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CCF WA submission

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

To: Tom Dixon
Independent Chair
statutoryreview@ctf.wa.gov.au

Thank you for the opportunity to provide civil construction industry comment to inform this statutory review. Our comment does not address all issues that have been flagged as within the scope of the review, but addresses some specific issues of interest to our sector.

Relationship with industry and effectiveness of communication.

The CTF's level of engagement with industry and effectiveness of its communication is unsurpassed within government.

An example of this committed approach to engagement is the way that CTF has embraced the opportunity presented by the formation of CCF WA's civil construction industry training committee in in check year. CTF's strong involvement in that committee has borne fruit in the form of some outstanding outcomes including the landmark transitioning of the civil construction traineeship to an apprenticeship.

Structure of the Board and its effectiveness in meeting the needs of different industry sectors.

The Board currently comprises:

- An independent chair
- A representative from the training industry
- Three representatives from the construction industry
- Two representatives from unions
- Two representatives from resources sector employers.

CCF WA is concerned the recent addition of two resources sector representatives, while one representative fewer than was sought, is an example of the "resources exceptionalism" discussed in detail in the next section. Prior to the addition of resource sector representatives, the board comprised construction and training industry representatives (apart from the independent chair). The CTF has always been funded by project proponents, i.e. the clients of the construction industry, yet it not been deemed necessary that clients were represented on the board. The inclusion of two clients from the resource sector signalled a major shift, perhaps based on the idea that 'resource construction' deserved representation – a mistaken idea as we discuss later. This is not to say that there is no place for clients on the CTF Board,

but we do query why one category of clients has received special treatment. Clients in the land development and property development sectors, for example, have contributed millions of dollars to the fund over more than 30 years and would appear to have an equally legitimate claim to representation by their industry groups.

Furthermore it appears inequitable that the union movement, representing all construction employees, has only the same number of representatives as resource sector clients. While unions are now arguably underrepresented on the expanded board, another potential concern is the current mix of union representatives; a scan of WA construction industry Fair Work enterprise agreements shows that the AWU and ETU for example, may have more relevance than the AMWU.

General comment on resources sector exceptionalism

CCF WA welcomed the news that the government was removing the exemption for construction work done for the resource sector. As Training Minister Sue Ellery pointed out, removing the exemption would mean increased training opportunities for WA workers, directly improving the resource industry's ability to access the skilled construction workforce it needs to maintain and expand its operations.

Since the exemption was removed the resources sector has claimed the “inclusion of the resources sector represents a fundamental change to the BCITF” and argued that the scope and nature of construction work for the resources sector was “significantly different”. In its 2018/19 Pre-Budget Submission, the Chamber of Minerals & Energy said: “Requiring the resources sector to pay into a centrally controlled training fund, managed by the construction sector, would not enable the resources sector to meet its current and future workplace needs”. This reasoning seems to miss the point of the CTF, which is to meet the current and future workplace needs of the construction industry, not of its clients.

An argument against a centrally controlled training fund could also be made by the commercial building construction sector, or the residential construction sector, or indeed our civil construction sector. All have specific current and future workplace needs unique to their own sector; yet we understand that the CTF collects levies across all sectors and distributes those funds equitably.

The argument against the fund being managed by the construction sector could also be made by private sector building developers and land developers, state government agencies, and all the other non-resources sector principals whose projects fund the levy yet who have little say in its distribution. The CME's argument is akin to an education provider constructing a new school and complaining that its contribution to the fund does not solve its teacher shortage.

The CTF's reporting supports this narrative that resource-related construction is unique and therefore a new approach to funding is needed; CTF's 2022/23 Annual Report advised that it collected roughly \$71M in FY23 from four streams: residential building; commercial building; civil construction; and resource construction. This method of reporting perpetuates the myth that there is a type of construction called 'resource construction'.

By and large, however, the resources sector's needs on its construction projects are much the same as the workplace needs on other construction projects: plant operators, electricians, plumbers, steel fixers, concreters, cable and pipe layers, track layers etc.

To illustrate this point, we examined the scope of works for a typical mining project – the Hope Downs 1 Sustaining project in the East Pilbara. According to the information available on the ICN Gateway website, the scope of the project includes:

- 26kms of road train haul roads and infrastructure (civil)
- 30kms of unsealed HV haul road networks (civil)
- two material handling transfer pads (civil)
- production hub facilities including HV and light vehicle (LV) park ups, office buildings, crib rooms and ablutions (building/civil)
- heavy vehicle refueling facilities (heavy industry/civil)
- a maintenance workshop (building)
- roads, utilities and services infrastructure (civil)
- communications systems and services (civil)
- Realignment of a mine access road (civil)
- Realignment of a section of Great Northern Highway (civil)
- Two land bridges (civil)
- surface water management structures (civil)
- A 700-room accommodation village (building)

Nearly all of the above scope of works are civil construction. There are of course other resources projects that include more significant ‘heavy industry’ engineering construction. For example Hamersley Iron’s Western Range project scope (again from ICN Gateway) is (again with the type of construction in brackets):

- ROM Pad with single tip point and four finger stockpiles (heavy industry)
- New production hub including offices, amenities and heavy vehicle (HV) park-up facilities (building/civil)
- HV refuelling facility at Western Range (heavy industry/civil)
- HV and LV road networks, including an LV access road from the construction village (civil)
- Surface water management structures, including pit diversion drains and levees (civil)
- Water infrastructure, including bores, tanks, pump station and water pipeline (civil)
- New single tip, indirect fed gyratory Primary Crushing facility and discharge conveyor (heavy industry)
- Three flight Overland Conveyor (heavy industry)
- Modification to the existing Coarse Ore Stockpile (heavy industry)
- Upgraded scalping screens (heavy industry)
- Modifications and upgrades to existing plant (heavy industry)
- 33 kV overhead transmission lines and associated infrastructure (civil)
- Communications infrastructure, including four radio base stations (civil)
- 1,600 room Construction Accommodation Village (building)

The mix varies, but all ‘resource construction’ comprises civil, building and heavy industry construction (we define ‘civil construction according to the usual definition, i.e. all Engineering Construction that is not classified as ‘Heavy Industry’¹).

¹ Australian Bureau of Statistics data on Construction Work Done is divided into three categories: Residential Building; Non-Residential Building; and Engineering Construction. The first two are self-explanatory. The ABS also publishes data on Engineering Construction Work Done, which is divided into the following types: Roads, highways and subdivisions; Bridges,

It is sometimes argued that a haul road or an iron ore railway line (for example) is not ‘civil’ construction because it is built for a specific client, whereas civil construction is public infrastructure ‘for the people’. This argument is not supported by most industry analysts who would classify the above examples as civil construction for the resources sector. In any case it’s a semantic argument and irrelevant to the point of this CTF review, which is how to most effectively fund the training of construction workers. A road worker building a road in a subdivision and a road worker building a mine access road both require exactly the same training. When a civil contractor wins a civils package for a resources company, the contractor doesn’t hire a new workforce of “resource construction workers”, because there is no such thing. The construction workers building mining and oil and gas projects are the same construction workers who build any other project.

The inclusion of civil and building construction works for the resources sector in the scope of the CTF levy has created a unique opportunity for stronger investment in construction training, which will benefit all clients and the state more broadly – which is why the decision was made to remove the exemption. But as a first step to ensuring that stronger investment in construction training is targeted appropriately, it’s essential that the CTF unpacks that mysterious box called ‘resource construction’ and breaks into its components of civil construction, building construction, and heavy engineering construction.

From a self-interest perspective, it’s hugely important for our sector, civil construction, that CTF data shows the true volume of levied civil construction works. If for example, civil construction comprises 40% of the construction work for the resource sector (a conservative estimate), then civil works contributes \$24.5M or roughly 35% of CTF income, not 17% as suggested by the Annual Report. We are confident that accurate data can make a strong case that the best way of giving the resources sector ‘bang for its buck’ is for CTF to invest more heavily in the civil construction skills that our resources clients demand.

If the CTF analysis of ‘resource construction’ shows that it comprises 40% ‘heavy industry’ construction, then it can work to address any training gaps and provide the resources sector with greater confidence that it is receiving value for money.

The definition of construction

The current definition of construction used for the BCITF Act is too restrictive. It should align with the Australian Bureau of Statistics categories noted above, and should not be limited to ‘on site’ construction works.

railways and harbours; Electricity generation, transmission etc. and pipelines; Water storage and supply, sewerage and drainage; Telecommunications; Heavy industry; and Recreation and other. The ABS does not specifically publish data on civil construction work done, but respected economic analysts (e.g. Oxford Economics and others) consider civil construction as all engineering construction minus heavy industry, i.e. Roads, highways and subdivisions; Bridges, railways and harbours; Electricity generation, transmission etc. and pipelines; Water storage and supply, sewerage and drainage; Telecommunications; and Recreation and other.

Capital value cap where there is a high value of imported capital equipment, or a list of specialised high cost items.

CCF WA is sympathetic to resource sectors concerns about inequity but also mindful that this is a slippery slope argument, as all types of construction include high value elements that are either imported or specialised. These issues highlight the need for a new definition of construction work.

Consider the benefits of a more diverse construction workforce and assess whether First Nations people participation and gender imbalances in training are being adequately addressed. CTF has proactive funding measures in place to encourage diversity and engages constantly with industry to test whether these measures can be improved.

Increase threshold at which the Levy applies. The proposal for annual indexation is overly complex and would cause unnecessary confusion, however we do support regular increases (say 5-yearly or 10-yearly) to allow for inflation.

Review of levy revenue and CTF expenditure in the light of the removal of the resources exemption.

We believe it is far too premature to consider any changes as part of this statutory review.

Remove 'improve the quality of training' from the Act

We strongly disagree with this recommendation and think it is imperative that the CTF play a more active role in upholding quality standards of the training that it funds. Currently, CTF funds some so-called training that is in fact safety compliance. This needs to be addressed.

More information:

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