



Review of the Operation and Effectiveness of the Building and Construction Industry Training Fund and Levy Collection Act 1990

**Chaired by Mr Robert Stratton
June 2014**

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1. Executive Summary

1.1. Terms of Reference and Key Findings

Relationship with industry and effectiveness of communication

Stakeholder feedback indicates that the Building and Construction Industry Training Board (BCITB) has strong support from the vast majority of key stakeholders in the Construction industry. There is a high level of support for the existence of the BCITB and acknowledgment of its contribution to the training of individuals and the supply of skilled workers for all sectors of the industry.

There is opportunity for the BCITB to expand its significant industry promotion activity particularly through interaction with schools. The steps already being taken to further develop such relationships are supported.

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

The current structure of the Board is supported by stakeholders and the positive feedback from stakeholders was consistent for all sectors.

Operation of the Board in strategic management of the Construction Training Fund.

The BCITB is perceived as a strategic entity which communicates effectively with industry and is able to consider and work through contentious issues in order to deliver a considered position and provide market intelligence.

There is merit in the BCITB taking a greater role in facilitating research within the industry.

Efficiency of the Board in collection of the levy and administration of Programs.

The Board is considered to be efficiently managing the Fund and the collection of the levy. The system of collecting funds is appropriate, however the threshold levels for application of the levy and adjustment of project value variations need to increase to ensure efficient collection and to be consistent with threshold levels for building permits under the *Building Act 2011*.

Attainment of the objectives of the Building and Construction Industry Training Fund and Levy Collection Act 1990 in improving the quality of training and increasing the number of skilled people in the industry.

The objectives of the *Building and Construction Industry Training Fund and Levy Collection Act 1990* are being attained; however the relevance is questioned of retaining the legislative objective of 'improve the quality of training'. Other entities and frameworks which did not exist at the time the legislation was enacted now undertake quality assurance processes as part of the Australian Quality Training Framework.

The current exemption of engineering work in the resources sector from application of the levy is an anomaly and it appears inequitable that this sector does not contribute to the levy whilst other sectors do. This is particularly the case as the resources sector is a major industry in Western Australia which benefits greatly from recruitment of skilled workers, trained at the expense of the construction industry.

From a Government point of view, there would need to be further consultation with major stakeholders within the resources industry when considering removing the current exemption from payment of the training levy.

The need for the Act to continue in operation.

The *Building and Construction Industry Training Fund and Levy Collection Act 1990* should be retained and the levy maintained at 0.2% of project value.

Other Findings

It is reported that with the exception of the application of the levy to the resources sector all other issues and recommendations from the previous review of the BCITB have been addressed.

1.2. Recommendations

- ***The review recommends that the Building and Construction Industry Training Fund and Levy Collection Act 1990 be retained.***

The information collected and the views submitted by stakeholders consulted during this Review indicate that the Board's structure and Corporate Governance processes are appropriate. The Fund is operating efficiently and effectively and is in a sound financial position. There is also general satisfaction with operations of the Board and its proposed directions. As a result the *Building and Construction Industry Training Fund and Levy Collection Act 1990* should be retained.

- ***That Regulation 3 of the Building and Construction Industry Training Fund and Levy Collection Regulations 1991 be amended to increase the threshold at which the levy applies from \$20,000 to \$45,000.***

This ensures efficient collection of the levy and consistency with the threshold for building permits prescribed in the Building Act 2011.

- ***That Section 21, 22 and 30 of the Act, 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 Regulations.***
- ***That the threshold for application of adjustments to the value of construction projects on completion be increased from \$25,000 to \$45,000 and included in the Regulations.***
- ***Retain the quantum of the levy at 0.2% of project value.***

- **Amend Section 7 (1) (ba) of the Act to remove reference to ‘improve the quality of training’.**

The relevance of retaining functions associated with quality issues in the Act is not as relevant now as it was when the Act was introduced. It is recommended that the Act be amended to remove ‘improve the quality of training’ as a key objective.

- **Withdraw the current exemption applying to engineering construction projects in the resources sector and consider applying a tiered levy based on project value.**

That Regulation 3 of the Regulations be amended to withdraw the current exemption from payment of the levy applying to engineering construction projects in the resources industry.

Consideration should be given to adopting a cap on payment of any levy on engineering construction in the resources sector similar to that in Queensland where the levy is paid on the value of construction up to \$5 billion, but not above that amount.

- **Review the effectiveness of the differential funding model for apprentice subsidies and if necessary make further adjustments.**

Continue with research that studies the impact of the differentiation model on apprenticeship numbers. Subject to the outcomes of the research, consideration be given to adjustments to the apprenticeship subsidy.

- **The Board should continue to develop strategic approaches using various communication platforms and relevant information to enable it to engage with a broader array of stakeholders.**

- **Section 10 (1) (ib) of the Act to be amended to reflect that the Communications, Electrical and Plumbing Union of Western Australia is now operating as the Electrical Trades Union WA.**

- **The Fund’s KPIs should be reviewed to respond to any changes in key objectives of the legislation.**

The current KPIs meet the requirements of the Office of the Auditor General (OAG) and Treasury and were reviewed in conjunction with the OAG and Treasury. These KPIs should be reviewed at an appropriate time in the future if amendments are made to the key objectives of the Act.

- **The level of research undertaken by the BCITB be increased and that an associated performance measure/s be developed to assess outcomes achieved.**

A research agenda be developed in conjunction with industry stakeholders that focuses on strategic issues aligned to progressing achievement of the BCITB’s objectives.

- **The review notes that there are additional issues and comments made by respondents during the consultations. While they fall outside the terms of reference for this review, they do have relevance for the industry in general and have been included as additional suggestions. It is recommended they be referred to the Building and Construction Industry Training Board for their consideration.**

1.3. Outcomes from the last review in 2008 (Stratton, September 2008)

A number of recommendations were made from the review of the Building and Construction Industry Training Fund in 2008 which included:

- Amendments to section 10 of the legislation to broaden the list of industry stakeholders who should be consulted prior to appointment of a Board.
- Review of levy collection and payment processes to enable electronic business operations.
- Review of support for Certificate IV level training.
- Improved communications with employers and support for regional training.
- Establish a Corporate business name to support the operation of the Fund and in particular promotion of careers in the industry.
- Withdraw exemption relating to application of the levy to engineering construction in the Resources Industry.

These and a number of other recommendations have all been addressed by the Board including the establishment of the business entity the 'Construction Training Fund'.

The only matter remaining outstanding is the application of the levy to engineering construction work in the resources sector.

1.4. Summary of stakeholder perception of Building and Construction Industry Training Board characteristics

The results of the stakeholder responses to questionnaires on the performance of the BCITB are summarised as follows:

- 96% consider the Board to be active
- 96% consider the Board responsive to issues
- 87% consider the Board efficient
- 85% consider the Board forward looking
- 80% consider the Board flexible
- 77% consider the Board innovative
- 76% consider the Board strategic

With regards to the effectiveness in providing for, or supporting training programs and research; the aim of which is to improve the quality of training;

- 27% consider the Board to be highly effective
- 49% consider the Board to be effective
- 7% consider the Board to be neither effective nor ineffective
- 7% consider the Board to be ineffective
- 10% do not know

With regards to interaction with the Construction Training Fund, stakeholders responded to the following questions:

Was there a positive outcome from your interaction with the Fund?

- 97% responded with a yes

Were your particular needs satisfied from your interaction?

- 93% responded with a yes

Do you consider the Fund is doing an effective job at undertaking its activities?

- 93% responded with a yes

2. Review Findings

Relationship with industry and effectiveness of communication

- Stakeholder feedback indicates that the BCITB has strong support from the vast majority of key stakeholder cohorts in the construction industry.
- The BCITB produces industry data such as the Industry Workforce Development Plan, Construction Industry Snapshot and contributes to the State Priority Occupation List. A number of stakeholders were of the view that there are further opportunities to develop additional information and data that would be of use in engaging with a broader audience that can facilitate the progression of the BCITB's objectives.
- Stakeholders have a view that, even though there is significant industry promotional activity performed by the Fund within the school sector, there could be additional interaction with career advisors in the secondary education sector to enhance their understanding of career possibilities within the construction industry. There is a perception that some schools neglect career opportunities within the construction industry and that generally, those students who do not achieve high academic scores are the ones directed towards an apprenticeship, rather than those who might actually want to have a career in a trade. In respect to this feedback, the Review acknowledged the BCITB have taken relevant steps towards further development of relationships with career advisors and schools.
- Social media could be better utilised to promote the construction industry as a career pathway to high school aged youths. It is acknowledged that this stakeholder cohort utilise social media more frequently than others. In this regard, having an enhanced presence utilising this communication platform could support the promotion of priority trades and the uptake of apprenticeships.

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

- The BCITB is perceived as an entity which is able to consider and work through contentious issues in order to deliver a considered position and provide market intelligence. In this regard, the BCITB provides a useful conduit for Government to canvass issues associated with the construction industry and to also receive relevant data and information on matters such as workforce development.
- It is noted that the Communications Electrical and Plumbing Union of Western Australia is now operating as the Electrical Trades Union WA. The Act should be amended to reflect this.

Operation of the Board in strategic management of the Construction Training Fund

- Certain stakeholders identified that there is merit in the BCITB taking a greater role in facilitating research within the construction industry. Whilst it is acknowledged that the BCITB currently implement a research program, the importance of increasing the level of research is pronounced given the dynamic nature of the construction industry and the

workforce development challenges that it faces into the future. In this regard there are opportunities to develop strategic alliances with existing research organisations, for example, tertiary institutions. A research agenda could be developed that focuses on strategic issues connected with the BCITB's objectives.

- It is noted that Outcome 2 of the BCITB's Key Performance Indicators makes no reference to "research" notwithstanding that Section 7 (1) (ba) of the Act states ".....to provide for, or support, training programmes and research.....". In this regard, there is merit in the BCITB incorporating the concept of "research" into its Outcomes.

Efficiency of the Board in collection of the levy and administration of the Programs

- Stakeholder feedback indicates that generally, the system for collecting funds is appropriate.
- Analysis indicates that it costs between \$50 and \$100 to administer the collection of a levy transaction. The implication of this is that the cost of collecting the levy for construction work valued between \$20,000 (the current threshold) and \$50,000 may exceed the levy collected. The Review supports the suggestion that Regulation 3 of the *Building and Construction Industry Training Fund and Levy Collection Regulations 1991* be amended to increase the threshold at which the levy applies. In this regard, increasing the threshold to an amount that is consistent with the threshold level set by the *Building Act 2011* is considered appropriate. Accordingly, it is recommended that the threshold at which the levy applies be amended from \$20,000 to \$45,000.
- Linked to the above, Section 21, 22 and 30 of the Act require that where a variation in project value of \$25,000 or more (after an adjustment of inflation occurs), the Board shall either refund the value of the levy for any reduction in value to the project owner or if there has been an increase, the project owner shall pay the Board the additional amount. The levy due on a variation of \$25,000 would amount to \$50. The BCITB has identified that the cost of following up each project would far exceed the funds received in levy income. In this regard, it is recommended that the \$25,000 variation threshold be increased to \$45,000 to be consistent with the levy payment threshold suggested above.
- It is noted that the threshold value to which the levy applies is also dealt with in the *Building and Construction Industry Training Fund and Levy Collection Regulations 1991*. Consistent with this approach, there is also merit in having the threshold value for project variations included in the Regulations as opposed to the Act.

Improve the quality of training

- The BCITB provides an effective framework through which building and construction industry intelligence and data is collated. This enables informed decisions to be made on the training needs of the industry and workforce requirements.
- In considering the key objectives of the enabling legislation the review questioned the current relevance of 'improve the quality of training' in the Act. It is noted that other frameworks and organisations within the Australian Quality Training Framework now exist

that address quality aspects of training¹. Such frameworks did not however exist when the Act was drafted. The Review considers that the relevance of retaining functions associated with quality issues in the Act may not be as relevant now as when the Act was introduced. In this regard, there is merit in considering an amendment to the Act to remove 'improve the quality of training'. An alternative wording could be 'facilitating effective training outcomes that are required by industry'.

Increase the number of skilled persons in the building and construction industry

- There is a high level of support for the existence of the Construction Training Fund and acknowledgement for the contribution to:
 - Training for individuals and up skilling
 - Supply of skilled personnel within the industry – Apprentices.
- It is challenging to identify the price elasticity of the apprenticeship subsidy. In this regard, stakeholder feedback indicates that a number of factors and variables underpin the effectiveness of the BCITB apprenticeship subsidy in increasing the number of apprentices employed. A key driver in this process is the anticipated level of future construction activity by the employer.
- It is acknowledged that quantifying the direct effect of changing the rate/level of the apprenticeship subsidy and its impact on apprenticeship numbers is complex. A key strategic decision for the BCITB is to monitor the impact of any differential funding changes that are implemented.
- It is acknowledged that the shortage in the number of apprentices differs across the various trades. In this regard, consideration could be given to applying a higher subsidy rate to those trades that have been identified as a high priority. It is acknowledged that the BCITB already differentiate the apprenticeship subsidy for certain trades, however there is merit in monitoring the effectiveness of the existing subsidy model and if necessary making adjustments.
- The current exemption of the levy applying to civil engineering construction projects in the resources sector represents an anomaly and appears inequitable that this sector does not contribute to the levy whilst other sectors do, particularly as the resources industry recruits a significant number of workers trained and skilled at the expense of the Construction Industry.

Need for the Act to continue in operation

- The information collected and the views submitted by stakeholders consulted during this Review indicate that the *Building and Construction Industry Training Fund and Levy Collection Act 1990* be retained.

¹ For example the Training Accreditation Council (TAC) which was established under the *Vocational Education and Training Act 1996*, provides for the quality assurance and recognition processes for Registered Training Organisations (RTOs) and accreditation of courses in Western Australia.

3. Introduction

3.1. Background and Purpose of the BCITB

Construction Training Fund operates under the *Building and Construction Industry Training Fund and Levy Collection Act 1990* (the Act) and was established to collect a training levy on the value of construction projects. The Act assists the construction industry to meet its demands for skilled workers by directing revenue generated from the levy into structured programs that reduce the costs of training for eligible industry workers.

The Act is operationalised through the Building and Construction Industry Training Board (BCITB)

The Building and Construction Industry Training Board is a statutory authority and operates under the registered business name “Construction Training Fund”. The Construction Training Fund assists Western Australia’s building and construction industry to meet its demands for skilled workers. It operates under the *Building and Construction Industry Training Fund and Levy Collection Act 1990* (the Act) and was established on 1 July 1991 to collect a training levy on all construction projects where the total value of construction is over \$20,000.

The Construction Training Fund is managed by a Board of industry representatives and an independent Chairperson. Members of the Building and Construction Industry Training Board are appointed by the Minister for Training and Workforce Development. Appendix A details current Board membership.

The Construction Training Fund has approximately 20 staff, based in Osborne Park. It works with stakeholders in the building and construction industry, registered training providers, local government agencies, secondary schools, the Department of Training and Workforce Development and the State Training Board.

3.2. Recent Performance

The following information provides an overview of outputs and performance of the BCITB in the year ended 30 June 2013.

Training Support Outcomes

- Provided 6,181 apprentice subsidies to employers.
- Provided 908 bonus subsidies to enable employment of mature age apprentices.
- Provided a further 791 bonus apprentice subsidies including; regional training subsidies, Indigenous apprentice subsidies and accommodation allowances.
- Funded 18,075 people to undertake Supplementary Skills Training.
- Funded 8,564 people to undertake Occupational Safety and Health training.
- Provided 1,543 subsidies for skills assessment.
- Provided 92 subsidies for recognition of prior learning (RPL).

Career Promotion Outcomes

- 99,000 visits to information websites.
- 1,785 school students supported to undertake School to Work Transition programs.
- 203 presentations provided on construction careers at schools and expos including 54 regional presentations.
- 490 information visits to employers and probationary apprentices on building sites.
- Providing support through relationships with 160 schools in the metropolitan and country regions.

3.3. Purpose of the Review – Terms of Reference

The Minister of Training and Workforce Development commissioned the Review of the Act in accordance with Section 32 (1) of the Act, which requires a review of the Act's operation and effectiveness every five years.

The terms of reference included consideration of the following issues:

- Effectiveness of 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 Construction Training Fund
 - Efficiency of the Board in collection of the levy and administration of the Programs
- Attainment of the objectives of the *Building and Construction Industry Training Fund and Levy Collection Act 1990*
 - Improve the quality of training
 - Increase the number of skilled persons in the building and construction industry
- The need for the Act to continue in operation

This Review has obtained feedback from a variety of stakeholders who have provided their views on the issues covered in the terms of reference. The Review has also considered available reports, plans and other documentation provided by the Construction Training Fund.

It should be noted that there are particular views presented within the responses that are not necessarily a consensus view. These issues are identified for the purposes of assistance to the BCITB in its future deliberations.

3.4. Review Committee

A Review Committee was established and chaired by Mr Robert Stratton, to provide direction and oversee the undertaking of the Review. The Review Committee comprised the following members.

Table 1 – Review Committee

Title	Name	Surname	Position	Organisation
Mr	Robert	Stratton	Chair	Stratton Consulting
Mr	Ralph	Dawson	Executive Director	Construction Training Fund
Mr	Michael	McLean	Director	Master Builders Association of Western Australia
Mr	John	Gelavis	Executive Director WA	Housing Industry Association
Mr	Wayne	Morling	General Manager	MPA Skills
Mr	Murray	Thomas	Chief Executive Officer	Master Painters & Decorators Association (WA)
Mr	Chris	Fitzhardinge	Chief Executive Officer	Construction Contractors Association
Mr	Stuart	Diepeveen	General Manager	Electrical Group Training for NECA (WA)
Mr	Jeff	Miller	Chief Executive Officer	Civil Contractors Federation of WA
Mr	Steve	McCann	EHS Officer	Construction, Forestry, Mining and Energy Union (WA)
Mr	Stephen	Price	State Secretary	Australian Workers Union (WA)
Mr	Greg	Wilton	Organiser	Electrical Trades Union (WA)
Mr	Tom	Palmer	Acting State Secretary	Australian Manufacturing Workers Union (WA)

3.5. Establishment of a Steering Committee of Industry Representatives

The Steering Committee oversaw the operation of the Review and made final determinations after the review of a report from Quantum Consulting Australia Pty Ltd.

The approach for this Review by Quantum Consulting was as follows:

- Undertake a commencement meeting to agree a methodology and key questions with the Construction Training Fund
- Attend the Industry Stakeholder Planning workshop in March 2014
- Undertake a desktop review of relevant background information provided by the Construction Training Fund
- Stakeholder consultation was conducted via the following approach:
 - One-on-one interviews with a selection of stakeholders during April/May of 2014
 - Collection of submissions from industry organisations (Advertised in the *West Australian* (15 February 2014) and *Sunday Times* (16 February 2014) and placed on the Construction Training Fund website, as well as via Government Notices (by ADCORP).
 - Development of a generic stakeholder feedback questionnaire, sent via email
 - Visits to two regional locations to conduct face-to-face interviews
 - Undertake two case studies relating to topics of interest for the Review
 - Further telephone interviews and follow up discussion where necessary
- Data analysis, including the review of BCITB reporting and good practice approaches.

A review of this nature has a number of inherent limitations/challenges associated with the data collected and analysed. Some of these limitations include:

Sample of stakeholders

It is acknowledged that the individuals and organisations consulted during the Review represent a sample of total stakeholders that have an interest in the implementation of the *Building and Construction Industry Training Fund and Levy Collection Act 1990*. In this regard, it is acknowledged that the responses received for the purposes of this Review may not be reflective of all stakeholders. Nevertheless, the analysis reported below provides a number of insights into the perceptions of stakeholders regarding the Act and the BCITB.

Interest of stakeholders in the continuation of the Act

The Review has obtained perspectives from stakeholders that receive Construction Training Fund funding (directly) and stakeholders that represent organisations who receive Construction Training Fund funding. This includes stakeholders who may have an interest in ensuring that both the Act and programs of the BCITB continue.

Accuracy of data

The Review has obtained a variety of data (statistics, revenue amounts, expenditure particulars etc.). The data has been utilised for the purposes of carrying out the Review of the Act.

4. Effectiveness of the Board

This Chapter considers the effectiveness of the BCITB across the following areas:

- Relationship with industry and communication
- Meeting the needs of different sectors in the industry
- Strategic management and
- Efficiency of the BCITB in collection of the levy and administration of Programs.

4.1. Relationship with industry and effectiveness of communication

Key Findings

- Stakeholder feedback indicates that the BCITB has strong support from the vast majority of key stakeholder cohorts in the construction industry.
- The BCITB produces industry data such as the Construction Industry Snapshot, Industry Workforce Development Plan and contributes to the State Priority Occupation List (SPOL). A number of stakeholders were of the view, however, that there are further opportunities to develop additional information and data that would be of use in engaging with a broader audience that can facilitate the progression of the BCITB's objectives.
- Stakeholders have a view that even though there is significant industry promotional activity in schools, there could be additional interaction with the career advisors in the secondary education sector to enhance their understanding of career possibilities within the construction industry. There is a perception that some schools neglect career opportunities within the construction industry and prefer to have students finish school. Generally those students who do not achieve high academic scores are the ones directed towards an apprenticeship, rather than those who might actually want to have a career in a trade. In respect to this feedback, the Review acknowledged the BCITB have taken relevant steps towards further development of relationships with career advisors and schools.
- Social media could be better utilised to promote the construction industry as a career pathway to high school aged youths. It is acknowledged that this cohort of potential apprentices utilise social media more frequently than others. In this regard, having an enhanced presence utilising this communication platform could support the promotion of priority trades and the uptake of apprenticeships.

In consideration of the BCITB's relationship with entities within the industry, there are several factors that are involved. These relationships involve employer and employee organisations, as well as the provision of industry based information. The Review acknowledged that the BCITB utilises mechanisms such as annual workshops, forums and meetings to facilitate the provision of data and information to industry organisations.

Stakeholder feedback indicates that the BCITB has strong support from both employer and employee groups. Of 30 stakeholders who provided a response, 29 (97%) responded that their interaction with the Construction Training Fund was positive.

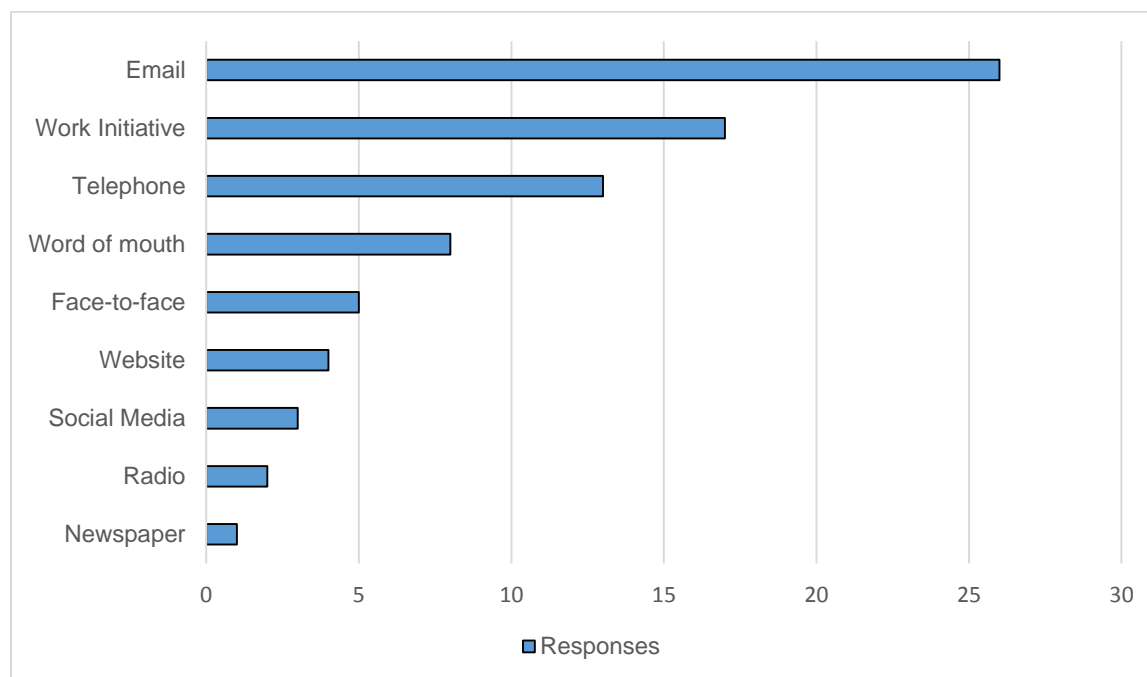
One of the challenges associated with establishing an effective framework for engagement with the industry is the level at which that engagement occurs. One stakeholder was of the view that the relationship could be further enhanced by working in partnership on particular projects, rather than maintain a relationship at the transaction level, for example, approval of funding release. It is acknowledged however, that the BCITB must maintain objectivity and an arms-length approach to its relationships with stakeholders.

Further to the above, stakeholders have suggested that regarding the industry based information, such as the Construction Industry Snapshot produced by the Construction Training Fund, enhancements could be made in the distribution of information to a greater number of stakeholders.

In this regard, it is considered appropriate for the BCITB to enhance the distribution of industry based information to a greater number of stakeholders, while maintaining arms-length and objective relationships.

Stakeholder responses have confirmed the channels of communication utilised to interact with the Construction Training Fund. Chart 1 illustrates that there is a significant level of interaction through email, work initiative and telephone.

Chart 1 - How do you normally receive information from or regarding the CONSTRUCTION TRAINING FUND? (n=30)

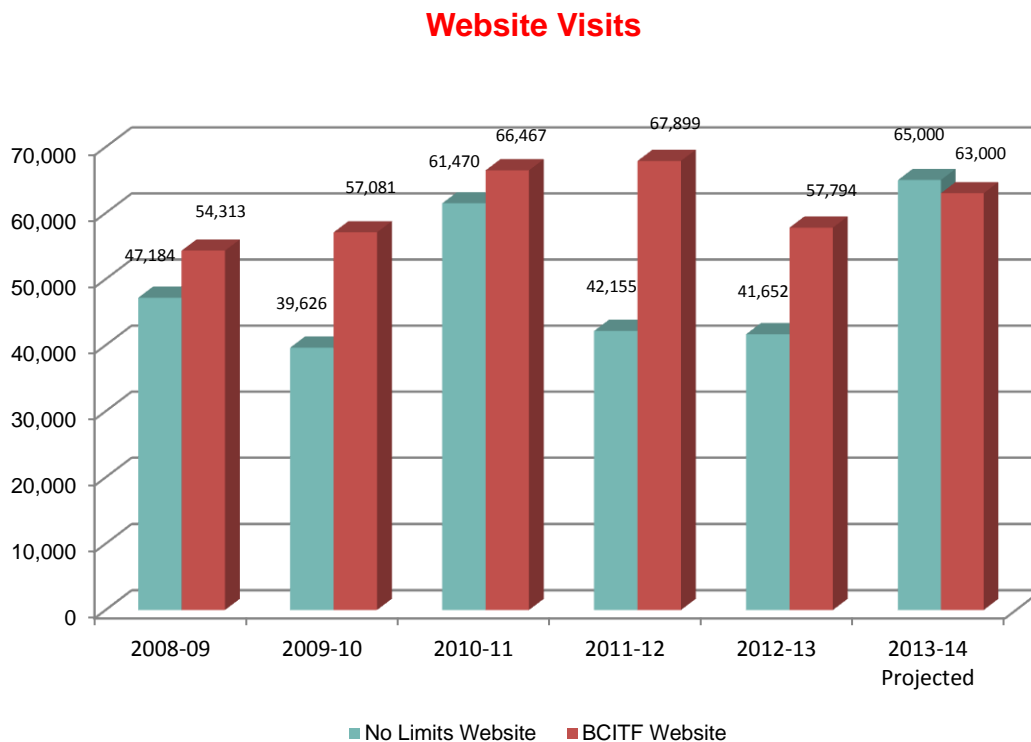


It is acknowledged that the spectrum of stakeholders that the Construction Training Fund engage with, including apprentices, are becoming more responsive to social media as an avenue for the distribution of information. Of interest, the Construction Training Fund's Facebook page has received 125 'likes', which is 1.7% of the total number of apprentices in training (7,530 as at 30 June 2013) and 0.01% of the annual average number of employees

within the construction industry (128,090²). While it is acknowledged that visits to the Construction Training Fund and *No Limits* websites were 57,800 and 41,700 respectively (refer to Chart 2), there are further opportunities to connect with stakeholders through this avenue. Consequently, it is considered appropriate for the BCITB to enhance the promotion and awareness of the Construction Training Fund through social media and other alternative channels.

It is however acknowledged that the Facebook page is in its infancy and the Fund has plans to expand the use of digital promotion.

Chart 2: Website Visits



Strategic Promotion of the Construction Industry

In general, stakeholders provided feedback indicating they were aware of the Construction Training Fund and could remember television advertisements from the Construction Training Fund. It was noted however, that some industry associations are finding small construction businesses are unaware of the Construction Training Fund and the benefits it provides. In this respect, there is opportunity to enhance the strategic approach to promotion and awareness.

The Career Promotion Committee drives this and the Fund has recently conducted social research including an assessment of the effectiveness of existing advertising campaigns which is being used to develop new and improved campaign strategies.

² Construction Training Fund, *Construction Industry Workforce Development Plan 2013*, March 2013, Pg. 23

It is considered appropriate for the BCITB to continue its strategic approach to promotion and awareness raising techniques applied to the various stakeholder cohorts.

Recommendation - The Board should continue to develop strategic approaches using various communication platforms and relevant information to enable it to engage with a broader array of stakeholders.

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

Key Findings

- The BCITB is perceived as an entity which is able to consider and work through contentious issues in order to deliver a considered position and provide market intelligence. In this regard, the BCITB provides a useful conduit for Government to canvass issues associated with the construction industry and to also receive relevant data and information on matters such as workforce development.
- It is noted that, as a Governing Board of a statutory authority, the Board has undertaken assessment of its performance against the standards established for public sector Boards and Committees and is continuing to apply improvement processes on an on-going basis.
- It is noted that the Communications, Electrical and Plumbing Union of Western Australia is now operating as the Electrical Trades Union WA. The Act should be amended to reflect this.

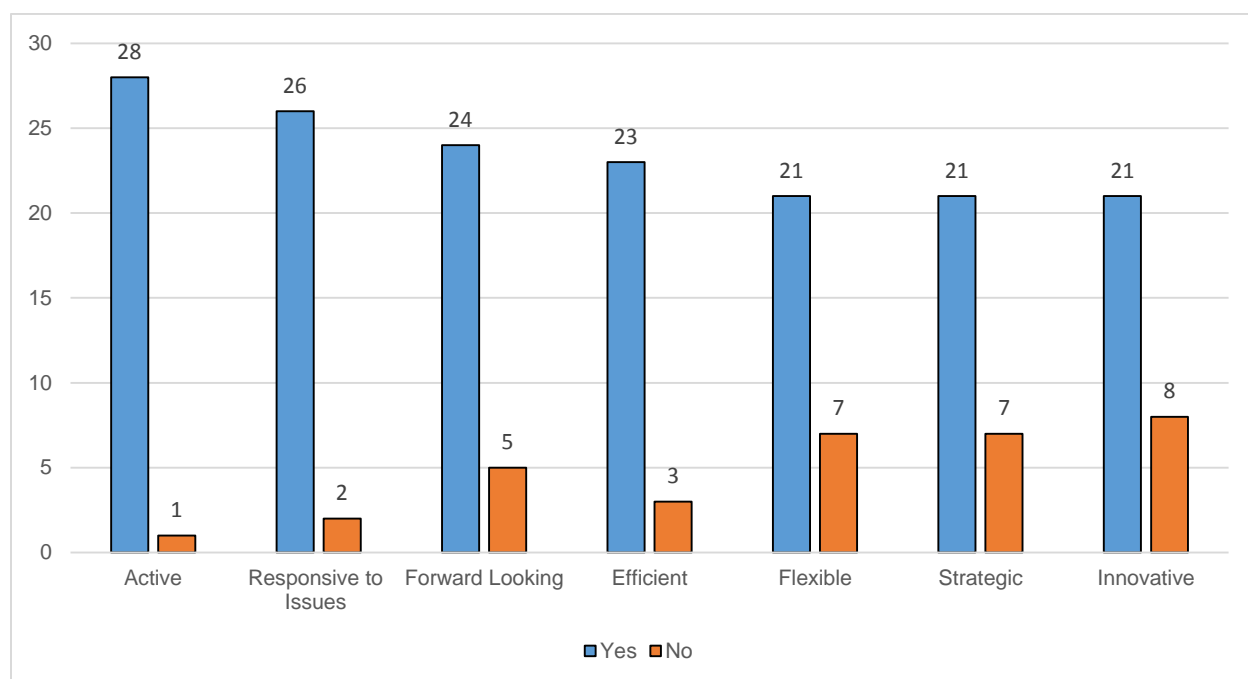
Section 10 of the Act stipulates the Board's composition as follows:

1. The Board shall consist of 7 members appointed by the Minister after consultation with the bodies known as the:
 - a) Master Builders' Association of Western Australia (Union of Employers Perth)
 - b) Housing Industry Association Limited (Western Australian Division)
 - c) Construction Contractors Association of Western Australia
 - d) Master Plumbers and Gasfitters Association of Western Australia
 - e) Master Painters, Decorators and Signwriters Association of Western Australia
 - f) National Electrical and Communications Association of Western Australia
 - g) Construction, Forestry, Mining and Energy Union of Workers (WA Branch)
 - h) Civil Contractors Federation of Western Australia
 - i) Australian Workers' Union, West Australian Branch, Industrial Union of Workers
 - j) Communications, Electrical and Plumbing Union of Western Australia
 - k) Australian Manufacturing Workers' Union (WA Branch).
2. At least 2 of the members shall be, in the Minister's opinion, independent of the bodies referred to in subsection (1).
3. One of the independent members referred to in subsection (2) shall be appointed by the Minister as the chairperson of the Board.
4. The regulations may amend subsection (1) in order to reflect a change in the name of any body referred to in that subsection.

Stakeholders are generally of the view that the composition of the BCITB is appropriate.

Stakeholder responses regarding the characteristics of the BCITB were gathered as part of the Review. It was noted that, generally, positive feedback was received across the range of BCITB characteristics, the characteristics of being flexible, strategic and innovative showed less support than others but still received support from 76% of respondents.

Chart 3: Stakeholder perception of BCITB characteristics



Recommendation - That Section 10 (1) (ib) to be amended to reflect that the Communications, Electrical and Plumbing Union of Western Australia is now operating as the Electrical Trades Unions WA.

4.3. Operation of the Board in strategic management of the Construction Training Fund

Key Findings

- Certain stakeholders identified that there is merit in the BCITB taking a greater role in facilitating research within the construction industry. Whilst it is acknowledged that the BCITB currently implement a research program, the importance of increasing the level of research is pronounced given the dynamic nature of the construction industry and the workforce development challenges that it faces into the future. In this regard there are opportunities to develop strategic alliances with existing research organisations for example, tertiary institutions. A research agenda could be developed that focuses on strategic issues connected with the BCITB’s objectives.
- It is noted that Outcome 2 of the BCITB’s Key Performance Indicators makes no reference to “research” notwithstanding that Section 7 (1) (ba) of the Act states “.....to provide for, or support, training programmes and research.....”. In this regard, there is merit in the BCITB incorporating the concept of “research” into its Outcomes and developing appropriate measures to assess the effectiveness of its research activities.

To assess the effectiveness of the Board in the strategic management of the Construction Training Fund, there are a number of useful frameworks that provide good practice approaches in corporate governance. One such framework is the *Good Governance – A Guide for WA Public Sector Boards and Committees* issued by the Public Sector Commission.

It is understood that BCITB members recently completed a Public Sector Commission 'Governance of Public Sector Boards' survey to assess the Board's performance against the good corporate governance principles. The Board assessed its practices as satisfactorily meeting the Good Governance Guide, the only exception being Principle 10 *Professional Development* where action is currently underway.

It is considered that the BCITB effectively applies the majority of the Principles contained in the aforementioned good practice framework.

Performance monitoring

In regards to the monitoring of performance, the BCITB has adopted two outcomes in its performance framework:

- Outcome 1: Programs support an increase in skilled workers in the industry

Associated KPIs:

1.1 The proportion of workers surveyed who are satisfied with the quality of training supported by the Construction Training Fund

1.2 The proportion of employers surveyed who are satisfied overall with the quality of training supported by the Construction Training Fund

- Outcome 2: Programs support an improvement in the quality of training.

Associated KPIs:

1.1 The number of apprentices and trainees employed in the building and construction industry as a percentage of the trade workforce.

1.2 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

In addition, efficiency performance indicators adopted by the BCITB include:

2.1 The total administration costs of the BCITF as a percentage of the Fund's total expenditure

2.2 The specific administration costs of the BCITF represented as a cost per apprentice or trainee subsidised by the Fund

2.3 The specific administration costs of the BCITF represented as a cost per person supported by the Fund to undertake skills training or vocational education.

It has been noted that there is doubt as to the current relevance of the objective in the enabling legislation relating to improvement in the quality of training which is achieved through other entities within the Australian Quality Training Framework (AQTF).

Key elements of the BCITB's approach to performance monitoring include:

- The Board receives regular reports on the performance of the Construction Training Fund against each program detailed in the Annual Operational Plan approved by the Minister. It meets at least seven times a year at which operational reports are tabled and in months where there is no meeting members are provided with an operational and financial year-to-date report.
- The Board receives and approves a Risk Management Plan which is regularly reviewed and covers risks to the organisation, the probability of those risks occurring, the level of the risk, the adequacy of the controls in place and the action required in each case. The Risk Management Plan includes compliance issues such as public sector standards.
- The Board as a statutory authority employs a firm of solicitors to provide advice on all matters relating to its legal responsibilities. In matters relating to amendment or interpretation of legislation it will also rely on support from the State Solicitor's Office. Protocols are in place as to how issues requiring that action are initiated.
- Detailed monthly financial reports are reviewed by the Board to assess performance against budget. The Board reviews annual internal and external audit reports which to date have confirmed that appropriate control processes are in place. Management have advised that the auditors have also been satisfied that the KPIs are appropriate and fairly represent the performance of the Construction Training Fund. The BCITB Chairman participates in audit meetings at the commencement and completion of audits.
- Record keeping processes are reviewed and approved by the Board and an updated Records Keeping Plan has recently been endorsed by the State Records Office.
- The reporting process links to the Construction Training Fund's strategic objectives and Operational Plan programs and targets. The CEO's performance agreement with the Board is tied to those objectives.
- The reporting provides comparisons to enable analyse of performance with previous years.
- The Construction Training Fund's research program includes review and reporting on the effectiveness of individual programs and changes to those programs implemented by the Board. These reports are submitted to the Board and underpin future decision making.
- The Board also ensures that in reviewing program performance it consults with industry stakeholders who provide feedback on the Construction Training Fund's performance and the relevance of programs.

It is considered that the above approach of the BCITB provides an appropriate framework for performance monitoring.

The Review notes that an effective performance monitoring framework is underpinned by appropriate indicators. The existing KPIs of the Construction Training Fund are of a quantitative nature and meet the requirements of the Auditor General and Treasury, however they should be reviewed when any amendments are made to the *Building and Construction Industry Training Fund and Levy Collection Act 1990*.

Professional Development

Good practice models generally incorporate a framework that facilitates evaluation and improvement of board and board member performance. It involves formal and informal processes, including an effective induction process, to ensure the highest standards of probity and performance are reached.

- The Board formally considers issues and recommendations arising out of the legislative reviews and implements appropriate responses.
- The Board has an informal evaluation process in place which comes out of the feedback provided by stakeholders at annual planning workshops and meetings with stakeholders held in Perth and regional Western Australia by the Chairman and individual members.
- The BCITB Chairman discusses matters of protocol and responsibilities (as a Board member) individually with Board members. Informal processes are agreed and adopted on how the Board members communicate with each other and on how decisions are determined to ensure effective Board operations.
- The Board has undertaken training on various issues, for example accountable and ethical decision making.
- There is an induction program in place for all new Board members which includes written material such as copies of legislation, Board Charter and Code of Conduct.
- The BCITB Chairman and members are invited to attend appropriate external events and seminars as a professional development exercise. This is supported by a personal briefing provided by the Chairman of the BCITB and the CEO of the Construction Training Fund.

As an outcome of completing its evaluation against the public sector principles for good governance, the Board agreed that it was necessary to put in place a formal evaluation process that will support future activities and a consultant is being engaged to assist the Board to put this process in place.

The Review supports the above intention of the BCITB to further develop a formal evaluation and improvement framework.

Recommendation – The Fund’s KPIs should be reviewed to respond to any changes in key objectives of the legislation.

The current KPIs meet the requirements of the Office of the Auditor General (OAG) and were reviewed in conjunction with the OAG and Treasury. These KPIs should be reviewed at an appropriate time in the future if amendments are made to the key objectives of the Act.

Strategic Application of Research Capabilities

One particular stakeholder provided feedback that suggested the BCITB could enhance the research undertaken by collaborating with tertiary institutions. In this regard, the BCITB may wish to consider the feasibility of a collaborative framework with a tertiary institution with a focus on research that specifically targets workforce and training needs within the construction industry. This collaboration could extend to the development of longitudinal studies that provide trends that will help to inform the strategic positioning of the BCITB.

Recommendation – The level of research undertaken by the BCITB be increased and that an associated performance measure/s be developed to assess outcomes achieved.

The current research program be further developed in conjunction with industry stakeholders that focuses on strategic issues aligned to progressing achievement of the BCITB's objectives.

4.4. Efficiency of the Board in collection of the levy and administration of the Programs

Key Findings

- Stakeholder feedback indicates that generally, the system for collecting funds is appropriate.
- Analysis indicates that it costs between \$50 and \$100 to administer the collection of a levy transaction. The implication of this is that the cost of collecting the levy for construction work valued between the current threshold of \$20,000 and \$50,000 may exceed the levy collected. In this regard, increasing the threshold to an amount that is consistent with the threshold level set by the *Building Act 2011* is considered appropriate. Accordingly, the Review supports the suggestion that Regulation 3 of the *Building and Construction Industry Training Fund and Levy Collection Regulations 1991* be amended to increase the threshold at which the levy applies from \$20,000 to \$45,000.
- Linked to the above, Sections 21, 22 and 30 of the Act require that where a variation in project value of \$25,000 or more, after an adjustment for inflation occurs, the Board shall either refund the value of the levy for any reduction in value to the project owner or if there has been an increase, the project owner shall pay the Board the additional amount. The levy due on a variation of \$25,000 would amount to \$50. The BCITB has identified that the cost of following up each project would far exceed the return received in levy income. In this regard, it is recommended that the \$25,000 variation threshold be increased to \$45,000 and which would be consistent with the levy payment threshold suggested above.
- It is noted that the threshold value to which the levy applies is dealt also within the *Building and Construction Industry Training Fund and Levy Collection Regulations 1991*. Consistent with this approach, there is also merit in having the threshold value for project variations included in the Regulations as opposed to the Act.

- It is appropriate that the threshold levels for both initial payment of the levy and for adjustment on variations after project completion be reviewed on a periodic basis. For example to be reviewed as part of the statutory review pursuant to Section 32 of the Act.

Efficiency in collection of the levy

The levy is to be paid during an application for a building permit to Local Government Authorities (LGAs), or where a building permit is not required, paid directly to the Construction Training Fund. The amount of the levy is dependent on the total value of construction and is calculated as 0.2% of total construction value for projects over \$20,000. The efficiency of collection processes and administration functions are important to ensure that there is value for money in collecting the levy.

Generally, stakeholder feedback suggested that collection of the levy was very straight forward. It is acknowledged that the BCITB have approved the use of Electronic Funds Transfer (EFT) for the payment of the levy, which further supports this theme.

With regard for the leverage from LGAs and a perception of efficiency from stakeholders, it is considered appropriate that the current approach to collection of the levy be maintained.

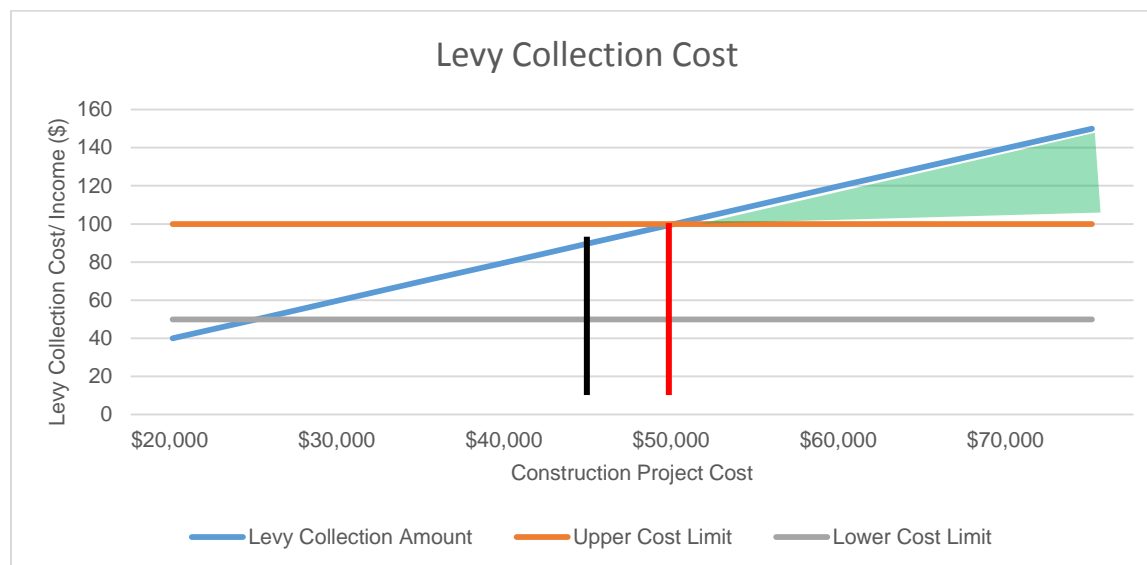
Administration

The BCITB submission for this Review indicates that administration costs associated with collection of the levy is between \$50 and \$100 per transaction.

In order to ensure the net amount collected is appropriate as a result of the levy, the administration cost associated with each transaction must be reasonable and cost effective so as to ensure an appropriate net amount is collected.

For the purposes of assessing the net contribution of levy amounts against the estimated maximum average cost to collect the levy (being calculated as \$100), Chart 4 below illustrates the net contribution of collecting the levy. On a levy rate of 0.2%, a project valued at \$50,000 or above will provide a positive net contribution after taking into account transaction/collection costs of \$100.

Chart 4 – Levy Collection Cost Analysis



It was noted that changes to the *Building Act 2011* threshold for a building permit are set at 0.9% of projects over \$45,000 and a flat fee for projects which require a permit under that amount. Any building project that does not require a building permit, for example, projects under \$45,000 with no specific requirement for a building permit, will be very difficult to track for the Construction Training Fund in relation to collection of the levy. In this respect, it is considered appropriate, when taking into account the levy administration cost, to increase the project value threshold for collection of the levy to a minimum of \$45,000 project value.

Suggested Review Timeframe

It is noted that the BCITB have suggested that the threshold levels for both initial payment of the levy and for adjustment on variations after project completion be reviewed every 5 years as part of the statutory review of the legislation.

The Review concurs that the assessment of the threshold levels should be reviewed on a periodic basis and that the statutory review conducted pursuant to Section 32 of the Act is an appropriate milestone to undertake the assessment.

The review concluded that the Board is administering the Levy efficiently and the current processes should be maintained.

Recommendation – That Regulation 3 of the *Building and Construction Industry Training Fund and Levy Collection Regulations 1991* be amended to increase the threshold at which the levy applies from \$20,000 to \$45,000.

Recommendation -That Section 21, 22 and 30 of the Act, *adjustment of amounts paid after completion of construction work*, is amended by removing reference to the specific threshold value for adjustment of the levy and that the threshold value be specified within the Regulations.

Recommendation –That the threshold for application of adjustments to the value of construction projects on completion be increased from \$25,000 to \$45,000 and included in the Regulations.

5. Attainment of the objectives of the Act

The Act does not define or specify the objectives of the legislation; however its title defines the purpose of “establishing a fund to be used to improve the quality of training and to increase the number of skilled persons in the Building and Construction Industry”. Moreover, it contains particulars on the functions of the Board as itemised in Section 7 of the Act.

Section 7 (1) (ba) of the Act in particular provides for those functions as follows:

“by the allocation of resources of the Fund, 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”

5.1. Improve the quality of training

Key Findings

- The BCITB provides an effective framework through which building and construction industry intelligence and data is collated. This enables informed decisions to be made on the training needs of the industry and workforce requirements.
- With respect to the concept of ‘improve the quality of training’ in the Act. It is noted that other frameworks exist that consider quality aspects of training³. Such frameworks did not however exist when the Act was drafted. The Review considers that the relevance of retaining functions associated quality issues in the Act may not be as relevant now as it was when the Act was introduced. In this regard, there is merit in considering an amendment to the Act to remove ‘improve the quality of training’. Alternative wording could be ‘facilitate effective training outcomes that are required by industry’

The Construction Training Council was established in mid-2008 under a Memorandum of Understanding with the then Department of Education and Training. The BCITB gained responsibility for, and became the preferred provider for the provision of industry training advice through the Construction Training Council for the Construction Sector in Western Australia. This role is not funded pursuant to the Act and, although it has symmetry to the BCITB functions and objectives of the Act, it should be considered separately.

The role of the Construction Training Council is to provide⁴:

- a leadership role in promoting training to industry, including partnerships between industry and the training sector;
- high level strategic information and advice that informs the State Training Board on the training needs and priorities of industry in Western Australia; and
- market intelligence on skills supply and demand, in particular, current or emerging skills shortages and recommends training strategies to support industry’s skills development needs.

³ For example the Training Accreditation Council (TAC) which was established under the Vocational Education and Training Act 1996 provides for the quality assurance and recognition processes for Registered Training Organisations (RTOs) and accreditation of courses in Western Australia.

⁴ State Training Board, *Training Councils*, obtained from <http://www.stb.wa.gov.au/ForIndustry/Pages/TrainingCouncils.aspx> on 13 May 2014.

- a valuable contribution towards the preparation of the State Training Profile and the State's Vocational and Education Training system funding priorities and receive a wide-range of input from key stakeholder representatives, including peak employer, employee, and industry organisations.

The above illustrates that the Construction Training Council plays an advisory role to the State Training Board and does not include a direct function to improve the quality of training. In this respect, while the Construction Training Council role complements the functions of the BCITB, it does not directly address improvement of the quality of training within the construction industry.

When considering the inclusion of 'quality of training' aspects within the functions of the BCITB, It should be acknowledged that quality frameworks now exist, for example, the Training Accreditation Council for the development of quality training standards and to monitor the quality of training delivered. In 1990, when the Act was implemented, there was no specific training quality authority. In this respect, the need for the inclusion within the functions of the BCITB to *improve* the quality of training is considered redundant.

Moreover, the BCITB is in a position to facilitate construction industry specific research into aspects of quality of training within the industry. Such research could include determination of improvement areas for enhancement of training provided within the industry, however, the output of this research would be in the form of recommendations to the relevant authority within the training quality framework. In this respect, the BCITB would be supporting the quality and effectiveness of training outcomes, rather than 'improving' quality of training.

In light of the above, it is considered appropriate that the Act be amended.

Further to this, it is acknowledged that stakeholders are generally of a view that the BCITB is effective at providing for, or supporting, training and research, the aim of which is to improve the quality of training.

Recommendation - Amend Section 7 (1) (ba) of the Act to remove reference to 'improve the quality of training'.

The relevance of retaining functions associated with quality issues in the Act may not be as relevant now as it was when the Act was introduced. In this regard, there is merit in amending the Act to remove 'improve the quality of training'. An alternative wording might be 'facilitate effective training outcomes that are required by industry'.

5.2. Increase the number of skilled persons in the building and construction industry

Key Findings

The following key points were noted regarding apprenticeships:

- There is a high level of support for the existence of the Construction Training Fund and acknowledgement for the contribution to:
 - Training for individuals and up-skilling
 - Supply of skilled personnel within the industry – Apprentices.
- It is challenging to identify the price elasticity of the apprenticeship subsidy. In this regard, stakeholder feedback indicates that a number of factors and variables underpin the effectiveness of the BCITB apprenticeship subsidy in increasing the number of apprentices employed. A key driver in this process is the employer's anticipated level of construction activity.
- It is acknowledged that quantifying the direct effect of changing the rate/level of the apprenticeship subsidy and its impact on apprenticeship numbers is complex. A key strategic decision maker for the BCITB is its understanding of the sensitivities of the apprenticeship subsidy so as to ensure that the rate paid appropriately balances the trade-off between the expenditure of BCITB funds and the return from that investment hence its direct impact on the increase in the number of apprenticeships. In this regard, there may be the opportunity to reallocate that portion of the apprenticeship subsidy that provides a diminished marginal return when compared to other opportunities; such as promotion and awareness campaigns, career information centre, etc.
- There is a view that the current schooling system does not readily encourage individuals to consider vocational training to be a preferred option. In this respect, further work is encouraged in order to enhance and create a greater level of awareness of the merits and benefits of entry into a vocational pathway in building and construction.
- It is acknowledged that the BCITB currently differentiate the apprenticeship subsidy for certain trades, however there is merit in developing further the differential rates based upon research. Certain trades have been identified as experiencing acute shortages of entrants into the training system. Subject to the findings of research into the price elasticity of the apprenticeship subsidy, consideration should be given to further adjustments to the funding model.
- The current exemption of the levy applying to civil engineering construction projects in the resources sector represents an anomaly and it appears inequitable that this sector does not contribute to the levy whilst other sectors do. This is particularly the case given that the resources industry recruits a significant number of workers trained and skilled at the expense of the Construction Industry. This applies to both engineering construction workers and resource operations workers.

An overview of the outputs of key programs of the BCITB is provided in the following series of graphs.

Chart 6 - Apprentice Subsidies Provided⁵

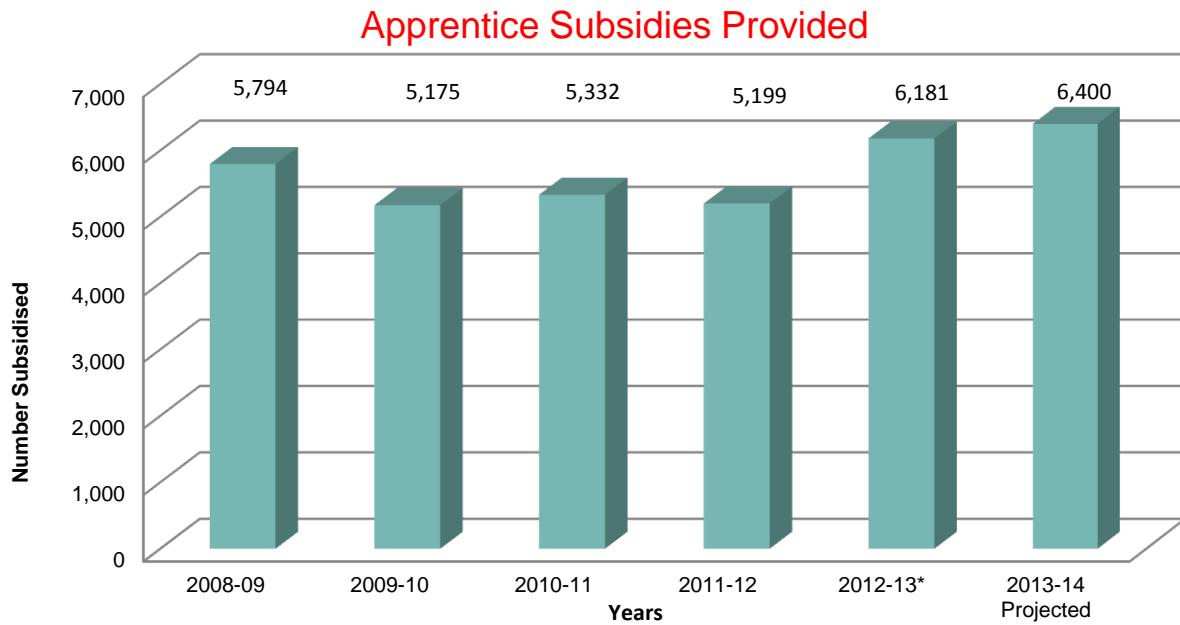
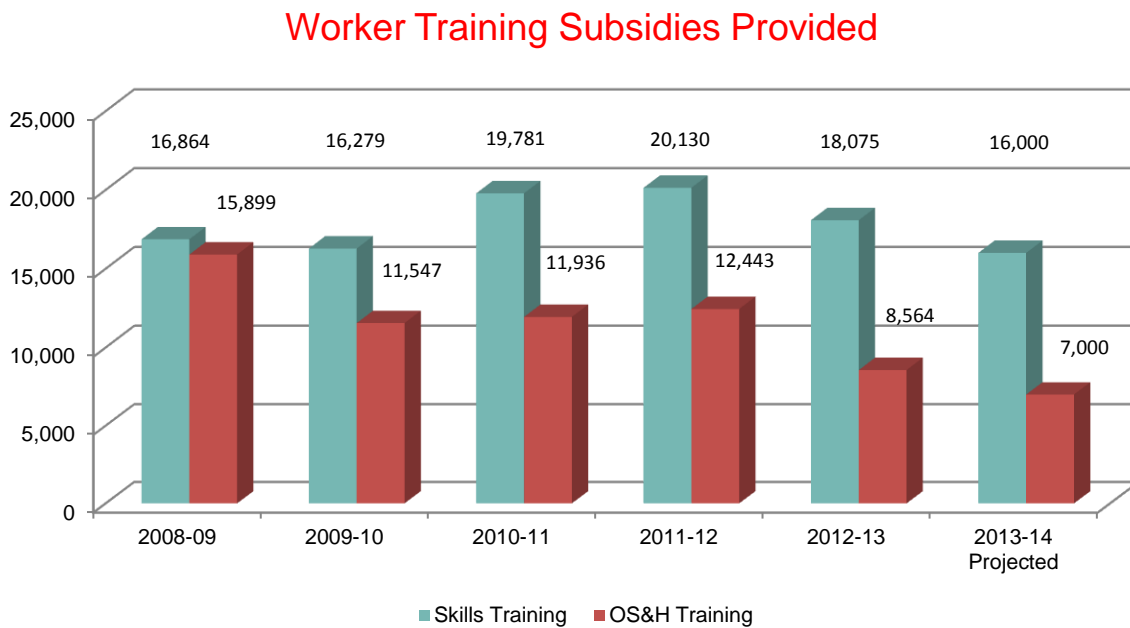


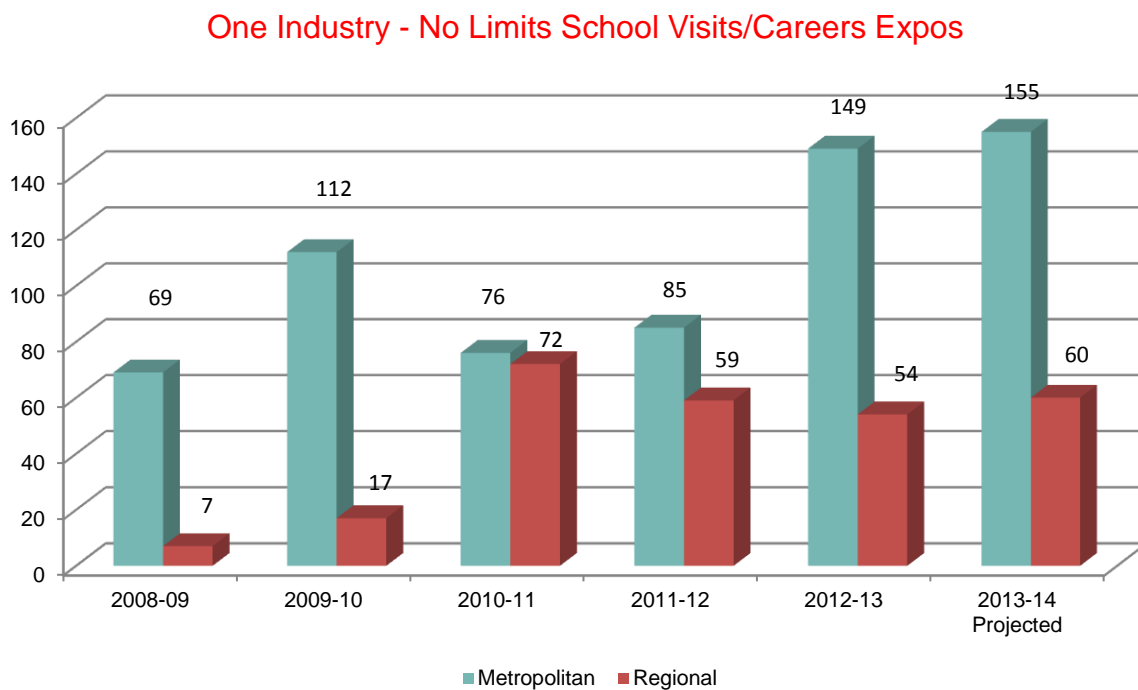
Chart 7 - Worker Training Subsidies Provided⁶



⁵ Construction Training Fund, *Submission to the Review of the BCITF by the BCITB*, February 2014

⁶ Construction Training Fund, *Submission to the Review of the BCITF by the BCITB*, February 2014

Chart 8 - One Industry – No Limits School Visits/ Careers Expos⁷



Of note is the work of the Construction Training Fund to engage with students in regional areas and provide awareness to relevant stakeholders regarding apprenticeships (Refer Chart 8).

A case study was conducted during the regional consultation that provides further insight into the challenges associated with engaging school students in commencing a trade apprenticeship.

A Group Training Organisation (GTO) based in regional Western Australia implements activities to engage with high school students for entry into an apprenticeship. In the 18 months prior to May 2014, this GTO was able to place 10 apprentices, out of 20-30 in total, in a construction trade apprenticeship. The GTO maintains contact with approximately eight secondary education institutions, however receives positive response from three of these.

Much of the approach from the GTO is to obtain connection with school career advisors via telephone and discuss the availability of work placement. Normally up to 10 employers would be ready to take on an apprentice in the construction industry. There were two occasions recently where the GTO had an opportunity to speak to a group regarding construction apprenticeships. In March 2014, at a housing industry conference where approximately 150 people attended including career advisors, and in May 2014 at a local senior high school where 32 students attended.

⁷ Construction Training Fund, *Submission to the Review of the BCITF by the BCITB*, February 2014

The total time spent on the group discussion undertaken at the May 2014 event was approximately 2.5 hours, which included a 50 minute presentation. Overall, the connection with schools in the region takes between 5% and 10% of a full time employee (FTE), with more active times and more appropriate times including October - November and between February - March. Additional commitment occurs at these times.

Some of the key challenges noted in engaging students' interest in an apprenticeship include:

- A perceived lack of interest and knowledge regarding opportunities within the construction industry from career advisors*
- Disparity in expectation from construction employers and the expectation of students. Schools appear to be unaware of what host employers' expectations are and students appear to be sheltered from some of the 'realities' of work life. For example, the need to pass a drug and alcohol test to gain employment was considered an inappropriate point of discussion by some schools, but a reality with some employers.*
- The academic ability of students can create a barrier to entering employment.*

There is an opportunity for the Construction Training Fund to further enhance the awareness of the opportunities and careers in industry for regional areas, and particularly with regional career advisors. To meet these needs, it may be appropriate for the Construction Training Fund to leverage services from such GTOs who maintain contact with regional schools. However, in considering such a collaborative model it needs to be appreciated that the Board has to promote the industry as a whole and be careful to ensure that there is no undue focus on individual sectors.

In the 2013 financial year, the number of apprentices in training reduced from the 2012 financial year, however there was an overall increase from 2011. This is illustrated in Table 2.

Table 2: Number of apprentices and trainees as a percentage of tradespeople

Number of Apprentices and Trainees	2012-13	2011-12	2010-11 ⁸
Apprentices and Trainees in Training <i>(includes Electrical Mechanics)</i>	8,374	8,681	7,877
Source: Department of Training and Workforce Development			
Number of Tradespeople	2012-13	2011-12	2010-11
Tradespeople in industry <i>(includes Electrical Mechanics)</i>	65,000	52,000	74,000
Source: ABS ⁹			
Percentage	2012-13	2011-12	2010-11
Training Rate ¹⁰	12.9%	16.7%	10.7%
Source: Derived			

Table 3: Number of people supported to undertake supplementary skills and OSH training as a percentage of the total workforce

Number of People		2012-13	2011-12	2010-11
Workers in industry trained with Construction Training Fund support	-	26,639	33,155	31,717
Source: CONSTRUCTION TRAINING FUND				
Number of Workers		2012-13	2011-12	2010-11
Numbers of Workers in the Industry (actual employed at end of May 2013)	-	99,923	89,220	103,140
Source: ABS ¹¹				
Percentage	Target	2012-13	2011-12	2010-11
Training Rate ¹²	20%	27%	37%	31%
Source: Derived				

⁸ 2010-2011 – uses 'original' data available in year of previous Annual Report.

⁹ Australian Bureau of Statistics, Labour Force, 6291.0.55.003 - Australia, Detailed, Quarterly.

¹⁰ Training Rate in Outcome 1 is the ratio of apprentices to tradespeople.

¹¹ Australian Bureau of Statistics, Labour Force, 6291.0.55.003 - Australia, Detailed, Quarterly.

¹² Training Rate in Outcome 2 is the ratio of people trained in Supplementary Skills compared to total eligible people in workforce.

Stakeholder feedback continues to support the operation of the BCITB. The following charts illustrate the positive interaction of stakeholders with the Construction Training Fund.

Chart 9 - Was there a positive outcome from your interaction with the CONSTRUCTION TRAINING FUND? (n=30)

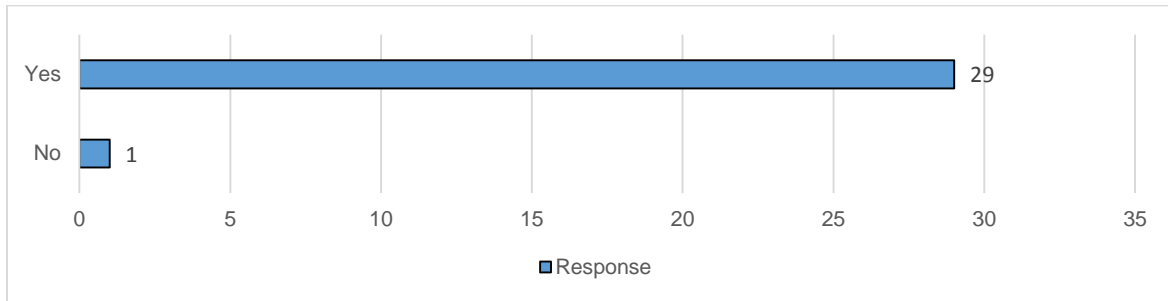


Chart 10 - Were your particular needs satisfied from your interaction? (n=30)

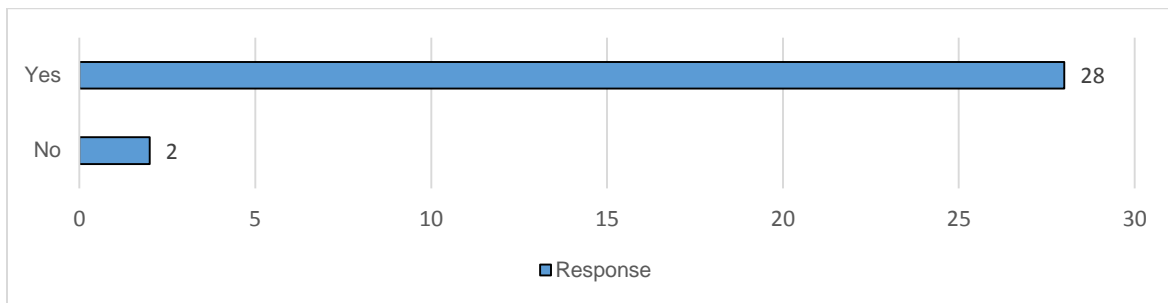
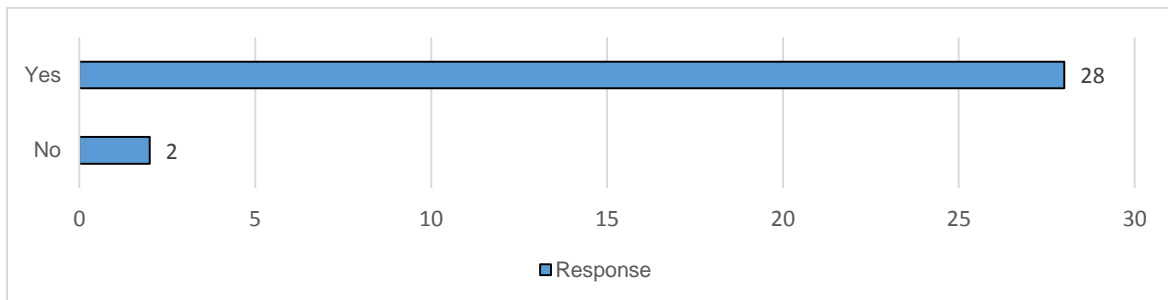


Chart 11 - Do you consider the CONSTRUCTION TRAINING FUND is doing an effective job at undertaking its activities? (n=30)



Apprenticeship Subsidy

Construction Training Fund Direct Indenture Grants are available to eligible employers of people registered with the Department of Training and Workforce Development in the specified trade apprenticeships and traineeships¹³. The subsidies for an apprentice range from \$8,000 as a base rate, to \$19,000 including additional supplements.

Recommendation - Review the effectiveness of the differential funding model and if necessary make further adjustments.

That further research is undertaken to better understand the impact of varying the apprenticeship subsidy and its effect on apprenticeship numbers. Subject to the outcomes of the aforementioned research, that consideration be given to further adjustments to the funding model.

Timing of Funding

Stakeholder feedback has been mixed when considering the timing of funds released for the apprentice subsidy. Some stakeholders suggest that the timing of providing funding should change; others believe that the timing of funds is appropriate. Given that there is not a significant position suggesting that a change be made to the timing of the subsidy payments, it is reasonable for the BCITB to maintain the current payment arrangements. It is however, appropriate for the BCITB to review the appropriateness of this payment structure in relevance to industry needs.

Subsidy level and diminishing return

It is acknowledged that the subsidy provided to employers who engage an apprentice represents an incentive to encourage an increase in the number of individuals entering the construction industry training system. In this respect, it is important to understand the influence that subsidies have, at various levels, on the decision of an employer to engage an apprentice.

The principle of diminishing returns illustrates that there is a point at which the impact of the subsidy amount, no longer represents an optimal investment when compared to other opportunities available to the BCITB, for example, allocation of additional funding to an enhanced promotion and awareness campaign.

In this respect, there is merit in the BCITB undertaking further research to develop an understanding of the level at which a diminishing return is received from subsidies provided to employers.

Another matter identified by stakeholders is the decision of the Fair Work Commission in October 2013 to convert the apprentice wage rates from its traditional base of being a 'training wage' to a 'living wage'. Stakeholders expressed a view that the result of this decision means employers of construction industry apprentices face increasing apprentice wage costs. Many employers are reluctant to absorb the increased apprentice wage and training costs. This in turn has the potential to result in fewer construction industry apprentices employed and trained in WA.

¹³ Construction Training Fund, *Levy and Program Guidelines*, February 2013

Promotion of the construction industry as a career of choice

A theme arising from stakeholder consultation is that the existing promotional campaign of the BCITB could be enhanced by better engaging with a wider spectrum of stakeholders that facilitate or influence an individual's decision to enter the building and construction industry.

Supplementary Skills Program

The Supplementary Skills Program (the Program) provides subsidies for people working within the building and construction industry for relevant training approved by the Construction Training Fund. The subsidies provided are only available to private training providers, unless a particular regional location has no private providers of the relevant course, in which case undertaking the training at a regional public training provider will generally be eligible for the subsidy.

Application of the levy to civil engineering construction projects in the resources sector

The exemption of the levy to civil engineering construction projects was identified as a significant concern in the previous review of the Act in 2008. This matter continues to be identified as a major concern by stakeholders in the current Review.

The underlying tension arises as a result of the engagement of skilled personnel from the construction industry by the resource sector. These skilled personnel have been trained within an industry to which the levy is applicable. In this regard, the beneficiary of the system that facilitated a skilled workforce has not contributed to a training levy.

The current exemption of the levy applying to civil engineering construction projects in the resources sector represents an anomaly and appears inequitable that this sector does not contribute to the levy whilst other sectors do.

Recommendation - Withdraw the current exemption applying to engineering construction projects in the resources sector and consider applying a tiered levy based on project value

That Regulation 3 of the Regulations be amended to withdraw the current exemption from payment of the levy applying to engineering construction projects in the resources industry.

Consideration should be given to adopting a cap on payment of any levy on engineering construction in the resources sector similar to that in Queensland where the levy is paid on the value of construction up to \$5 billion, but not above that amount.

6. Need for the Act to continue in operation

Recommendation - The review recommends that the Building and Construction Industry Training Fund and Levy Collection Act 1990 be retained.

The information collected and the views submitted by stakeholders consulted during this Review indicate that the Board's structure and Corporate Governance processes are appropriate. The Fund is operating efficiently and effectively and is in a sound financial position. There is also general satisfaction with operations of the Board and its proposed directions. As a result the *Building and Construction Industry Training Fund and Levy Collection Act 1990* should be retained.

7. Appendices

7.1. Appendix A – Board Membership

Mr Ian Hill, Chairman	Independent Member
Mrs Susan Bailey	nominated by Housing Industry Association
Mr Maxwell Rivett	nominated by Master Builders Association
Mr Les Wellington	nominated by Construction, Forestry, Mining and Energy Union
Mr Mick Unger	nominated by Civil Contractors Federation
Ms Hayley McBride	Independent Member – resigned May 2014
Mr Les McLaughlan	nominated by Electrical Trades Union

7.2. Appendix B – Stakeholder List

Peter	Adams	ATC Work Smart
Mark	Anderson	Fairbridge Western Australia Inc.
Tiffany	Baskeyfield	Apprenticentre
Zac	Bennett	Brierty Ltd
Phillip	Best	PB Design & Construction/Phillip Best Plumbing Pty Ltd
Geoff	Bosustow	Master Builders South West
Carly	Bradley	Skill Hire WA Pty Ltd
David	Carrington-Twiss	CCI Apprenticeship Solutions
Dave	Clare	Apprentice and Traineeship Company Midwest
Ralph	Dawson	Construction Training Fund
Ian	Eardley	Directions Workforce Development
John	Gelavis	Housing Industry Association
Dianne	Gilleland	Master Builders Midwest
John	Gummery	Kimberley Group Training Inc
Cleone	Gunn	CCI Apprenticeship Solutions
Alan	Hill	Group Training Australia - WA
Ian	Hill	BCITB
Simon	Hill	Summit Homes Group
John	Hovey	Hovey Management
Kim	Humphreys	Skill Hire WA
Garry	Itzstein	National Electrical and Communications Association
Stan	Liaros	The Apprentice and Traineeship Company
Donald	MacKenzie	Skill Hire
Ray	McGrath	HIA Apprentices WA
Michael	McLean	Master Builders Association of Western Australia
Loris	Moriconi	ABN Training
Evan	Nicholson	Skill Hire
Aaron	Parker	Coral Coast Homes
Kristyn	Roberts	Georgiou
Keith	Spence	State Training Board
David	Taylor	Polytechnic West
Sarah	Thompson	CCI Apprenticeship Solutions
Harmony	Thuresson	Civil Contractors Federation
Walter	Tyler	J.W.H. group
Jane	Vallance	Department of Commerce - Building Commission
Simon	Walker	Department of Training and Workforce Development
Paul	Watling	Kimberley Manufacturing plc.

List of submissions to the Review

Master Builders Association
Building and Construction Industry Training Board

The Chairman and Executive Officer of the Review Committee met with representatives of the Chamber of Minerals and Energy as part of the consultation process.

