



Speech by

**Hon. P. BRADDY**

**MEMBER FOR KEDRON**

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Hansard 18 November 1998

**BUILDING AND CONSTRUCTION INDUSTRY (PORTABLE LONG SERVICE LEAVE) AMENDMENT BILL**

**Hon. P. J. BRADDY** (Kedron—ALP) (Minister for Employment, Training and Industrial Relations) (5.24 p.m.), in reply: This Bill proposes a number of significant changes to the Building and Construction Industry (Portable Long Service Leave) Act 1991. Those changes are significant because of their importance to job creation and employment opportunities in the building and construction industry in Queensland. Integral to the establishment of those job creation initiatives is the support from industry representatives—the same industry representatives who have expressed serious concerns at the opposition to this Bill being expressed by members on the other side of the House.

It is appropriate to address some of the key issues that have been raised in the debate on this Bill, particularly those issues raised by members of the Opposition and the member for Gladstone. In light of the fact that in commenting on industry support the member for Caloundra has just exhibited her lack of knowledge of where this Bill comes from, I repeat that this proposal was well thought out and well researched before we came to Government, although that was not initially done by the Labor Party—and certainly not the Labor Party that exists in the imagination of the member for Caloundra. Over the years, the member has come into this House with a patronising manner and has spoken patronising words. She believes that only the coalition has the ability to govern and that all that comes from Labor is soured by inability. Her patronising behaviour, manner of speech and words show that she has learned little from the rebuff that she received from the community at the recent election.

I hope that the member listens to what I say now: this is not a Labor scheme; this is an industry scheme that has been substantially supported by the construction training industry and the Queensland Master Builders Association. Much effort was put into preparing the scheme. Obviously, the member for Caloundra comes into this place without that knowledge. Certainly her speech tonight was made without the knowledge of what has been exposed in this House in recent days about the failure of the training industry, which she was boasting about in her speech. What has been exposed—and the member for Caloundra has obviously missed this—is that most traineeships were going to people in existing jobs, unlike traineeships in every other State.

**Ms Bligh:** It was a rort.

**Mr BRADDY:** Many of them, in fact, were rorts. However, the member for Caloundra has missed that, as she missed so much when she was a Minister and Treasurer in this State. Patronising words and a patronising manner will never make up for hard work and understanding of what must really occur.

The member for Clayfield has alleged that the provisions of this amendment Bill will break a pre-election promise by establishing a training fund rather than imposing a training levy upon the industry. The commitment given to the building and construction industry in 1997 by the Honourable Peter Beattie, as Leader of the Opposition, was to introduce a modest, tightly targeted training levy equivalent to 0.05% of construction costs within the first six months of Labor coming to Government. Labor clearly made a commitment to instituting a method of collecting funds for the establishment of an industry training fund to be administered through the industry. The only change that has occurred is that, instead of Government imposing an additional levy on industry—that is, imposing more fees and red tape on industry and business—we are using surplus industry funds that are available through the

Portable Long Service Leave Authority to create the same industry training fund. I emphasise that they are surplus industry funds.

What are the reasons for establishing the training fund in this way, instead of raising an additional levy on the industry? I am advised by the Portable Long Service Leave Authority, based on all its experience in revenue collection, that it would cost in excess of \$2m per year to administer a new collection scheme. Compared to the estimated \$5.4m per year that is proposed for training, this cost would not be justifiable. About 37% of the training fund would be eaten up by administration costs. On the other hand, the proposal before us eliminates the administration cost. It reduces red tape for the industry by providing a single point of contact and administrative simplicity. It builds on the authority's record of low costs and a high level of compliance.

The member for Clayfield also queried whether the building industry is experiencing a skills shortage and, consequently, whether there is really a need for training in the building and construction industry. The question should be: how many apprentices does the building and construction industry really need? The current and future training and skills needs of the building and construction industry can be sourced from the nationally accepted standard for what replacement is needed to keep the skills pool in the building and construction industry topped up. This figure has not been plucked out of the air; this is what the national industry itself says it needs. The national building and construction industry says that it needs an intake of 5%.

As at 30 June this year, the number of trades persons in the industry was around 38,160. According to the nationally accepted benchmark, how many apprentices does the industry need? Five per cent of that figure is over 1,900 apprentices. Back in 1995, when the Goss Labor Government was in office, there were 2,158 commencements. In this last year, over the same period, there were only 1,789 commencements. That is in spite of the boasting of the members of the Opposition. In other words, they were down 17.1% from 1995 and still more than 100 short of the replacement target.

What we need to remember at all times is that we need apprenticeships and traineeships in industries where there are skill shortages and needs. If we factor in apprentices who drop out and look at the last four years—the full four years of apprentices in training—we see that the shortfall averages more than 500 per year.

The member for Clayfield placed some emphasis on the coalition Government's record on training in the building and construction industry. We have to ask the question: why did the coalition Government feel that it was necessary to target training in this industry? The answer, in the coalition's Strategy to Encourage Training in the Building and Construction Industry, is quite simple. They believed, for similar reasons to the ones that I presented to this House, that there was a "skills drain" in the industry. The member for Clayfield has also lamented the lack of a bipartisan approach to this issue. I suggest there was a bipartisan approach to this issue until the debate commenced on this amendment Bill. Until then, both sides of this House agreed that there was a special need for training in the building and construction industries. Why the member for Clayfield has so recently chosen to resile from that belief I do not know.

The third question raised by members of the Opposition was: do the amendments in the Bill change the objects of the Building and Construction Industry (Portable Long Service Leave) Act in a way that perverts their original intent? Inherent in this question is the notion that we are perverting the role of the authority in making it a collection agency for purposes other than portable long service leave.

The primary function of the authority and its board will continue to be the provision of portable long service leave benefits. In its collection of the workplace health and safety fee, the authority has already proven that it can act as a collection agent without affecting its core business.

The hypocrisy of what the honourable member for Clayfield said is shown by the fact that he, when he was the Minister, was the one who gave it the job of collecting the workplace health and safety levy. I applaud his decision. But how can the Opposition now attack us for giving it another job which it has proven itself more than capable of doing? Using the authority for all of these collections establishes a one-stop shop for the collection of all levies and charges within the building and construction industry, reduces red tape and should be a genuinely bipartisan objective. The authority and the Portable Long Service Leave Board will not concern themselves with training matters, just as they do not concern themselves now with workplace health and safety matters, although they were given a job to do by the previous Minister in that regard. There is no risk to their identity.

The second issue inherent in the question of the member for Clayfield is whether it is improper to use long service leave fund surpluses for a training fund. There must be a balance between remaining true to the intended purposes of the portable long service funds in an inflexible way and, on the other hand, being able to respond flexibly to changed circumstances.

I ask honourable members to consider the following: the transfer of moneys to the training fund leaves intact the viability of the Portable Long Service Leave Authority and its ability to pay long service

leave. The money will not be used for any external purposes but will be returned to the building and construction industry. The changes are being made with the consent of the vast majority of the building and construction industry. The changes are approved by the proper representative of the building and construction industry for portable long service leave matters—the Board of the Portable Long Service Leave Authority—which exists precisely so that over time decisions can be made about the use of the long service leave funds. The allocation of money for the training fund is separate, transparent and accountable. It will never be blurred with portable long service leave funds.

This Government has not sought to create this fund in an underhanded way. We have come here proposing changes through legislation—changes suggested to us by the industry and changes which are subject to the scrutiny of the Parliament, the industry and the public. I believe the process is more than proper. It is the proper role of this Parliament to decide whether this use of the funds is justified.

Then there is the question of whether we could do without the training fund altogether and temporarily abolish the long service leave levy, which some members of this House have alluded to. Let us get one thing straight: temporarily abolishing the portable long service leave levy is not an option. The Board of the Portable Long Service Leave Authority does not support it, because actuarial advice shows that a levy would eventually have to be reintroduced. The scheme could not live off its surpluses forever. When the levy returned, it would be at a higher rate. This would amount to irresponsibly mortgaging the future to pay for the present. In addition, it would raise practical problems. The efficient administrative arrangements that now exist would have atrophied, and the costs and likely mistakes would be a burden to the authority. Importantly, the vast majority of the industry does not support abolishing the levy in the short or long term, and for similar reasons to those I have cited.

New South Wales has had this experience. It suspended its levy for a period of four years and found it difficult to reintroduce. The reintroduction of the levy in New South Wales subsequently generated a substantial amount of criticism from the New South Wales building and construction industry. Queensland is better off not going down that track. It was also suggested that we could reduce the portable long service leave levy by an amount equivalent to the cost of the training fund. This is quite simply the question of the value of the training fund. If it is worth while, it is worth paying for. The question is: what is the best way to fund it?

I believe that the training fund is worth while. Rather than rehashing the direct arguments one more time, let me make these indirect arguments. The building and construction industry is virtually unanimous in wanting a training fund, and is even prepared to pay for it through the impost of a levy if that were necessary. That is a point that the member for Clayfield, the member for Caloundra and others overlook time and time again; the industry almost unanimously wants this fund and, if it had to, it would pay a levy to get it.

In the case of most building and construction projects, the total charge under this proposal will not increase. The industry as a whole will save \$2.3m while gaining additional workplace health and safety services and a training fund. The training fund is equivalent to just one two-thousandth of building and construction industry activity. In respect of a \$100,000 house, only \$50 could be said to equate to the training fund transfer. This is what the member for Warwick asked me about earlier. He might be interested in this. I repeat: in respect of a \$100,000 house, this training fund is equivalent to only \$50.

A thought for justice should also drive us. At the moment those who train apprentices bear an unequal share of the cost of the industry. They are keeping its skills afloat at a cost to themselves. An across-the-board cut to the industry charges would simply reward those who are already taking an unfair share of the benefits provided by others. On the other hand, a training fund provides an incentive for freeloaders to get involved in training. Regard for the industry's own desires, consideration of the low cost of this initiative and simple fairness tips the balance in favour of introducing the fund rather than simply taking a cut in industry charges.

Members of the Opposition have also raised issues of probity and accountability involved in the administration of the training fund. At the outset of this debate, members of the Opposition made implications about Construction Training Queensland and representatives of the building and construction industry. I simply respond by saying that they do no member of this House any credit and, consequently, I will not spend time rebutting them because I do not want to repeat them.

What I will address is the more responsible question of the way that the training fund is to be administered and the role of Construction Training Queensland. It is time to correct some misrepresentations. The Bill provides for money to be transferred to an entity for the purposes of the training fund. That entity will be prescribed in the amended Building and Construction Industry (Portable Long Service Leave) Regulation. It will be a trust fund. The trust fund will have these properties—

it will be established by a trust deed which establishes the obligations of the parties and procedures such as independent audit;

it will be spent according to a training plan drawn up by the industry and approved by the Minister;

it will be overseen by four independent trustees who will have no conflict of interest in the area of training in the building and construction industry. The nominees will be nominated by the board of management of Construction Training Queensland, the representative body of the industry in the relevant field of training. The trustees will be approved by the Minister; and

the trust will then receive the grant from the Portable Long Service Leave Fund with the trustees responsible for administering the training fund according to the approved training plan.

Finally, I have heard the suggestion of the member for Clayfield to amend the Act so that the trust will be audited by the Auditor-General. It seems to me that, if we are to maintain industry direction of the training fund, we cannot be forever interfering in what is not ultimately a Government body. The Act, which is about portable long service leave, should not unnecessarily get into the details of the administration of the training fund; rather, it should facilitate it. I do, however, concede that there is a point to the proposal of the member for Clayfield. I am happy to state that I have made sure that the deed establishing the training fund will insist on two things: firstly, the Minister for Employment, Training and Industrial Relations may request the Auditor-General to audit the fund and the trustees will agree to the audit; and, secondly, the trust deed itself cannot be changed without the consent of the Minister. When the trustees of the fund sign off on that deed, that is what they will be agreeing to. There will be a capacity for the Auditor-General to have an audit at the request of the Minister, and the fund is being set up in such a way that no-one can avoid that being done if the Minister so wishes. I now table a document containing the relevant clauses from the draft trust deed.

I believe that the concerns of the member for Clayfield, which are legitimate in this matter, are more than adequately addressed and in a manner more appropriate to this deed and this process than burdening the legislation with unnecessary details. As I said before, the administration of the training fund must be independent and transparent, and we believe that we have surrounded the fund's operations with appropriate and proper safeguards. I believe that these safeguards provide every reasonable surety that the interests of the industry and the public will be protected.

The member for Gladstone also raised a series of questions in relation to this amendment Bill, and I am pleased to provide those responses on the public record. I am advised that the Department of Housing has committed to providing the Gladstone group apprenticeship scheme 10 houses in the 1998-99 year and is very confident of providing at least six houses for the 1999-2000 and 2000-01 financial years. That was in response to a question relating to allocation of training apprentices in the Gladstone area. The member also asked why I had shifted ground from setting up a separate levy to withdrawing that levy from the long service leave fund. I have answered that in detail in my speech, but I repeat just this much: the decision to create a training fund based on a grant from the Portable Long Service Leave Fund was taken to minimise both the cost of collecting the originally proposed training levy and the red tape faced by industry in complying with the various levies and fees.

The member also questioned me as to the purpose of this long service leave fund not being in accordance with its original purpose. The use of the Portable Long Service Leave Fund to support training is a way to return some of the accrued excess of the fund—industry money—back to industry without the administrative burden of setting up a separate levy. Both employer and employee representatives want this fund. It is actuarially balanced and it is appropriate to do it in this way.

The member for Gladstone asked: what will be the impact of reducing the portable long service leave levy threshold on housing from \$120,000 to \$80,000? The current \$120,000 threshold on housing was introduced by the previous Minister after representations from the Housing Industry Association. This dual threshold attracted criticism from industry because of its inequity. The proposed new threshold of \$80,000 was chosen specifically to exclude low cost housing from attracting the levy. The added effect of having one threshold is to exclude from the levy many smaller projects which were previously captured by the \$42,000 threshold on other than housing projects. The new threshold will result in a combined charge of \$200 on a \$100,000 house, with an estimated \$50 for training fund purposes. But no levy will be imposed on houses with a cost below \$80,000. The establishment of a common threshold rate will also overcome administrative errors.

Another question asked by the member for Gladstone was: is there an upper limit on the rate of contribution to the training fund? The answer is that the upper limit on the contribution to the training fund is set by this amended legislation. Only the Parliament can amend the rate. Another question was: will all the building and construction training currently offered at Yeronga Institute of TAFE be transferred to the group training scheme administered by Construction Training Queensland? I reply to the member for Gladstone by saying that the group training scheme referred to is BIGA Training Inc. I am advised that this private company is not administered by Construction Training Queensland. The building and construction training currently offered through Yeronga Institute of TAFE will continue to be offered through Yeronga Institute of TAFE. In addition, I advise that negotiations are currently

proceeding between the Construction Industry Skills Centre Pty Ltd and Yeronga Institute of TAFE about whether the construction faculty at Yeronga or parts of it should relocate to the Salisbury centre. Ultimately, this will be a decision for the Yeronga institute, its director and its community council.

Another question asked was: is there a mechanism whereby the training fund will be required to allocate training dollars equitably across the State? There are at least two mechanisms which ensure the equitable allocation of funds across the State. The first is my responsibility to approve the annual operational plan of the fund. This is in addition to the regional committee structure already operated by Construction Training Queensland in Cairns, Townsville, Mackay, central Queensland, the Sunshine Coast, the Gold Coast and Toowoomba. These regional committees typically include representatives of the Queensland Master Builders Association, the Housing Industry Association, the Building Services Authority, group schemes, TAFE institutes, unions, the department, secondary education and Q-Build.

Secondly, the regional offices of the constituent groups of Construction Training Queensland will have input into the annual operational plan through their representatives on the council of Construction Training Queensland. It is important to note that a substantial allocation of the training fund will go towards funding additional employer incentives to employ apprentices and trainees directly. As such, a substantial amount of the funding will be available to an employer where they enter into a training agreement with an apprentice or trainee.

Another question that was asked was: how will the training fund guarantee continuity of funding for each apprentice over the life of their apprenticeship? Each employer who qualifies for subsidy under the training fund will receive the subsidy as a series of payments timed to reward success of their apprentice in achieving training milestones. Each of the agreements between the fund and an employer will commit the fund to maintaining the full program of payments, provided the employer maintains the apprentice's training progress. The overall level of funding for the training fund will vary from year to year but not sufficiently to put at risk the existing pool of apprentices being supported by the fund. Flexibility within the fund priorities contained in the annual plan to be approved by the Minister will ensure adequate capacity to meet all future commitments.

The member for Gladstone also asked whether the Portable Long Service Leave Fund would remain self-funding in perpetuity if it were left alone and ruled off today. If the amendments proposed were not passed, the fund would sustain itself in perpetuity if the current levy were maintained—that is, 0.1%. The current projected long-term funding rate is 0.12%. If, however, the levy rate were reduced to zero, the fund would remain self-funding for a period of 13 years under the current legislation. After that time the levy would need reviewing up to the long-term rate of 0.12% per cent.

I take this opportunity to respond to concerns raised during the debate that the moneys from the fund will not be given to the Construction Industry Skills Centre or be spent on capital works for the Construction Training Centre at Salisbury. The Building and Construction Industry Training Fund will be created from moneys transferred from the Building and Construction Industry Portable Long Service Leave Authority. The moneys will go to a trust fund, oversighted by independent trustees. The trustees will appoint a fund manager under a management agreement. In the first instance the fund manager will be Construction Training Queensland, the industry training advisory body, consistent with the Government's commitment to industry.

The building and construction industry has made an investment over the last seven or eight years. It has contributed faithfully to the Portable Long Service Leave Fund. That fund was a contract between the industry and Government long overdue and set up at last by the Goss Labor Government. The industry has kept its end of the bargain—a high level of compliance and a significant financial commitment. Government has kept its commitment. The management of the Portable Long Service Leave Fund has been sound and has resulted in a healthy return on the financial commitment made by the industry. The time has come for the building and construction industry to reap some of the benefits of the investment it has made over the years. The Building and Construction Industry Training Fund is a dividend on the investment. It is a bonus paid to the industry as a reward for its hard work, its contribution and its commitment.

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