

20 January 2004

Ms Stephanie Chenoweth
Acting Director – Adjudication Branch
Australian Competition & Consumer Commission
PO Box 1199
DICKSON ACT 2602

Attention: Ms Tania Mayrhofer

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Fax: 6243 1199

Dear Ms Chenoweth

Application for authorisation lodged by the Clay Brick and Paver Institute (CBPI) for itself and on behalf of the Concrete Masonry Association of Australia (CMAA)

Thank you for your letter dated 23 December 2003 received 4 January 2004.

I refer to a telephone conversation between Richard Calver, National Director, Industrial Relations and Legal Counsel with Master Builders Australia Inc and Ms Tania Mayrhofer from the Australian Competition & Consumer Commission (ACCC) on 13 January 2004 during which the ACCC granted Master Builders an extension for lodgment of a submission regarding the application, the subject of your letter, until COB 20 January 2004.

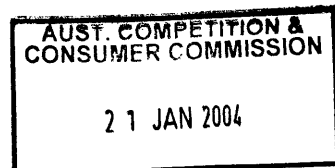
This letter stands as a submission regarding the application for authorisation made by CBPI and CMAA.

The Nature of the Application

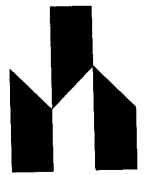
The members of those organisations named in the application seek to impose a levy of \$2.00 per thousand to be added to the price of bricks with the levy amount matched by all of the members of the CBPI. The levy is to be applied as a subsidy for bricklayer apprentice wages with apprentices being engaged via group training companies.

According to paragraph 7 of Attachment 1 to the application forwarded with your letter dated 23 December 2003, it appears that in each State a group training company will be formed with the apprentices engaged by that company who are then to be allocated work with host contractors and the levy used to subsidise the apprentices' on costs mentioned in paragraph 7 as follows:

Annual Leave and Annual Leave Loading
Sick Leave
Public Holidays
Workers Compensation Premiums and Rehabilitation costs
Apprentice Tool Insurance
Superannuation
Off Site Training Costs (TAFE or Private Provider)



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FILE No:	MASTER BUILDERS AUSTRALIA
DOC:	
MARS/PRISM:	

Your File Reference: PRISM 18820

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The authorisation is sought for New South Wales, Queensland, Western Australia, South Australia and the Australian Capital Territory. We are aware that there is in existence a determination dated 12 December 2000 in respect of Victoria, i.e. Authorisation A90738 which has been extended via an interim authorisation whilst the ACCC considers a new application. Further, we have communicated with our Victorian member, the Master Builders Association of Victoria, and we are aware that you have sought its feedback on a proposal by the applicants to revoke the current authorisation and replace it with a further authorisation contemporaneous with the application currently under consideration. This submission also covers the Victorian application.

Skills Shortages Generally

As a preliminary matter, Master Builders is concerned with the skills shortages in the building and construction industry. Training activity is lagging far behind the levels of building and construction activity which is requiring record numbers of employees to be engaged. There are many systemic problems which compound the issue of skills shortages. The proposal by the CBPI reflects the current failures in the existing training system but is not a long term policy response. There is a conflict within the current training system between the traditional form of apprenticeships based on relatively long contracts of training (up to four years) and the narrow range of skills used by specialist subcontractors. This issue is being addressed by Construction Training Australia, the industry's national training advisory body, with a view to obtaining up-to-date data relating to profiles of skills currently being used in the industry so that a proper redevelopment of the training system as it applies to the building and construction industry can be dealt with on a transparent, logical and long-term basis. The replacement or restructuring of the traditional model of apprenticeships is, however, likely to change slowly given a number of individual impediments and resistance by a number of industry participants, particularly the building unions.

Attitude to Group Training Companies

We note that the arrangement to be put in place relies on group training. Group training arrangements are currently being used successfully to overcome the situation engendered in part by the growth of subcontracting in the commercial and industrial sectors of the industry. Housing sector trainees however generally maintain a full-term employment contract through their apprenticeship, although the bricklaying sector of the industry appears not to have a similar experience. We understand from Construction Training Australia that group training arrangements account for about 30% of all apprentices employed in the industry. These arrangements have not achieved an overall increase in apprentice numbers commensurate with the level of activities in the industry. (The level of demand for apprentices will not abate with the next cyclical downturn in industry levels however). While the industry develops better mechanisms for dealing with the systemic change required to be made to industry training arrangements, group training companies have a vital role to play.

In the long term, group training arrangements should not be permitted to become the exclusive training model and must be responsive to market conditions. There is a danger that they will become profit driven akin to labour hire firms (unlike current accredited group training companies that operate on minimum overheads) and that increased operational costs will hamper the flow of money for the provision of training.

In the short-term, however, Master Builders envisages that the importance of group training companies will grow. This is because apprentices are able to receive on-the-job training from many employers through short periods of work rather than engaging the person for 4 years. There is also flexibility for employers in that they are able to operate with reduced labour costs by engaging apprentices for specific projects rather than on a continuing basis. During the course of the preparation of this submission, we had discussions with the CBPI. We indicated that the

Master Builders' preference was for the levy to be used to subsidise training rather than for it to be used to establish a new infrastructure of group training companies. We suggested to CBPI that, for example, where practicable, it run its scheme in Queensland through the Building Industry Group Apprentice Training company. There are in existence group training companies that are able to deliver the services in question. Accordingly, we believe that it should be a condition of authorisation that the levy is not used to subsidise new group training companies and that, wherever possible, the applicants should utilise those existing companies.

Public Benefits

We agree that the imposition of the levy will have the public benefits identified by the applicants. The effect of subsidising the on costs of employing apprentice bricklayers will lead to an increase in the supply of skilled bricklayers in Australia, a trade where there is a marked shortage. This shortage contributes to increased costs for consumers. During periods of peak demand, the cost of laying bricks escalates. Benefits of increasing the skills of the bricklaying workforce and in increasing their numbers should lead to a reduction in the cost of bricklaying services and should result in some reduction in the time taken to complete building works.

Competitive Detriment

We agree with the applicants' assessment of the cost flow on to the average house construction of approximately \$30.00. This estimate is conservative. This calculation assumes that an average new house will use 15,000 bricks. This estimate, in our view, is on the high side and is therefore appropriately conservative. We note that paving bricks are not to be levied. The average cost of building a new brick house in Australia of 20 squares ranges from \$200,000 (NSW) to \$170,000 (SA). Hence, the increase in costs is small compared with the overall cost of a new house.

Conclusion

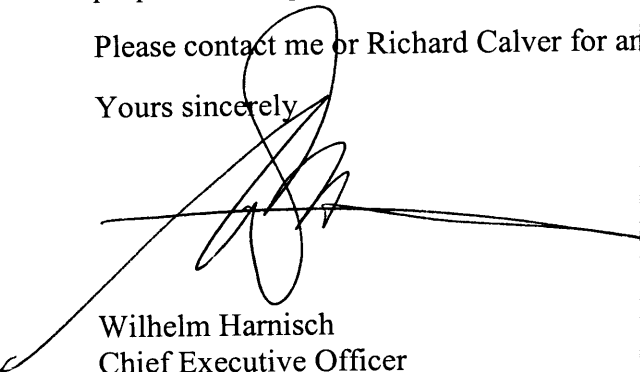
The issue of ever increasing reliance upon a levy in order to fund training in the long term, with group training companies becoming institutionalised and operating akin to commercial labour hire agencies, is one problem that we apprehend. However, the authorisation is for a three year period and during this period it is anticipated that the building and construction industry training regime will change so that:

- the engagement of school based apprentices will be permitted under industrial instruments – litigation has concluded its first stage to enable this to occur;
- more flexible training contracts will be available e.g. not based largely on occupational categories; and
- contract periods will be reduced with progressive achievement on the basis of competencies and not time periods.

We support the making of an authorisation. We consider that the likely public benefits from the proposed arrangements will outweigh any anti-competitive detriment.

Please contact me or Richard Calver for any queries.

Yours sincerely



Wilhelm Harnisch
Chief Executive Officer
Master Builders Australia Inc