

Building and Construction Industry Training Fund and Levy Collection Act 1990 | 2024 Statutory Review

CONSULTATION PAPER

Australian Energy Producers | 17 MAY 2024

Australian Energy Producers welcomes the opportunity to respond to the 2024 Statutory Review (the Review) of the *Building and Construction Industry Training Fund and Levy Collection Act 1990* (the Act).

Since our last submission in 2019 as Australian Petroleum Production & Exploration Association (APPEA), Western Australia (WA) has experienced unprecedented labour market challenges across multiple industries. The building and construction industry has been hit particularly hard and the timing of this Review is opportune.

Reflecting on the APPEA 2019 submission, many of our recommendations remain relevant, albeit with more urgency given the present workforce challenges.

CTF Equality

2022-23 was a phenomenal year for the CTF in terms of revenue, led by the Resources industry reactivating construction activities.

“Revenue from construction work in the resources sector exceeded initial forecasts. This revenue accounted for 43 % of levy revenue collected and 42% above forecast reflecting significant surge in activity...”^[1]”

Although a positive sign of economic recovery, this surge in revenue from one industry highlights the unfairness of applying a blanket levy across very different industries.

Australian Energy Producers proposes a capital value cap of \$5 billion total value of any single construction project and the introduction of capital thresholds. For the oil and gas sector, the current CTF project value minimum threshold of \$20,000 is insignificant given the scale of the construction projects. The current 0.2 per cent blanket levy has set payments in excess of what is required for oil and gas construction training requirements.

By capping capital projects at \$5 billion and introducing capital thresholds, more realistic and appropriate CTF levy rates can be applied relative to the capital value. Such a system would ensure the oil and gas industry can be equitably managed to guarantee the CTF is adequately resourced to address the construction training needs for the oil and gas sector in WA. An example of a capital threshold, for a project valued at over \$5 billion a levy of 0.02 per cent would be equivalent to the levy rate for a residential construction sector when considering labour inputs.

The ability to pay the levy in instalments improves administration for both the CTF and oil and gas companies. Estimates of expected expenditure in a given year and payments of the applicable levy could be provided as annual payments for that construction project. The following year’s annual payment could include the year’s levy obligation and a reconciliation of the previous years’ payment.

Australian Energy Producers also recommends a ceiling be placed on an individual project’s annual payment obligation and any excess payment being carried forward to the following year until fully discharged. This approach would minimise risks with sudden and large payments to the CTF while providing a reliable and longer lasting source of revenue.

Specialised and high-value equipment (over \$10 million) should be excluded from the construction levy. These highly complex pieces of equipment are often manufactured outside of Australia and brought to WA for installation by certified OEMs (Original Equipment Manufacturers) or contractors. Applying the levy to develop local training for such limited pieces of equipment and installation is not an efficient use of the Fund. Our members can assist with identifying items which should be excluded from the levy.

Construction operations in Commonwealth Offshore areas should be excluded as the CTF levy is a WA initiative. Confining the levy to Western Australian waters and onshore oil and gas construction projects has immediate and direct benefit to WA.

Futureproofing the CTF

Regular revision of the CTF definition of 'Resources' to include industries whose activities will come into fruition over the next five to ten years must be captured and clearly defined. Future energy projects are in the pipeline and operators will be turning to contractors to deliver a high-quality workforce ready and available to deliver these projects.

The CTF must broaden its remit to cover skills essential to support future energy projects. Our members, although committed to oil and gas, are collectively moving towards a new energy future and seek greater input into the development of CTF programs that supports activities, such as carbon capture and storage and hydrogen. Our members are aware of the future skills sets and qualifications needed for such projects and can assist with identifying and developing CTF programs to address future workforce trends.

Now is the time for WA to be planning and developing a strong building and construction workforce for these projects to succeed and meet government and industry decarbonisation targets.

Australian Energy Producers recommends the CTF develop appropriate metrics to ensure the resources sector contribution is achieving value for money. Program evaluation is essential to give industry and government confidence that WA is growing a local and capable building and construction workforce.

Employing different attraction and retention strategies is imperative. The oil and gas industry is having success with attracting and retaining more women and first nations peoples to their workforce through innovative and targeted programs, such as Shell QGC's Indigenous Scholarships program aimed at increasing the number of Indigenous Australians with tertiary and trade qualifications to enhance employment outcomes^[2]. Unlocking segments of the workforce, which were previously overlooked is essential and our members would be open to discussing these strategies with the CTF.

Australian Energy Producers and its members are supportive of the Act continuing, but not in its current state. Changes to the Act and the application of the levy are needed for fairness as well as future proofing WA's resources industry.

The oil and gas industry supports and invests in WA training programs and considers WA home to some of the best resources training in the world, embracing new technologies to deliver contemporary courses at world class venues. South Metropolitan TAFE's Australian Centre for Energy and Process Training (ACEPT) facility is a world-class, specialist training facility aligned with training requirements of the oil and gas, processing, and resources industries.

Despite this commitment, our industry does not directly engage in construction activities, instead appointing construction contractors when needed.

As raised in 2019, Australian Energy Producers considers several features in the current levy system are ill-matched when applied to the oil and gas industry. For instance:

- Construction in the resources industry is dynamic, with inconsistent demand for construction labour.
- Oil and gas construction projects involve activities that differ significantly from the building construction sector, for example installation of subsea infrastructure including gravity structures and flowlines and drilling and completion of oil and gas wells, both onshore and offshore.
- The differences in labour and capital input between the building construction industry and the oil and gas industry. Petroleum projects, especially LNG projects, are very capital intensive and the ratio of labour and capital inputs, when compared to the residential construction industry are markedly different.
- Large oil and gas projects, particularly LNG projects, have significantly higher associated costs when compared to the building construction industry.

These examples are applicable to future energy projects. Given the direction of the oil and gas industry and the push to decarbonise our economy, it is our view that the CTF would be most effective in developing the skills and workforce needed to drive future energy projects and activities that will not come to fruition until the next review.

Australian Energy Producers and its members welcome the State's recent Budget announcement regarding new funding initiatives for the CTF^[1] (5 May 2024) and is open to working with the CTF on new ideas for funding initiatives, or how existing initiatives could best serve the industry.

It takes years to build a workforce and given the significant revenue the CTF levy has raised from the resources sector, we recommend focussing investment into attracting, developing and retaining skilled workers to avoid the workforce challenges we face today.

^[1] Government of Western Australia, Construction Training Fund. (n.d.) Report on the operations. *Annual Report 2022-23*. (p. 28). <https://api.ctf.wa.gov.au/wp-content/uploads/2023/10/CTF-Annual-Report-2022-23.pdf>

^[2] Waalitj Foundation, Indigenous Scholarships. (n.d.) <https://wf.org.au/indigenous-scholarships-program/>

^[3] Government of Western Australia, Construction Training Fund. *Cash boost to help construction apprentices complete training*. (5 May 2024). <https://ctf.wa.gov.au/about-us/news/cash-boost-to-help-construction-apprentices-complete-training>