system was introduced).

In Western Australia's case, the policy intent is very different: it is to increase the quantum of funds flowing into the CTF to provide additional capacity to meet its objectives. The capped levy approach of Queensland system should not be adopted simply because there is a cap in place in Queensland. However, the risk of this issue undermining the overall policy intent of the recent change in Western Australia is real, and in ACIL Allen's view this is not a productive outcome for the CTF or the resources industry.

A cap on the capital value of any one project is significantly simpler and more transparent than an approach of creating and managing a list of exemptions. This should not undermine the policy intent of the Levy, nor the achievement of the CTF's objectives, since the imposition of a cap will still generate revenues over and above what has been historically raised by the Levy.

The Queensland approach of introducing a step rate is not supported, as it is not clear why a step rate is a superior option to a well-targeted capital value cap for any purpose other than to reduce the relative rate of payment for large projects that do not fit the "very large" definition discussed earlier in this section.

KEY FINDING 11 CAPPING THE CAPITAL VALUE OF PROJECTS FOR LEVY PURPOSES

The policy intent of the removal of the exemption granted to resources engineering construction work undertaken by or on behalf of the resources industry may be undermined in some isolated cases of very large capital value projects, where the capital value of the project is driven solely by the high value of imported capital equipment. To address this risk, a cap on the capital value of any building and construction project for the purposes of calculating the levy could be considered. The Queensland construction training levy capital value is capped at \$5 billion.

Timing and phasing of Levy payment

As discussed in Section 2.1, the CTF requires entities liable for the Levy to pay 100 per cent of the estimated Levy at the time of either a building permit being granted (in the case of projects which

require a building permit via an LGA) or prior to the commencement of construction (in other cases). There is then a process of reconciliation at the end of a project to capture any variations in the initial contract value (with additional levy payable if variations exceed \$25,000).

Resources industry stakeholders raised concerns that full payment of the Levy up front may impact on the economics of resources projects, leading to a situation where the Levy results in one or more projects not proceeding. This is particularly a concern for smaller project owners, who generally raise capital as and when needed to fund projects. A higher funding requirement reduces project economics, by increasing the payback period of an initial investment and reducing the return on investment of the project.

While the Levy will almost never be a determining factor behind the success or otherwise of the final investment decision of a resources project, there may be instances where a producer with a low tolerance for additional borrowings with an extremely marginal project may not proceed on the basis of an additional cost of the magnitude that the Levy seeks to raise from. The CTF should monitor this as the Levy is bedded down between now and the next statutory review.

There may be an opportunity to address this concern by introducing the ability for project owners to apply for a phased payment schedule under certain conditions (such as having an estimated Levy payment of greater than \$1 million for the combined project) where a proponent can demonstrate payment of the Levy up front would lead to the viability of the project being called into question. This approach would balance the risks associated with ensuring Levy payment while providing industry with a remedy to guard against project viability risks.

This option should be available to all projects, not just resources industry engineering construction projects. The phased levy approach is unlikely to generate any cashflow issues for the CTF given its strong balance sheet position.

KEY FINDING 12 LEVY INSTALLMENTS IN ISOLATED CASES

Resources industry stakeholders raised concerns that full payment of the Levy up front may impact project viability in some cases. To address this risk, there may be an opportunity to introduce a mechanism to allow project owners to apply for a payment instalment plan where it can demonstrate full payment of a Levy liability up front impacts project viability. If progressed, an instalment plan should only be available for Levy payments over a certain threshold, and should be available to all projects not just resources industry engineering construction projects. Such an approach is unlikely to generate any cashflow issues for the CTF given its strong balance sheet position.

Blurred lines between construction and operations in some specific cases

The intent of the removal of the exemption from the Levy of resources industry engineering construction activity is to ensure the industry is contributing to the training of persons in the building and construction industry. Throughout the Review process, stakeholders consistently raised concerns with respect to the potential for the Levy to apply to their operational spend.

This issue was discussed with industry representatives at the Resources Industry Workshop which was convened for the Review. Participants were asked to provide a description of the kinds of activities undertaken at the typical major project lifecycle stages for mining and petroleum projects. This discussion suggested there was a relatively clear delineation between the activities that should attract a Levy payment according to the policy intent of the exemption removal and the activities which should not.

Industry's concerns centre on the fact the removal of the exemption occurred less than 12 months ago, and there has been limited opportunity to effectively "test" the approach adopted by the CTF. This has been compounded by a need for the CTF to rapidly expand its capabilities and knowledge of the resources industry, a matter which was raised often by stakeholders (see Section 3).

The policy intent of the removal is clear. This is further reinforced by the concessional arrangement made for alterations and additions to resources facilities needing to be valued at more than

\$10 million, which is 400 to 500 times higher than the threshold for all other building and construction alterations and additions. The intent of this concession is to ensure “minor construction works” (in the context of a resources project) which are more in relation to fulfilling operational requirements on site are fully exempt from the Levy, even if these may draw on labour resources also used in the building and construction industry. However, at this point it is unclear whether this approach will prove effective in delineating between the construction of a resources facility versus activities associated with operating and maintaining a resources facility.

There are a number of ways the CTF and industry can move forward on this issue and ensure the policy intent of the removal of the exemption is fulfilled. The current approach of a long list of inclusions and exclusions, which has required the CTF to develop detailed guidance material for industry, was well intentioned and reflects the relatively short time the CTF had to respond to the policy change by the State Government. Instead, in line with the suggested approach of capping capital values, the CTF and industry should work with the existing \$10 million concessional expenditure threshold to address concerns around the risk of the Levy creeping into operational works.

The CTF should consider additional resourcing to ensure it has the capacity to liaise with, and gather information from, the resources industry in relation to projects both existing and new that should attract the Levy. Representative bodies should continue to engage productively with the CTF, as they have done so via ACIL Allen during the Review, in the short to medium term as the policy change is bed down. Finally, there should be a review of the \$10 million concessional alterations and additions threshold for resources facilities prior to the next statutory review (due in 2024) to ensure the threshold has been established at a level that exempts all operations and maintenance activities that are not related to construction of a new resources facility.

KEY FINDING 13 DELINEATING CONSTRUCTION AND OPERATIONAL SPEND ON RESOURCES PROJECTS

Resources industry stakeholders raised concerns with respect to the often blurred lines between activities which may be deemed to be construction related that are part of the regular operations of their projects. The existing mechanism to deal with this – the \$10 million concessional expenditure threshold for “minor works” on resources facilities – should be an appropriate means to address this concern. To give full effect to the concessional expenditure threshold the CTF may consider an increase its resourcing and capabilities in understanding resources industry engineering construction projects, and the industry should engage with the CTF to assist in building this capability. In addition the concessional expenditure threshold of \$10 million may be reviewed prior to the next statutory review to ensure it is operating as intended.

In addition, ACIL Allen’s consideration of issues associated with the definition of construction should assist in providing greater certainty regarding the activities which are in scope and out of scope of the Levy (see Section 6.2).

The subsidiary legislation (the *Building and Construction Industry Training Fund and Levy Collection Regulations 1991*) includes definitions of a **resources facility** and **resources operational work**. As discussed above it is likely the current approach of specifically defining resources operational work is leading to confusion with respect to how the Levy should apply to resources projects as they are complex and multi-faceted.

There is an opportunity to streamline this approach and reduce the complexity of the current definition of activities. The alternative approach may be to continue to define a “resources facility” along the lines of the current definition and pairing back the definition of resources operational work to reflect all work that is not defined in the new definition of construction as construction work that occurs on a resources facility is considered resources operational work. This, coupled with the \$10 million concessional expenditure threshold, should provide a more sound basis to ensure the intent of the removal of the exemption is enacted.

KEY FINDING 14 STREAMLINED DEFINITION OF RESOURCES CONSTRUCTION

In conjunction with a refined definition of construction, there may be benefit in pairing back the definition of resources operational work to imply that all work which does not meet the new definition of construction on what is defined as a resources facility is considered operational work (and so does not attract a Levy liability).

Industry representation in CTF decision-making

The resources industry expressed a strong desire to provide input into CTF information gathering and decision making. In particular, stakeholders raised the prospect of increasing the membership of the CTF Board, with additional members to be appointed representing the resources industries (mining and petroleum).

This has been partially actioned, with the appointment of Sandra McInness to the CTF Board in December 2018, as an independent appointment Board member representing the resources industry.

As an industry-funded program, Board representation is the primary means by which the industry can hold the CTF to account in its achievement of the objectives of the Act, and to set the strategic direction which guides the means and ways the CTF does business (see Section 2.1.1). The existing structure of the Board is primarily centred on ensuring representation of the building and construction industry, and providers of training to building and construction industry participants. Given the expected quantum of funds forecast to be raised from resources industry engineering construction projects, the suggestion to provide additional representation from resources industry participants on the CTF Board is supported.

In line with the strong feedback from industry with respect to the substantive difference in resources engineering construction undertaken on minerals projects versus petroleum projects, ACIL Allen has considered the merits of ensuring there is at least one representative with substantial experience and/or expertise in each subset of the resources industry is appointed to the Board as soon as is practical in line with processes embedded in legislation.

This may require a change in the existing legislation. Division 2 of the Act refers to the Board as being comprised of seven individuals. The Act also refers to Board members being appointed from a pool of candidates nominated by a specified group of representative organisations, and there are no resources sector representative organisations in this specified group. However, the Minister is required to appoint two persons who are independent of this pool. Enacting a change of this nature may require specific amendment to this Division within the legislation, which ACIL Allen is not in a position to provide specific advice.

KEY FINDING 15 BOARD REPRESENTATION

The CTF Board sets the strategic direction of the CTF, and holds the organisation accountable for delivery of the objectives of the Act. The current composition of the Board primarily reflects the composition of the building and construction industry, and providers of training to building and construction industry participants. Given the removal of the exemption will bring resources sector construction issues into scope, it is appropriate to ensure the Board has substantial experience and/or expertise in resources engineering construction projects.

Uncertainty with respect to additional draw on the CTF's grants and subsidies

In addition to the above matters, it is not yet clear the extent to which the removal of the exemption on resources engineering construction work undertaken by or on behalf of the resources industry will impact on the draw on the CTF's programs. This is due to the relatively short time between the decision to remove the exemption and the early operationalisation of the policy via the change in regulations, and there has been limited opportunity to effectively "test" the approach adopted by the CTF.

The intent of a legislative review is to provide advice and recommendations with respect to changes in the legal framework that delivers on the policy intent of the Act, and Government of the day. Given this, there is not a suitable evidence base to allow for definitive conclusions to be drawn in the context of a legislative review. There is value in ensuring further evidence is gathered.

This creates a need to review the quantum of funding by the Levy and disbursements of grants and subsidies from the Fund once the policy has been operational for a longer period of time. The Levy should not raise any more revenue from industry than is required to fulfil its statutory objectives. As there is uncertainty in both how much revenue the Levy will raise, and how much will be expended, the next statutory review should explicitly review both of these matters.

For example, if it emerges that the removal of the exemption results in a disproportionately large increase in the revenue base of the CTF against demand for its services, there may be an opportunity to reduce the Levy rate across industry to reduce the cost of construction in the State.

KEY FINDING 16 REVIEW OF CTF REVENUE AND EXPENDITURE

There is some uncertainty with respect to the additional draw on the CTF's grants and subsidies as a result of the removal of the exemption on resources engineering construction work undertaken by or on behalf of the resources industry which cannot be suitably resolved in the context of a legislative review given the length of time the policy has been operational. The next statutory review may instead include an item which explicitly reviews both the size of the CTF's revenue base and demand for its programs once further evidence is available.

5.2 The definition of construction

The definition of construction emerged at the first meeting of the Steering Committee as a critical legislative aspect of the CTF that should be subject to ACIL Allen's review. The definition of construction is critical to every aspect of the CTF's strategies, objective and functions, as it determines both the type of worker the CTF levy supports and the base against which the levy is raised.

As it stands, there are three critical definitions of construction for the purposes of the Act, one being the definition of "construction work" and the other two being the regulations associated with the definition of a "resources facility" and "resources operational work".

The definition of "**construction work**" is not contained specifically within the Act. Rather, it refers to the *Construction Industry Portable Paid Long Service Leave Act 1985*. The definition of construction work applies to all construction work undertaken in the State, unless it is defined as **excluded in subsidiary legislation**, being the *Building and Construction Industry Training Fund and Levy Collection Regulations 1991*.

The removal of the exemption on resources industry engineering construction work has led to the creation, by regulation, of the definitions of a "**resources facility**" (which is in scope of the levy) and "**resources operational work**" (which is outside of the scope of the levy). The definition of a "resources facility" interacts with the definition of "construction work" in the Act.

ACIL Allen's review of the definition of construction has been guided by feedback from the Steering Committee at a workshop in late July, and its own research into other definitions of construction and legislative instruments that rely upon a definition.

A number of matters and potential solutions have emerged with respect to the current definition of construction, and the approach to defining construction. These are discussed below.

5.2.1 Issues with the current approach

Through ACIL Allen's research, a number of concerns emerge with respect to the current approach to defining construction for the purposes of the Act and the CTF itself.

First, the **definition relies in the main upon the definition of construction in a second piece of legislation**, being the *Construction Industry Portable Paid Long Service Leave Act 1985*.¹³ This is a concern because the CTF uses the definition of construction to guide its strategy, functions and operations, and any change to the second piece of legislation for what may be genuine purposes may adversely impact on the CTF.

Similarly, if the CTF requires a change to the definition to better discharge its statutory objectives it would require a change to the second piece of legislation, which may adversely impact on the long service leave entitlements of members of the building and construction industry. While the CTF can affect change via the regulations, this does not eliminate the risk of adverse changes on account of a change to the *Construction Industry Portable Paid Long Service Leave Act 1985*. This form of legislative tit-for-tat limits the flexibility and responsiveness of both the Act and the *Construction Industry Portable Paid Long Service Leave Act 1985*.

Neither the Act or the *Construction Industry Portable Paid Long Service Leave Act 1985* have materially changed since they were gazetted in 1990 and 1985 respectively. This may not always be the case in the future. Contemporary legislation in Western Australia does not rely upon cross references for critical definitions – a high level review of five bills before the Western Australian Parliament that seek to prescribe new laws (ie are not amendment bills) found no examples of references to secondary legislation for the definition of terms which were fundamental to the purpose of the bill.

Second, stakeholders raised concerns that the definition of construction currently defined in the Act is **not fit for purpose on a number of fronts**, and was unlikely to remain a viable definition given rapid changes in technology employed in the industry.

At the most basic level, the definition of construction for the purposes of the Act should be all-encompassing with respect to what is deemed to be activities undertaken by, in or for the building and construction industry. Stakeholders from the residential construction industry raised specific concerns related to glaziers and cabinet-makers, who undertook the majority (greater than 50 per cent) of their work away from a construction site.¹⁴ This means construction work undertaken by glaziers and cabinet makers should be excluded from the calculation of levy liabilities – although it is not clear this is the case from the data available – and means that glaziers and cabinet makers are generally not eligible for CTF support.

The on-site/off-site delineation is not specifically set in the *Construction Industry Portable Paid Long Service Leave Act 1985*. The Act refers to work being done “on a site” or if not done on a site that it is “normally carried out on a site but which is not necessarily carried out on site”. This introduces an element of subjectivity into what is deemed to be construction work for CTF purposes; it appears that over time the industry and the CTF have adopted a “majority rules” approach when it comes to the on-site and off-site delineation for the levy and subsidies.

The intent of including “on site” in the definition would be to ensure that only building and construction workers, and work, are in scope of the levy. The critical risk the legislation is seeking to manage is with respect to activities which may be undertaken by the manufacturing industry – such as manufacturing timber doors – that feed directly into the construction industry. However this has created the long-standing issues with respect to cabinetmakers and glaziers, both of which are recognised building trades.

This reflects a technicality which can be addressed via change to the definition of construction for the purposes of the Act. However, it also reflects a broad industry view that the current approach of assessing eligibility on the basis of on-site versus off-site work is unlikely to be tenable in the future due to changes in technology. Broadly speaking, stakeholders suggested an increasing share of “construction” work was likely to occur off site in factories and warehouses, such as prefabricated buildings, complex electrical switchboard assembly and timber, composite or steel framing as an alternative to bricks and mortar.¹⁵

¹³ The Act also references the definition of building work and demolition work in the *Building Act 2011*, following an amendment in 2012. However, these definitions are secondary to the definition included in the *Construction Industry Portable Paid Long Service Leave Act 1985*, and are more general in nature.

¹⁴ Housing Industry Association. 2019. *HIA Submission to CTF Review*.

¹⁵ See Section 3.2.3.

The level of grey in what is on site versus off site does not reflect best practice in legislation. Most contemporary legislation will prescribe limits with respect to these matters, either in an Act or in subsidiary legislation. In addition, and as discussed below, no other legislative instruments reviewed for the purposes of this section made a specific delineation between on-site and off-site construction work.

The definition of construction presently **excludes construction work undertaken on government projects directly by government workers**. This means major State Government projects like the Fiona Stanley Hospital or New Perth Stadium development were in scope of the levy. However, projects undertaken at a local government level by employees of local government – such as road maintenance – is outside of the scope of the levy. It is unclear why this is the case, as the works undertaken meet the definition of construction work, and the workers undertaking the work are members of the building and construction industry.

There is significant construction work undertaken within local government in Western Australia. For instance, in the local roads sector alone, it is estimated Western Australian local governments will spend \$742 million on local roads maintenance and upgrades in 2019-20.¹⁶ If the Levy were applied to this expenditure, it would raise an additional \$14.8 million, around 42 per cent of the actual Levy revenue raised in 2017-18.

Finally, there is an overarching point to make with respect to the **approach of defining construction** in legislation for the purposes of the CTF. The current approach includes prescriptive definitions of what is deemed construction within the Act, and a secondary list of what is in and what is not in scope in the subsidiary legislation. This is likely a reflection of the initial position of having a definition linked to a second piece of legislation, and the need for the CTF to enact policy change via the regulations given the inherent difficulty of changing Acts of Parliament.

This may be contributing to the difficulty the resources sectors have reported to ACIL Allen to be having in understanding their obligations to pay into the CTF via the levy. As it stands, a resources industry company may review its potential liability multiple times following the cascade of various definitions, as a large proportion of its activities fit the definition of construction as per the Act, only for it to be excluded via an interpretation of the regulations. Resources sector-specific matters are discussed in the previous section (Section 5.1).

ACIL Allen received a number of suggested legislative or other policy instruments (such as labour agreements) which defined construction from members of the Steering Committee. These include:

1. The Construction Contracts Act 2004 (WA)
2. Building and Construction General On-site Award 2010
3. National Building and Construction Industry Award 1990
4. The Australian Building and Construction Commission definition
5. The *Building and Construction Industry (Portable Long Service Leave) Act 1991 (Qld)*, which prescribes both the long service leave levy and the State's training levy
6. The Building Act 2011 (WA)

There is no uniform approach taken to defining construction activity in these instruments. Item 2 and Item 5 for example take a similar approach to the Act in that they have a long, specific list of the kinds of activities which make up the building and construction industry, while Item 4 has a detailed description which is not as prescriptive as the previous two. Items 1, 3 and 6 are significantly simpler, with the now redundant National Building and Construction Industry Award 1990 defining construction as:¹⁷

all work performed under this award in connection with the erection, repair, renovations, maintenance, ornamentation or demolition of buildings or structures

¹⁶ WA Local Government Association. 2019. Report on Local Government Road Assets & Expenditure 2018-19.

¹⁷ National Building and Construction Industry Award 1990

It is noted that while the Queensland definition is similar in its prescriptiveness to the current active definition used by the CTF, there is no specific reference to the need for work to be completed on site in the primary definition of construction.¹⁸

There are merits to both approaches. A properly executed detailed definition in the Act should eliminate all grey areas, but may limit flexibility to respond to changing industry needs or policy directions from the Government of the day. It may then lead to a situation like in Western Australia recently where the State Government made a policy decision to bring remove an exemption for resources sector work, and because the definition of construction was not contemporary and was enshrined in legislation the State's response came via regulatory change.

A simpler approach, where any and all work in the construction industry is deemed eligible in the Act and any exemptions or exclusions are enacted by regulation, would afford the State more flexibility to change in the future. However, industry has expressed some concerns with this approach in that it may allow future Governments to unilaterally change the base of the CTF levy without consultation.

On balance, the approach of having a simple definition in the Act and a more detailed list of exclusions in the regulations is likely to provide benefits against the current approach. In particular, if executed well, this approach will help simplify compliance by industry as the regulations will become a single source of information with respect to what is in scope of the levy and what is outside, against the current approach.

5.2.2 Suggested reform options

Following a consideration of the issues above **there are clear benefits associated with a change in the definition of construction**, both from the perspective of the definition itself and the legislative mechanics associated with it.

It is evident the current approach to defining construction is not contemporary, and would not be the way forward if the CTF's enabling legislation was to be drafted today. To capture the benefits associated with streamlining the definition of construction, there is merit in exploring the following structural changes to the way construction is defined.

- The Building and Construction Industry Training Fund and Levy Collection Act 1990 to include a standalone definition of construction.
- The definition adopted in the Act is made more general and all-encompassing, rather than the current approach of seeking to define what is construction in great detail.
- The Building and Construction Industry Training Fund and Levy Collection Regulations 1991 be the instrument which is used to define any and all exclusions from the levy.
- Any reference to the difference between work being done on-site (and by implication off-site) to be removed, with matters of applicability to be addressed by the current clause within the regulations of a person being engaged by an employer "whose primary activity is not related to the building and construction industry" being deemed not part of the construction industry.

In addition to the above, consideration should also be given to removing the current exemption for "government work" in the regulations, as there is no clear rationale for this exclusion.

Resources sector-related issues as they pertain to the definition of construction are discussed in more detail in Section 5.1. It is noted that the general principles implied by the above are also applicable to considerations regarding the legislative implications of the removal of the exemption on resources engineering construction work (ie a broad definition in the Act with specific exemptions in the regulations).

¹⁸ Queensland Government. 2019. *Building and Construction Industry (Portable Long Service Leave) Act 1991 (Qld)*

KEY FINDING 17 THE DEFINITION OF CONSTRUCTION

There are a number of flaws in the current approach to defining construction in the Act. Most of these centre on the advances in lawmaking which have occurred since the Act was proclaimed. There are clear benefits associated with a change in the definition of construction, both from the perspective of the definition itself and the legislative mechanics associated with it. To capture these benefits, there is merit in exploring the following structural changes to the way construction is defined.

- The Building and Construction Industry Training Fund and Levy Collection Act 1990 to include a standalone definition of construction.
- The definition adopted in the Act is made more general and all-encompassing, rather than the current approach of seeking to define what is construction in great detail.
- The Building and Construction Industry Training Fund and Levy Collection Regulations 1991 be the instrument which is used to define any and all exclusions from the levy.
- Any reference to the difference between work being done on-site (and by implication off-site) to be removed, with matters of applicability to be addressed by the current clause within the regulations of a person being engaged by an employer “whose primary activity is not related to the building and construction industry” being deemed not part of the construction industry.

In addition, consideration should also be given to removing the current exemption for “government work” in the regulations. There is no rationale for why government work undertaken by government employees, such as maintenance work on local roads, should be exempt from the levy.

5.3 Enhancing information flows, and the use of data

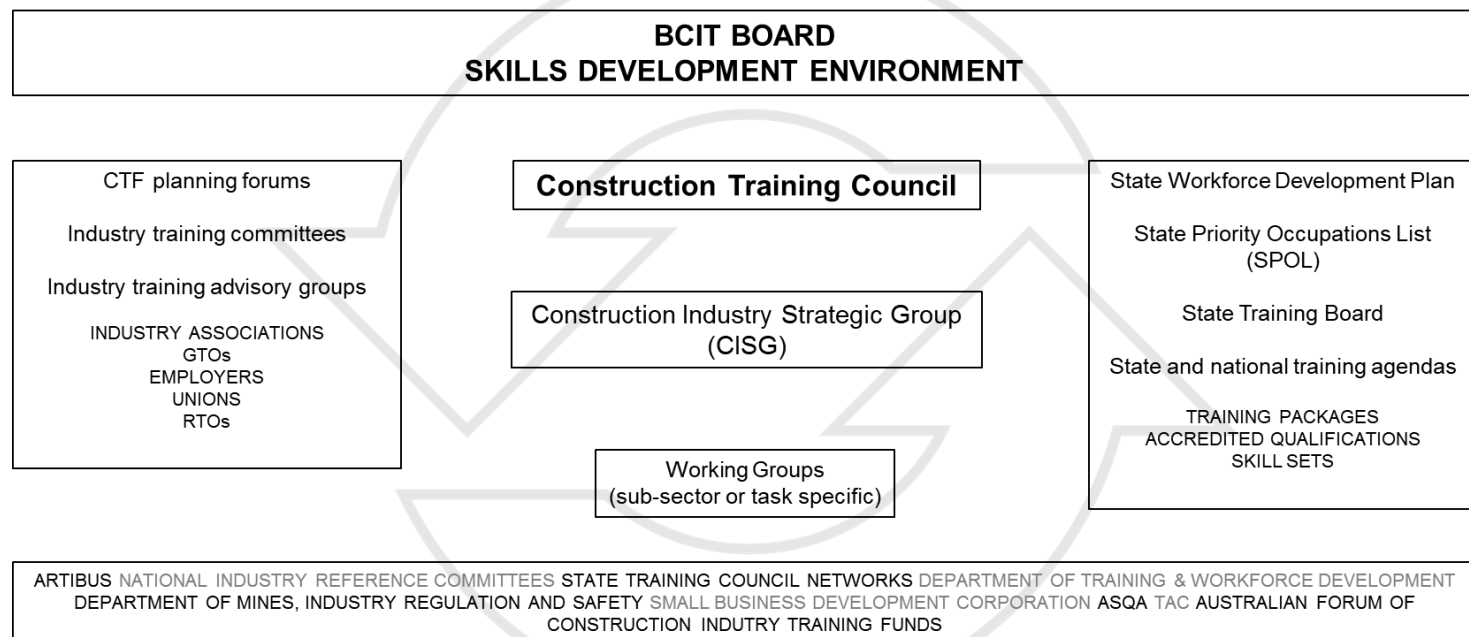
The CTF must have a focus on the future supply of, and demand for, building and construction trades when developing its program of industry support, and in particular when setting apprenticeship and traineeship subsidies. This need for a “future focus” was raised consistently by stakeholders during stakeholder consultation, and was established early as a key theme of ACIL Allen’s review.

It is important to point out that the current means and ways of gathering industry intelligence does not appear to be hampering the CTF’s ability to discharge its statutory responsibilities, nor is it impacting on the achievement of the CTF’s KPIs. However, this feedback presents an opportunity for the CTF to enhance its role in the skills ecosystem in the building and construction industry.

In a general sense, the view of stakeholders was the CTF’s existing means of gathering industry insights and intelligence for the purposes of setting policy could be improved. While the CTF executive and Board were seen as having strong links with industry, and were responsive to issues and concerns when they were raised, this led to the perception that the concerns of stakeholders who had the loudest or most effective voice could influence CTF policy in a way that may not be reflecting whole-of-industry priorities. The phrase “the squeaky wheel gets the oil” was conveyed to ACIL Allen on multiple independent occasions.

This view is reinforced by information provided by the CTF in the lead up to a Project Steering Group workshop discussing the issues of future skills needs and the role of the CTF. The figure below (**Figure 5.1**) highlights the ways the CTF gathers feedback from industry with respect to skills needs and how this feeds into the broader skills development ecosystem of the State Government. As implied by the figure, the CTF has extensive networks, both formal and informal, in the building and construction industry and training sectors, and has established a number of formal protocols that allow this information to be filtered and processed before being presented to decision-makers at either the CTF Board or external groups (such as the State Training Board).

FIGURE 5.1 CTF SKILLS DEVELOPMENT ENVIRONMENT



SOURCE: CONSTRUCTION TRAINING FUND

Industry has a role to play in the provision of feedback and advice on trends it sees in the building and construction industry. The CTF's role is to take these disparate views and bring them together to form an understanding of what is happening at a whole-of-State level.

A number of industry stakeholders saw the CTF as a valuable information source on broader industry trends, and commented positively about the CTF's "Industry Snapshot" publication. The CTF Industry Snapshot is published biannually and is distributed to stakeholders. Prior to 2017, the Snapshot was published quarterly; feedback indicated that although a valued resource, the economic and employment outlooks had minimal variation over successive quarters. A more streamlined, biannual publication was developed and has been in place since 2017.

KEY FINDING 18 COMMUNICATION WITH INDUSTRY

The CTF's biannual Industry Snapshot is highly valued by industry, providing an important medium for the CTF to communicate with industry.

A further opportunity to enhance the CTF's information flows is with respect to long term strategic planning. Industry feedback suggested one clear gap in the CTF's communication with industry was its long term strategic planning, with industry seeking further clarity with respect to the actions the CTF would take over a medium-term horizon to meet its objectives. Taking this medium term view, and socialising it amongst members of industry, is a way for the CTF to improve its ability to look beyond the short-term issues and concerns raised by stakeholders through the existing channels of communication it has established. Taking this time horizon may also provide the CTF with an opportunity to anticipate and respond to more cyclical and structural issues and concerns before they arise, rather than responding once an issue has become critical.

Socialising a medium term strategic plan also allows industry to better understand broader industry trends and how they should plan their training activity. This is particularly important for apprenticeships and traineeships, given these have a three to four year training requirement; an apprentice commencing an apprenticeship today will become a fully qualified and functional tradesperson in 2022 or 2023.

The CTF's primary means of gathering structured feedback on critical issues with respect to training in the building and construction industry is an annual industry forum. This forms part of the CTF's annual strategic and operational plans, which are not available on the CTF website for industry information. The CTF Board also conducts strategic planning activities with an aim of maximising the effectiveness and long-term sustainability of the CTF's resources. It is unclear from material available to ACIL Allen that this longer term planning is formalised in a strategic planning framework or document to guide more short-term plans such as the annual operational plan.

Introducing a formalised medium term (for example five year) strategic planning cycle, and involving industry in the formation of any plans, would better match the time horizons associated with training with actions the CTF can take to meet its statutory objectives. Socialising the plan among industry, including involvement in the formation of the plan, is a way to improve information flows between the CTF and industry with respect to the achievement of a common set of objectives.

KEY FINDING 19 MEDIUM TERM STRATEGIC PLANNING

Industry has communicated a strong desire for socialisation of a longer term strategic plan (5+ years) to ensure the CTF's subsidies and other programs align with industry cycles. A strategic plan of this nature is likely to better match the time horizons associated with training in the industry to the actions the CTF can take to achieve its objectives.

The CTF's primary means of gathering views on the skills outlook is via its industry links. There may be a formal role for data analysis and forecasting of future skills demand and supply as a complementary tool to assist in shaping policy.

This matter was raised by stakeholders consulted throughout the Review, and was strongly endorsed as an opportunity for the CTF at an industry workshop.

The training sector is well served from a data perspective, given the requirement that all formal qualification-based training must be accredited and training contracts be registered with the State Government. This results in a significant volume of data on the precise nature of formal qualification-based training which has been undertaken and is currently underway in the State. ACIL Allen has used this data to provide a comprehensive picture of the state of building and construction apprenticeships and traineeships in Section 2.2. This data can also be used as part of a quantitative skills demand and supply forecasting capability to assist the CTF and CTF Board in setting policy over the medium term.

A number of other building blocks for this approach are already in place. For example, the State Government's Asset Investment Program provides a view of the building and construction services demand from State Government-funded projects over a five year period. Local Governments provide some forward guidance with respect to their own capital works programs. Publicly listed companies are required due to continuous disclosure obligations to provide guidance on future capital investment plans. Publicly available building approvals data is strongly predictive when it comes to the level of construction activity to be undertaken in the residential and commercial construction sectors.

Such an approach may consider analysing the composition of the Western Australian building and construction industry labour force over a five to ten year historic period to determine the amount of labour that has been historically required to facilitate a given value of construction activity. This could then be analysed against the forward guidance implied by the data discussed in the previous paragraph to provide an indication on the level and nature of construction skills that are likely to be in demand. The approach could then project the availability of particular skills in the existing workforce,

and the gap between the two would represent either an under- or over-supply of these skills relative to expected demand.

An analysis such as this would be a substantial undertaking from the CTF, but once established can be largely automated and subject to periodic review to ensure the relationships established in past data remain fit for purpose.

The use of data and forecasting in this way is not a replacement for the existing effective industry intelligence channels the CTF has established through its existing functions and operations. However, it can be complementary tool to act as an independent, fact-based assessment of this industry intelligence, and as a means of gathering information in areas where qualitative intelligence gathering is not as strong.

The State Government has previously considered this kind of analysis when setting training and workforce development policy, most recently by the State Training Board, when it sought to project demand for skills during the resources investment boom.

KEY FINDING 20 USE OF DATA AND FORECASTING

The regulatory environment for qualification-based training in the industry is such that rich data is available on past and current skills supply, while other sources of data would allow for a sound understanding of demand for skills over the medium term. There is likely to be value associated with the development and implementation of a skills demand and supply forecasting capability, to complement the CTF's existing industry intelligence gathering channels.

5.4 Testing the 2014 Review recommendations

A number of the recommendations of the 2014 Review remain relevant today, and have been considered by ACIL Allen throughout the body of this report. The table below provides a summary of ACIL Allen's findings with respect to these recommendations.

TABLE 5.2 CONSIDERATION OF 2014 REVIEW RECOMMENDATIONS

2014 Review Recommendation	ACIL Allen assessment of continued relevance	Comments
Retain the BCITF and Levy Collection Act 1990	Relevant	
Amend the Regulation 3 of the BCITF and Levy Regulations 1991 by increasing the threshold at which the levy applies from \$20,000 to \$45,000	Relevant, with amendment	The current threshold should be increased in line with an appropriate indexation factor (such as the Consumer Price Index or Construction Cost Index), and a process of annual indexation should be introduced to ensure the threshold grows in line with industry costs
Remove the reference to the specific threshold value for adjustments of the levy and that the threshold value be specified within the regulations	Relevant	
Increase the adjustment to the value of construction threshold from \$25,000 to \$45,000	Relevant, with amendment	The current threshold should be increased in line with an appropriate indexation factor (such as the Consumer Price Index or Construction Cost Index), and a process of annual indexation should be introduced to ensure the threshold grows in line with industry costs

2014 Review Recommendation	ACIL Allen assessment of continued relevance	Comments
Retain the levy at 0.2 per cent	Relevant, with amendment	The rate of the Levy should be reviewed as part of the next statutory review in light of evidence of the revenue and expenditure requirements of the CTF once the impact of removal of the exemption on resources engineering construction is known.
Remove the reference to 'improve the quality of training' in the Act	Relevant	
Withdraw the exemption applying to engineering construction projects in the resource sector and consider a tiered levy based on project value	Relevant	
For the Board to develop strategic approaches to engage with stakeholders	Relevant	
Review the Fund's KPIs to respond to any changes in key objectives of the legislation	Not required	ACIL Allen supports the CTF's current suite of KPIs.
Increase the level of research undertaken by the Board and for an associated performance measure/s be developed to assess outcomes achieved.	Not required	This is a consideration of the CTF Board, not the statutory review.

SOURCE: ACIL ALLEN CONSULTING

ACIL Allen's suggestion to introduce a process of indexation to the setting of CTF thresholds is centred on principles of effective tax design, which maintain that the real value of thresholds of this nature should be maintained over time. This is because the real requirement for training support is defined in terms of individuals, and indexation ensures the real value of construction projects subject to the levy is maintained. The quantum of revenue raised by the Levy should not grow substantially faster than the training requirement by virtue of bringing more projects into scope of the Levy. The principle of indexation is discussed in *Australia's Future Tax System*.¹⁹

KEY FINDING 21 2014 REVIEW FINDINGS

A number of the recommendations from the 2014 Review remain relevant today, and have been addressed by ACIL Allen in this review. ACIL Allen suggests recommendations regarding the various thresholds which apply to the CTF levy liability are indexed, in addition to being moved from the Act to the regulations. It is also relevant that the rate of the Levy should be reviewed as part of the next statutory review in light of evidence of the revenue and expenditure requirements of the CTF once the impact of removal of the exemption on resources engineering construction is known, as suggested in Section 5.1.

¹⁹ *Australian Treasury*. 2010. *Australia's Future Tax System: The Henry Review*. Accessed online at <http://www.taxreview.treasury.gov.au/>



A.1 Industry stakeholder survey questionnaire

The stakeholder survey consisted of the following 26 questions:

1. What is the size of your organisation (number of direct employees, including apprentices and trainees)?
2. Which of the following organisation types best describes your organisation?
3. If you are a member of an industry association or union, please include the acronym for the group in the box below. (For multiple groups please separate with a comma).
4. Thinking about your construction work, which of the following sub-industries do you complete the majority of your work in? (please select N/A if you are an education and training organisation or industry association)
5. How many apprentices or trainees do you have currently engaged in your direct business? If you are an RTO or GTO, please advise the number of apprentices or trainees you are engaging on behalf of other businesses. Has your business engaged in any way (i.e. not just to receive training subsidies) with the CTF in the past 12 months?
6. Is your organisation eligible for CTF apprenticeship or traineeship subsidies?
7. How many apprentices or trainees have you engaged (indentured) in your business over the past 12 months?
8. How many apprentices or trainees have you engaged (indentured) in your business over the past five years?
9. Was the availability of CTF subsidies a factor in determining the number of apprentices or trainees your engaged over either of these periods?
10. In the absence of CTF subsidies, would you have engaged more, fewer or the same number of apprentices?
11. Please provide some additional context to your answers to the above questions. For example, if you did not access CTF subsidies, why was this the case? Is your organisation eligible for CTF subsidies for skills acquisition training?
12. Has your organisation accessed a CTF subsidy for skills acquisition training (excluding OHS, which is dealt with below) for a member of your staff in the past 12 months?
13. Please provide some detail regarding the nature of the subsidies accessed, including the number of times the subsidy was used and the total value of the subsidy paid (an estimate is acceptable). Where multiple subsidies were accessed please include a paragraph space between your answers. If your answer above is No or Unsure, please skip this question.

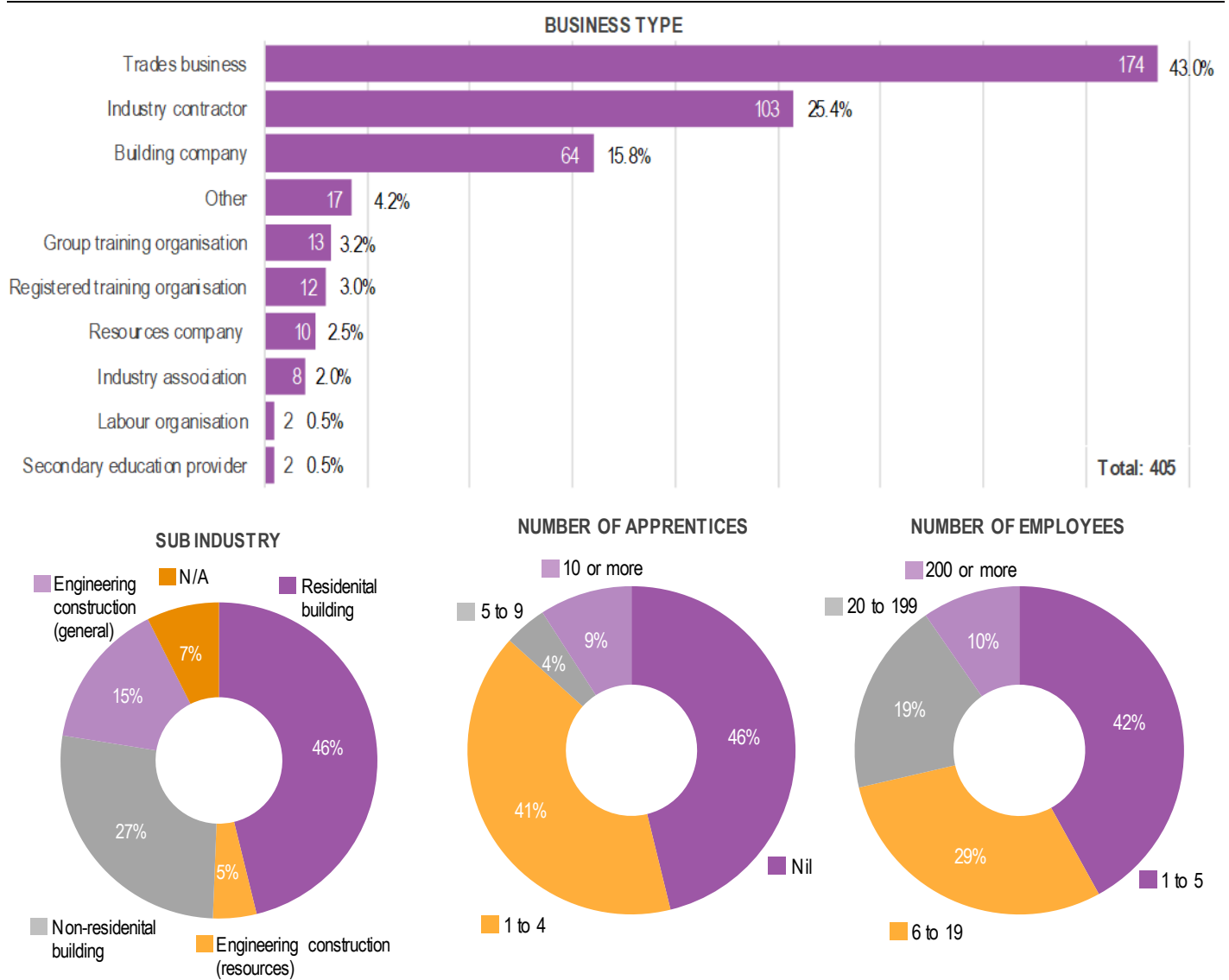
14. Was the availability of CTF subsidies a factor in determining whether you provided this training to your staff over this period?
15. Thinking about the last time you accessed skills acquisition training subsidies, did you receive this subsidy directly from the CTF (i.e. make a claim to the CTF yourself) or was this subsidy paid to you via the organisation that provided the training (i.e. a lower out of pocket fee for training)? If you have not accessed skills acquisition training subsidies in the past 12 months, please skip this question.
16. Has your organisation accessed CTF subsidies for Occupational Health and Safety training in the past 12 months?
17. Was the availability of CTF subsidies a factor in determining whether you provided this training to your staff over this period?
18. Please briefly describe the impact of this training on your business operations. If you have not accessed OHS training subsidies in the past 12 months, please skip this question.
19. Please select all of the following interactions you have had with the CTF over the past 12 months
20. Based on your last experience with the CTF for each service, how likely would you be to recommend CTF to others in your industry? If you have not experienced this service in the past 12 months please select N/A.
 - Accessing apprentice subsidies
 - Accessing supplementary training subsidies
 - Taking part in or experiencing the CTF's career promotion activities
 - Taking part in or using the CTF's research into construction industry matters
 - Advice in relation to CTF programs, or support or referral to other Government agencies/programs
 - Discussing industry training needs
21. More broadly, in your view, has the CTF:
 - assisted the building and construction industry have access to skilled workers?
 - promoted the benefits of a career in the industry effectively via marketing and communications (such as the No Limits campaign)?
 - promoted the benefits of a career in the industry effectively via experiences (such as the Construction Futures Centre) and direct programs (such as career talks in schools)?
 - been responsive to the needs of industry?
 - established effective communications with industry?
 - delivered a benefit to industry which exceeds the cost?
22. Please provide additional context for your perspective on the performance of the CTF.
23. Is there an ongoing need for the CTF?
24. Is the current menu of training subsidies provided by the CTF adequate for your business needs into the future? If you select no, please provide some additional context for your answer.
25. Do you have any additional comments you would like to make regarding the performance of the Construction Training Fund?
26. Are you interested in making an additional submission to the 2019 review of the Construction Training Fund? If yes, please provide an email address in the box below and ACIL Allen will be in touch.

A.2 Survey respondent profile

Figure A.1 below provides a profile of the respondents to the survey. There were over 400 respondents to the survey conducted by ACIL Allen, with respondents representative across all parts of the building and construction industry.

The key findings from the survey providing critical information in support of ACIL Allen's review of the CTF, with some of the key findings presented in Chapter 3 of this report.

FIGURE A.1 SURVEY RESPONDENTS BY BUSINESS TYPE, SUB INDUSTRY, NUMBER OF APPRENTICES AND ORGANISATION SIZE (NUMBER OF EMPLOYEES).



SOURCE: ACIL ALLEN CONSULTING



The basis of the stakeholder consultation guide provided to stakeholders is presented below.

Background

In March 2019 ACIL Allen Consulting ('ACIL Allen') was engaged by the Construction Training Fund to conduct a statutory review of the *Building and Construction Industry Training Fund Act 1990*. 'The Review' is being led by an independent Chair, Mr John Kobelke ('the Chair'), with ACIL Allen appointed as a consultant to assist across the Review. The Minister, the Hon Sue Ellery, has appointed a Steering Committee to act as the primary point of industry contact for the Review.

The Review is to be guided by a Terms of Reference, which have been included for information below. The Review is required to assess:

- a)
 - i: The Board's relationship with industry and effectiveness of communication
 - ii: The structure of the Board and its effectiveness in meeting the needs of different sectors of the industry
 - iii: The operation of the Board in strategic management of the Construction Training Fund
 - iv: The efficiency of the Board in collection of levy and administration of programs
- b)
 - i: The Act improves the quality of training
 - ii: The Act increases the number of skilled persons in the building and construction industry
- c) The need for the Act to continue in operation
- d) Review any legislative implications of the BCTIF levy on the resources sector, including those matters raised by them relating to the operation of the Act
- e) Test the uncompleted recommendations arising from the 2014 Review.

The Terms of Reference are intended to guide the Review. It was decided the CTF's role in "improving the quality of training" would be deprioritised as there is currently a Bill before State Parliament to remove this from the Act, while there are a range of other State and Commonwealth institutions that monitor, and act to ensure, training quality.

As part of its scope of works, ACIL Allen is undertaking a targeted round of consultation, as part of a range of stakeholder engagement activities. Additional engagement activities include an industry survey, a series of Steering Committee workshops, and the receipt of written submissions from interested parties.

This consultation guide will be used to guide stakeholder consultation activities, and to provide stakeholders interested in providing a written submission a series of prompts to frame their response.

About ACIL Allen

ACIL Allen Consulting is the largest independent economics and public policy consulting firm in Australia, with a specialisation in economics, policy and strategy advice. With over 60 consultants across five offices, we have an established reputation for providing sound and independent advice on economic, public policy and organisational issues for all levels of government and business.

Further information about ACIL Allen can be found on our website: www.acilallen.com.au

About the Construction Training Fund

The Construction Training Fund ('CTF') is the trading name of the Building and Construction Industry Training Board. The CTF is an independent statutory authority with the objective of assisting the building and construction industry to meet its demand for skilled workers in Western Australia.

The CTF administers the Act and the revenue raised via a 0.2 per cent levy on the value of residential, commercial and civil construction projects worth over \$20,000. In October 2018, the exclusion for resources sector engineering construction projects was removed.

The levy is pooled and returned to industry via grants and subsidies to increase the level of training undertaken within the industry. The CTF does this in six streams (2017-18 values):

- Apprentice and trainee subsidies: \$12.5m
- Existing worker support: \$2.8m
- Career promotion: \$2.1m
- Occupational health and safety support: \$1.5m
- Training advisory services: \$0.4m
- Industry projects, research and development: \$0.3m

Further information about the CTF can be found at its website: www.ctf.wa.gov.au

Outstanding recommendations from the 2014 Review

The 2014 Review was conducted by Quantum Consulting, with the Review process chaired by Mr Robert Stratton. There are a number of recommendations from the 2014 Review which remain outstanding. The outstanding recommendations include:

- amend the Regulation 3 of the BCITF and Levy Regulations 1991 by increasing the threshold at which the levy applies from \$20,000 to \$45,000
- remove the reference to the specific threshold value for adjustments of the levy from the Act, and that the threshold value be specified within the regulations
- increase the adjustment to the value of construction threshold from \$25,000 to \$45,000
- retain the levy at 0.2 per cent
- remove the reference to 'improve the quality of training' in the Act
- withdraw the exemption applying to engineering construction projects in the resource sector and consider a tiered levy based on project value
- review the effectiveness of the differential funding model for apprentice subsidies
- for the Board to develop strategic approaches to engage with stakeholders
- review the Fund's KPIs to respond to any changes in key objectives of the legislation, and
- increase the level of research undertaken by the Board and for an associated performance measure/s be developed to assess outcomes achieved.

The majority of these recommendations (referenced in purple) may be addressed by the current reform Bill before the Parliament. Others are to be addressed as part of the scope of this Review.

Consultation Questions

About you

*

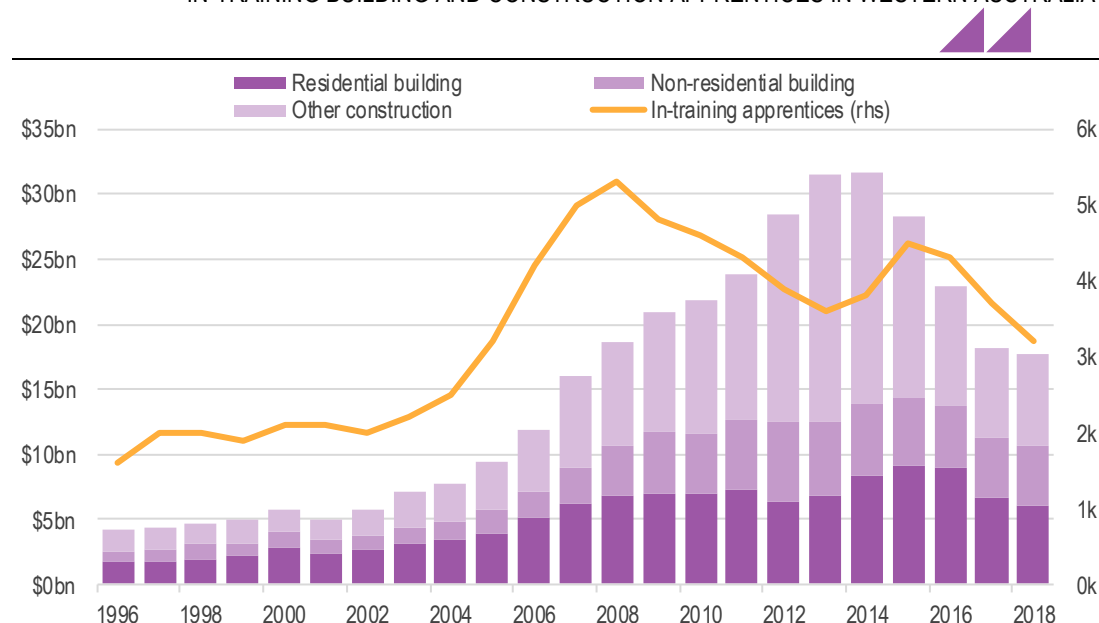
Can you please introduce yourself and/or your business/institution? What do you do? And in what capacity are you involved in the building and construction industry, resources industry, or training industry?

Recent building and construction industry trends

The value of construction activity in Western Australia has been weak in recent times following the end of the resources investment boom. Just \$17.7 billion worth of construction activity was completed in 2018, down from a peak of \$31.6 billion in 2014. At that time, key public sector infrastructure projects such as Elizabeth Quay, Perth Stadium and Perth City Link were underway, combined with a residential construction boom and the tail end of a number of major hotel and commercial tower developments.

While the all-time peak in construction activity in the State was reached in 2014, annual growth in construction spending peaked between 2006 and 2007 at 35.1 per cent, before the Global Financial Crisis and peak of the resources investment boom. Over the same period, the number of apprentices and trainees in the building and construction industry surged from 2,000 in 2002 to an all-time high of 5,300 in 2008; since then, the number of apprentices in the sector has declined to a 13 year low of 3,200 (Figure B.1).

FIGURE B.1 CONSTRUCTION SPEND IN WESTERN AUSTRALIA (\$A BILLION) AND THE NUMBER OF IN-TRAINING BUILDING AND CONSTRUCTION APPRENTICES IN WESTERN AUSTRALIA



Note: Total construction spend includes residential building, non-residential building and other construction. Other construction includes rail, road, bridge, utility, recreation and commercial land development.

SOURCE: 1. NCVER (2018), "IN TRAINING" APPRENTICES IN BUILDING AND CONSTRUCTION TRADES BY STATE FROM 1996 TO 2018. 2. WA CONSTRUCTION SPEND 1992 - 2018

*

From your perspective, how are conditions in the building and construction industry in Western Australia? Is the current supply of skilled workers adequate to meet industry needs? Do you anticipate the supply of skilled workers will be adequate to meet industry needs in the future?

The operations of the CTF Board

The CTF is guided by a Board of seven representatives, which is made up of members of industry appointed by the Minister for Education and Training. The Board is a body corporate, responsible for the administration of the levy and operations of the CTF. There are four advisory committees which

feed information to the Board to allow it to make decisions with respect to the level and direction of industry support, and to provide feedback to other areas of government with respect to workforce issues in the building and construction industry.

As part of the Review, there is a consideration of the performance of the board in three areas (a fourth is a statutory role of the board, which is fulfilled by the CTF executive, and is discussed below). These are:

- The Board's relationship with industry and effectiveness of communication
- The structure of the Board and its effectiveness in meeting the needs of different sectors of the industry
- The operation of the Board in strategic management of the Construction Training Fund

An industry survey has been prepared and issued to address quantitative feedback on the performance of the Board in the above roles. However we are also interested in stakeholder perspectives, to provide qualitative feedback on these matters.

* *Have you had any interactions with the CTF Board, either directly or indirectly via a committee or other means, in the past 12 months? If so, how do you rate its relationship with industry?*

* *Is the Board an effective means of interfacing with industry to ensure its training needs are considered, both as it relates to the CTF ecosystem and more broadly?*

* *In your opinion, has the CTF Board been effective in achieving the CTF's overarching objective of increasing the number of skilled persons in the building and construction industry? Why or why not?*

The Act specifies the Minister should consult with a number of building industry employer representative and union groups with respect to the membership of the Board. The Act does not specify the membership composition of the Board beyond that it should be seven members, that two members should be independent of the named groups, and that the chairperson should be one of these two members.

* *Is the current structure of the Board fit for purpose given the recent change to remove the exemption on the resources industry? What role should representative groups play in the composition of the Board?*

The CTF levy and its application

The CTF raises revenue 0.2 per cent levy on the value of residential, commercial and civil construction projects worth over \$20,000. The levy is calculated on the estimated value of construction works, with adjustments made for variations which emerge throughout the construction period (if the value of the variation exceeds \$25,000).

The levy rate and thresholds for estimating and reconciling the values of construction work have not changed since the Act was proclaimed.

* *Is the levy rate of 0.2 per cent an adequate value for the purposes of providing revenue to support training? Should the levy rate increase or decrease? If so, why?*

* *Is the project value threshold of \$20,000 an appropriate value for the purposes of assessing a project's liability for the levy? Should the threshold increase if so, why?*

The CTF levy is payable prior to project commencement. For projects that require a building permit, the levy is payable in full prior to a building permit being issued (with revenue then remit to the CTF). For projects that do not require a building permit, the levy is payable in full to the CTF directly via an online portal, where the project owner is required to register project details. It is the responsibility of the project owner to provide an update to the estimated final value of a project through the project's life to ensure the correct levy is paid. Fines of up to \$20,000 for individuals and \$50,000 for corporates apply for non-compliance with the Act, in addition to 100 per cent of the unpaid levy.

* *Is the current approach to levy collection fit for purpose? Are there any alternative approaches that could deliver a similar outcome that should be explored?*

Application of CTF funding

The CTF applies the revenue raised from the levy to a range of activities and subsidies with the objective of increasing the number of skilled persons in the building and construction industry. The activities and subsidies include:

- apprenticeships and other forms of entry level training for employment
- supplementary training for those already qualified to work
- training in technology and in occupational, safety and health
- the recognition and support of persons with existing skills, knowledge and aptitude to develop skills and enhance their employability
- innovations in industry training and research relating to competency levels and the training needs of the industry, and
- career promotion programs.

* *Does the list of applications of CTF funding address all potential policy matters related to increasing the number of skilled persons in the building and construction industry? If no, what are some additional matters that could be addressed by the CTF to address its overarching objective?*

The CTF's primary expenditure is subsidies for apprenticeships and traineeships in the building and construction industry, accounting for \$12.5 million of its \$19.6 million of industry expenditure in the 2017-18 financial year. Subsidies are set based on approved qualifications (such as a Certificate III in Bricklaying/Blocklaying) for training contracts registered with the Department of Training and Workforce Development.

A base grant value is determined by qualification by the Board from time to time, based on a number of factors including the term of the apprenticeship. An additional trades bonus is payable for any apprentices indentured between 1 July 2018 and 30 June 2020. Additional supplements are available for:

- Apprentices resident in regional Western Australia (outside of 80km of the Perth GPO)
- Indigenous Australian apprentices
- Female apprentices
- Mature age apprentices (over the age of 21)
- Pre-apprenticeship qualified apprentices

Subsidies are designed to improve the representation of these groups in the building and construction industry. A full list of the current value of apprenticeship subsidies can be found here.

* *Is the process for setting apprentice subsidies clear and well understood by industry? Are the current subsidy values adequate?*

* *Do the CTF's additional subsidies for specific groups result in an incremental increase in each group's representation in the building and construction workforce?*

* *Is focussing subsidies on individual qualifications the best approach for guiding the expenditure of the CTF's funds? Is there an alternative?*

The CTF also provides subsidies for current employees in the building and construction industry to undertake short course training to improve their skills in six areas: construction, industry, software, occupational licensing, higher qualifications or occupational health and safety. Training must be conducted in Western Australia and delivered by a private Registered Training Provider to be eligible for the subsidy. Subsidies are paid as rebates following successful completion of the training.

* *Are subsidies for ongoing skills development a reasonable use of CTF funds? Is the current list of skills suited to industry needs and fit for purpose? Are there any additional skills that should be eligible for training subsidies?*

Resources sector issues

The exclusion from the BCITF Levy for engineering construction work in the WA resources sector was removed via regulation in October 2018. This was a recommendation of the 2014 Review. A separate

process discussing the disbursement of revenue generated by the BCITF Levy in the resources sector recently concluded, and will provide some evidence for consideration of resources sector issues in this Review.

The resources industry differs from the building and construction industry in a number of ways that are relevant to the CTF levy. These include:

- High up front capital investment requirements that require “construction” services as defined for levy purposes, with smaller ongoing construction expenditures thereafter. This creates short term peaks in the demand for skills, in a similar way a large Government project such as a health campus may create
- High imported content values, particularly for capital machinery and equipment which is used in the production process. This makes an approach of defining the levy against the value of a project problematic, and has led to a long list of inclusions and exclusions for levy purposes
- A need for highly specialised skills to install and operate machinery and equipment, which may not be suited to the current approach of linking funding to the achievement of specific accredited and non-accredited qualifications (noting this is an issue beyond the scope of the CTF’s control)

The Review is required to review and form an opinion on legislative implications of the BCTIF levy on the resources sector, including those matters raised by them relating to the operation of the Act. Given this is a significant issue, we would like to capture as many views on this matter in the broadest sense at this stage of the Review.

- * *In your organisation’s view, what are the matters that should be addressed as part of the integration of the resources industry into the BCTIF levy and CTF ecosystem more broadly?*

The definition of “construction”

The application of the levy, and the subsequent expenditure of the levy, hinges on the definition of construction.

For the purposes of raising the levy, the CTF relies on the *Construction Industry Portable Paid Long Service Leave Act 1985*, which defines construction work as one of 18 types of activity, either carried out on site or where the activity is occurring offsite but is normally carried out on site but which is not necessarily carried out on site. The definition also covers the 18 types of activity as they relate to the fabrication, erection or installation of plant, plant facilities or equipment. The removal of the exclusion of engineering construction in the resources industry has led to the creation of a secondary list of inclusions and exclusions.

For the purposes of spending the levy (on grants and subsidies), an individual or corporate must demonstrate a primary and substantial direct involvement in WA’s construction industry, specifically **on-site construction, installation and/or fabrication activities**.

The skills acquired by persons who receive funding from the CTF are transportable between sectors of the economy. This may result in a situation where some sectors of the economy are providing the funding for an individual to be trained, without receiving a benefit from this funding.

- * *Is the definition of “construction” as it relates to either the application of the levy or the expenditure of the levy fit for purpose? If not, why not?*

- * *In your organisation’s experience, to what extent do apprentices and trainees shift between sectors throughout their career? Are skills learned in the building and construction industry transferable between industries?*

- * *Is the fund’s current remit, to focus on the “building and construction industry”, fit for purpose according to industry trends?*

General issues

The following questions are more general in nature.

- * *In your opinion, is the CTF meeting its overarching objective of increasing the number of skilled persons in the building and construction industry in Western Australia? Why or why not?*

- * *Is the above objective still appropriate for the CTF given the resources industry is now in the scope of the BCTIF levy? If the objective were to change, what are some of the considerations?*
- * *Is there an ongoing need for the CTF? Why or why not? Are there any additional comments you would like to feed in to the Review, noting you also have the opportunity to provide a written submission?*

Further Enquiries

If you have any questions in relation to the research, the role of ACIL Allen, and the consultation process that is being undertaken, please contact:

John Nicolaou (Project Director)

Executive Director, WA & NT

T: (08) 9449 9616

M: 0412 499 355

E: j.nicolaou@acilallen.com.au

Ryan Buckland (Project Manager)

Senior Consultant

T: (08) 9449 9621

M: 0407 443 193

E: r.buckland@acilallen.com.au

For CTF and Review related matters relating to this research, please contact

Eamon Moore

Director, Communications and Operations

Construction Training Fund

T: (08) 9244 0100

M: 0439 393 165

E: EMoore@ctf.wa.gov.au

Your organisation is also invited to make a written submission to feed into the Review process. If you are interested in providing a written submission, please advise Ryan by emailing r.buckland@acilallen.com.au. ACIL Allen will provide you with any relevant deadlines or other considerations. Please use the sub-headings included in this consultation guide to frame your response as these are the primary issues we are seeking stakeholder perspectives on.

ACIL ALLEN CONSULTING PTY LTD
ABN 68 102 652 148
ACILALLEN.COM.AU

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