

31 May 2004



Mr Tim Grimwade
General Manager
Adjudication Branch
ACCC
GPO Box 1199
DICKSON ACT 2602
Via e-mail: adjudication@accc.gov.au

14 Edmondstone Street
South Brisbane QLD 4101
PO Box 3573
South Brisbane QLD 4101
Tel: (07) 3846 1298
Fax: (07) 3846 3794

Dear Mr Grimwade

Authorisation No. A90895 - Clay Brick and Paver Institute

I refer to your letter date 11 May 2004 re the above.

Housing Industry Association Ltd ACN 004 631 752 (HIA) intends to attend the Pre-Decision Conference called by the ACCC in the above matter on 4 June 2004 in Sydney.

HIA has an interest in this matter for the following reasons:

- HIA supports apprenticeship training in the housing industry and has done all it can to encourage this, including promotion of industry careers through advertising and its new *Big Plans* website.
- HIA conducts a group apprenticeship scheme in Western Australia under the name HIA Group Apprenticeship Scheme (HIA GAS);
- It is a significant trainer of bricklaying apprentices;
- HIA GAS operates in competition with other group apprenticeship schemes in supplying apprentices to the housing industry;
- HIA GAS indentured bricklaying apprentices are supplied to many firms working in the housing industry – HIA currently has 59 bricklaying apprentices on its books, 9 more than in 2003;
- HIA supports a levy on bricks to assist apprenticeship training. However, there are many ways in which the proceeds of such a levy can be spent, not all of which will actually increase the number or quality of bricklaying apprentices. The ACCC should not authorise an anticompetitive scheme unless it clearly demonstrates that it will directly and significantly assist bricklaying apprenticeship training;
- There is no sufficient or credible justification identified by the ACCC in its draft decision for advantaging certain group apprenticeship schemes over others;



HOLDEN HIA's official vehicle partner

To find out more about the HIA-Holden Member Purchase Program visit HIA's website at www.buildingonline.com.au or call the HIA Memberline on 1300 650 620

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- In HIA's view, a levy on bricks payable only to group apprenticeship schemes linked with the applicants and not all schemes will unfairly advantage that scheme over other competing schemes, including HIA GAS, and there is nothing in the application that demonstrates that this exclusive aspect is a necessary element in achieving the claimed public benefits;
- In particular, while one of the main reasons advanced for the levy is to increase the number of bricklaying apprentices in the industry, there is nothing in the application which demonstrates how subsidising particular group schemes will achieve this laudable aim.
- Other parties have suggested that the money raised by the levy be used to increase the number of apprentices entering the industry by promotion and marketing of the building industry as a career. HIA is already doing this;
- HIA agrees with the ACCC's view that the proposed arrangements are likely to place the industry run group training bodies in a position of price advantage over existing group training companies. Indeed, it appears that the ACCC has underestimated the nature of this advantage, as set out below.
- HIA disputes the ACCC's preliminary view that it is unlikely that the applicant's new, subsidised group training schemes "will entirely 'crowd out' existing training providers", but if they did so, that would indicate that the industry demand for apprentice bricklayers was being met. In HIA's experience, the supply of potential bricklaying apprentices is relatively inelastic, and there is nothing in the application which would tend to increase that supply. The number of apprentice bricklayers will remain inadequate to meet the needs of the industry, and the funds from the subsidy will be used to either lower the charge out rate or increase apprentice wages and other benefits, or both.
- Group schemes presently compete to attract, and offer work placements to, the best apprentices. Subsidising selected providers will merely ensure that those providers will be able, through higher wages and other benefits, to attract all or most of the potential bricklaying apprentices to indenture themselves to those providers.
- The position of other, non-subsidised group schemes will therefore be that they will be effectively excluded from offering bricklaying apprentices to the building and construction industry, and severely disadvantaged commercially;
- The supposed public benefits (of increasing bricklaying apprentice numbers) identified by the ACCC would not be achieved in such a case – all that would be achieved is a reshuffling of the existing bricklaying apprentices from existing group schemes to the new group schemes;
- Furthermore, builders dealing with a subsidised group scheme for their bricklaying apprentices would tend to prefer to deal with a single scheme for all their carpentry, plastering, painting etc apprentices too, further commercially disadvantaging non-subsidised group schemes.
- HIA notes that the ACCC, in its draft Determination, refers to comments similar to the above which were made by other interested parties, but merely "encourages the CBPI and CMAA to consider these proposals". HIA takes the position that, if the ACCC believes that these comments have merit, it is not appropriate for the ACCC to grant this authorisation without obtaining appropriate enforceable undertakings from CBPI and CMAA to adopt (and not merely 'consider') the comments. Without such undertakings, commercial considerations may militate against any take-up by the subsidised schemes of these desirable suggestions;
- HIA considers that the only fair scheme is one in which the proceeds of any levy should be available to subsidise individual bricklaying apprentices in any Group Scheme;
- HIA therefore considers that the anti-competitive aspect of the scheme for which Authorisation is sought is not outweighed by the identified, or any other, public interest

considerations, and the draft Determination should be withdrawn pending further discussions among the interested parties, including HIA GAS.

For all these reasons, HIA proposes to attend the ACCC conference. I will be the person attending.

Yours sincerely

HOUSING INDUSTRY ASSOCIATION

A handwritten signature in black ink, appearing to read 'G. Simpson', with a long horizontal flourish extending to the right.

Glenn I Simpson
Senior Executive Director
Business Services