

**Building and Construction Industry Training Board —**

Mr R.S. Love, Chair.

Mr P. Papalia, Minister for Tourism representing the Minister for Education and Training.

Mr I. Hill, Chairman.

Mr A. Jackson, Executive Director, Construction Training Fund.

**The CHAIR:** This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. Members may raise questions about matters relating to the operations and budget of the off-budget authority. Off-budget authority officers are recognised as ministerial advisers. It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The minister may agree to provide supplementary information to the committee, rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 1 June 2018. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice through the online questions system.

We have already introduced the advisers, so we will go straight to any questions that members might have—the member for Nedlands.

**Mr W.R. MARMION:** I will begin with a very general question for the minister. It is related to page 68 of budget paper No 3, under the heading, "Building and Construction Industry Training Fund Levy". All my questions will relate to that page. Can the minister explain why the government has removed the resources sector's exemption from the BCITF levy, and what consultation was undertaken with the resources sector?

**Mr P. PAPALIA:** This is an incredible leap forward in funding for training in Western Australia. It is long overdue, long awaited, and long sought by sectors that have significantly disproportionately contributed to training young Western Australians, only to see them attracted away from their sector in times of need in the commodities and mining sector, which was not training people. I experienced it myself when I was first elected in 2007. I was fortunate enough to be appointed chair of the defence industry advisory training board. In that capacity I witnessed firsthand that first element of growth in demand in the mining and also oil and gas sectors. Shipbuilders at Henderson and other players that had contributed large amounts to the defence industry and other maritime-related industries for a significant period to train people were stripped of their employees because the offshore oil and gas and mining sectors, which had increased demand, needed skilled people, but those sectors had not contributed to the training of those people.

[12.40 pm]

Similarly, I have been informed by people such as Dale Alcock, who has for a long time contributed in significant ways to training skilled labour in Western Australia only to have those employees stripped from him and enticed away to other projects by employers who had not contributed to the training levy, that that was unfair. Rightfully, other builders and construction industry participants who contributed significantly to training skilled Western Australians also saw it as unfair. The reason for it is pretty clear: it is to rectify the inequity between those who train people and those who employ trained people. The minister has indicated that the removal of the levy exemption applying to engineering construction projects in the resources sector—that is where it will be isolated—will apply to engineering construction work and major maintenance activities. It will not apply to mining operations. The intention is to ensure that there is greater equity for those who employ skilled labour. The result will be that there will be revenue of up to \$25 million over the forward estimates period that was previously not available to train Western Australians. It is a great outcome.

**Mr W.R. MARMION:** The minister touched on the major issue of how we differentiate between construction activity and processing on mining sites. Could the minister explain how he might differentiate on a liquefied natural gas facility? I will use the Gorgon expansion as an example. It is a major construction activity. Can the minister explain what percentage of the Gorgon expansion will be captured by this training levy? My understanding from the budget papers is that a levy of 0.2 per cent will apply to any construction project with a value over \$20 000. I would like a bit of clarity around that.

**Mr P. PAPALIA:** The government consults and collaborates with a whole range of sectors on a regular basis. I can absolutely guarantee that. It happens in my portfolios and I know it happens in other ministers' portfolios. There has been widespread consultation on the removal of the exemption with the resources sector through the Chamber of Minerals and Energy of Western Australia, the Association of Mining and Exploration Companies and the Australian Petroleum Production and Exploration Association. The chair of the Construction Training Fund also has been consulted. There will be further consultation, including with the building and construction

industry. Once the consultation is complete, where the levy exemption will apply and the rate of application across specific projects will be clear. I will not get into that. I do not expect that the minister would be reasonably required to respond to that specific question right now. I can say that widespread consultation has been undertaken and it is ongoing. This is a good thing. This is a great outcome for Western Australia, because, for the first time, the resources sector will contribute to training the people it regularly takes from other sectors.

**Mrs L.M. HARVEY:** Did the minister just say that the resources sector had been consulted?

**Mr P. PAPALIA:** I just listed the peak bodies in the resources sector that have been consulted, yes.

**Mrs L.M. HARVEY:** Will one of those organisations from the resources sector be given a seat on the board of the Building and Construction Industry Training Fund? If the resources sector is to contribute to this fund, it would seem appropriate, given that most of the peak bodies in the construction industry are on that board.

**Mr P. PAPALIA:** I understand that the minister has received a representation in that regard and it is being considered at the moment.

**Mrs L.M. HARVEY:** So has no decision been made yet on whether the resources sector will have a say on where the construction levy will be spent?

**Mr P. PAPALIA:** As I said, it is being considered now.

**Mr W.R. MARMION:** Given that the minister has indicated that consultation is to continue—I understood that he phrased it around clarification, because he did not give me clarification about the Gorgon project—can he not give clarification on how the resources sector will be levied? If that is the case, how did the government manage to put \$25.2 million in the budget?

**Mr P. PAPALIA:** The member might want to put to the Treasurer the specific question about the modelling. I think that would be a detailed process undertaken by Treasury to identify how it arrived at the \$25 million. I am sure it is just a budget projection at the moment.

That aside, I just want to add to my answer to the previous question about consultation. I have been informed that there will be further consultation about representation on the board. The minister is sympathetic to the case that is being made.

**Mrs L.M. HARVEY:** Did Treasury or the BCITF provide the modelling?

**Mr P. PAPALIA:** Multiple agencies contributed to that modelling. I am suggesting that if members want a detailed explanation of the nature of the projection and how it was arrived at, they should approach the Treasurer.

**Mr W.R. MARMION:** Just to explore this a little further, surely the board has a bit of an idea about the resources sector in particular, which is to do with processing. In the conversation on this topic, it is generally agreed that construction camps are a construction area of a mining site, but there are specialised areas at mining sites. I will use LNG because that is the highest specialty. It would be handy if the government could say in the estimates hearing where it is heading. I will again use the Gorgon example. Let us say that it is a \$20 billion expansion. Will the levy of 0.2 per cent apply to the full \$20 billion LNG processing plant? Can the minister give a response to that?

**Mr P. PAPALIA:** If the member wants a comprehensive and detailed explanation of how it was arrived at or the potential impact on a specific project that is informed by the current consultation and deliberations by the minister and all the agencies—I understand that plenty of agencies were involved in this modelling, including the BCITF—I urge him to put the question on notice to the minister and I am sure he will get a response.

[12.50 pm]

**Mrs L.M. HARVEY:** Will this revenue that is being collected go into the BCITF or consolidated revenue?

**Mr P. PAPALIA:** I think the minister has said on many occasions that it will go to the BCITF and I am pretty certain that the Treasurer put that into his budget speech. I was listening intently when he delivered what was said to be a boring budget but, in my view, it is one of the best budgets in the history of Western Australia, noting the extraordinary debt and pressures that we inherited from the previous government. I am pretty certain that he specifically identified the fact that the revenue raised would go towards training. That is why I applaud that. I reckon that this is one of the greatest outcomes in the budget, apart from the fact that we arrested the outrageous public sector growth that the previous government incurred. This rectification of what was an inequitable situation, when other sectors took the load of training and skilling Western Australians during the tough times only to see those people stripped from them during boom times in the mining and resources sector, was unfair. I think that is being repaired now.

**Mr W.R. MARMION:** It is in reverse now. It is going the other way.

**Extract from Hansard**

[ASSEMBLY ESTIMATES COMMITTEE B — Tuesday, 22 May 2018]

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Mr Bill Marmion; Mr Paul Papalia; Mrs Liza Harvey; Mr Peter Rundle

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**Mr P. PAPALIA:** It is worth applauding. Is the member suggesting that the gold sector is not doing okay at the moment and might be able to contribute?

**Mr W.R. MARMION:** No, the minister is totally wrong.

**The CHAIR:** Member, this is not a debate.

**Mrs L.M. HARVEY:** I notice that the revenue has been booked for this budget year but legislative amendment will be required for this. How far advanced is the change to the legislation?

**Mr P. PAPALIA:** It only requires amendment to the regulation. It will be enacted by 1 July. Obviously, regulations are subject to parliamentary oversight. I am sure that no-one in the upper house would disagree that this is a fair and reasonable response and necessary in times of tax assaults on the distribution of training funds by the federal coalition government. Anyone in the upper house of state Parliament would recognise that this is a reasonable response and it is also rectification of an inequity that has been extant forever.

**Mrs L.M. HARVEY:** Legislative amendment would be required to change the structure of the BCITF board. It sounds as though it is envisaged that the levy will be put in place prior to any changes being made to the board for the resources sector to have a say on it.

**Mr P. PAPALIA:** I am pretty certain that the minister is in consultation, as she has indicated on many occasions, with all players associated with this measure, including the board. The priority is the funds. To achieve removal of the exemption only requires regulation.

**Mr P.J. RUNDLE:** Will the minister be removing regulation 3AA in its entirety?

**Mr P. PAPALIA:** I think the member is starting to get into issues that require legal advice from Parliamentary Counsel. I will not speculate. If the member is concerned about the exact nature, he could put that on notice to the minister.

**Mr P.J. RUNDLE:** Does the minister foresee that any exclusions will exist?

**Mr P. PAPALIA:** From?

**Mr P.J. RUNDLE:** Once that regulation is removed, does the minister foresee any exclusions or any industries that will be excluded from this scenario?

**Mr P. PAPALIA:** I have already placed on the record essentially what the intent is and what the intended outcome is. Once the exemption is removed, the levy will apply to the resources sector, engineering, construction work and major maintenance activities. It is not the government's intention that the levy be applied to mining operations.

**Mr W.R. MARMION:** At the moment the mining industry is facing some shortages in skilled areas, such as mining engineers, geologists and specialist trades like drillers and drilling offsidiers. Will the government consider using some of the funds generated from reducing the exemption to help plug some of the gaps in the skills in the mining area?

**Mr P. PAPALIA:** I am not sure that I understand the question. The member is saying that some specific fields of qualification are under stress. Is the member asking whether the training funding will be targeted at training geologists, for example?

**Mr W.R. MARMION:** Will the minister consult with industry to clarify what I have just said is true?

**Mr P. PAPALIA:** Is the member asking whether the industry's requirements will be respected and responded to by the BCITF?

**Mr W.R. MARMION:** Will funds go towards the mining industry requirements—yes or no?

**Mr P. PAPALIA:** I think the board's responsibilities relating to where the funding goes will be applied across the full spectrum of training requirements in the state. I am not personally right on top of the responsibilities of the board but I can assume that it has responsibility for taking the revenue that it receives, identifying fields of endeavour where the need is and then allocating the funding to ensure that the current and future needs are met through the use of the training funds. I assume that that will be applied to the resources sector in the same way as it is to others.

If it is not construction related, the intent of the government's changes are to focus on engineering and construction work and major maintenance activities. Therefore, I would expect that that is where the funding goes. If the member is talking about other fields of endeavour, that is policy detail that will be determined by the minister in consultation with the industry and board.

It is probably fair to add that the intent is that the money will be spent on the sector or the area from which it is gathered.

**Mr W.R. MARMION:** That is all I wanted to know.

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**Mr P. PAPALIA:** That is probably what the member wanted to know. I think that is the answer that the member was seeking.

**Mrs L.M. HARVEY:** I refer to page 68 of budget paper No 3. I have a quick question about the modelling. There are figures of \$6 million, \$8.6 million and \$7.3 million and then it drops off to \$3.3 million in 2021–22. Why is there a decline in the fourth year and a virtual halving of the estimated income?

**Mr P. PAPALIA:** It is based on modelling and the information available. In the third year of the out years, that modelling might be speculative and, in all likelihood, will shift as we get a greater grip on what is happening as we get closer to that time frame. There is nothing sneaky going on.

**The CHAIR:** There being no further questions, that completes the examination of the Building and Construction Industry Training Board.

*Meeting suspended from 12.59 to 2.00 pm*