

# HOME AUSTRALIA

Building Lasting Relationships

**Bob Day AO**  
MANAGING DIRECTOR

Commissioner Louise Sylvan  
ACCC  
Level 35, 360 Elizabeth Street  
MELBOURNE VIC 3000

22<sup>nd</sup> June, 2004

Dear Commissioner

FILE No:
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MARS/PRISM:

I refer to the ACCC's Draft Determination approving a collective agreement to introduce a levy on bricks and pavers for the stated purpose of training apprentices in the building industry.

As someone who has seen first hand how a similar 'training levy' has operated in South Australia since its inception in September 1993 (the Construction Industry Training Fund), I do not believe such a scheme as proposed by the Clay Brick & Pavers Association and affiliated organisations should be approved unless an absolutely crucial element is included and that is customer choice. My company buys millions of dollars worth of bricks and pavers annually. I am the one paying the levy.

The CITF was introduced ostensibly for 'entry level training' to address chronic trade shortages in the building industry. Predictably, those who now decide where the training levy funds are allocated choose to direct the levy into various training schemes run by organisations they represent. As a result of this classic 'conflict of interest' the focus on entry level training is lost and the trade situation is worse today than it was in 1993. The only way to ensure the brick and paving levy does not go the same way as the CITF is to

- 1) Ensure the levy manager does not become a monopoly and
- 2) Those paying the levy must be permitted to send their levy directly to a pre-vocational or group apprenticeship scheme of their choice (ie if the purchaser of bricks and pavers makes a payment equivalent to the levy directly to a pre-vocational or group apprenticeship scheme and they shall be exempted from the levy).

Please note also that should this levy be approved I will be then paying a 'levy on a levy' as the CITF is assessed on the contract value of each project.

Attached is a copy of a 'discussion paper' I prepared recently for the SA Government's Economic & Finance Committee's Review of the CITF.

I trust this is of assistance.

Yours sincerely



## **CONSTRUCTION INDUSTRY TRAINING FUND (CITF)**

### **Bob Day**

1. The trade situation is worse today than it was in 1993 when the CITF was introduced. The rate at which the industry is losing skilled tradespeople greatly exceeds the rate at which new entrants are being recruited. This has led to increases in costs and longer times to build. This affects housing affordability. 1993 bricklayer rates were \$340 per 1000 bricks, now they are \$900 per 1000.
2. Entry-level (apprenticeship) training is so urgent it overshadows all other training needs in the housing industry.
3. The disappearance of apprentices from homebuilding sites over the past 25 years has mirrored the rise in youth unemployment in the general community at a social cost that scarcely bears thinking about – crime, drugs, teenage pregnancy, violence, poor health – even suicide. It is not unreasonable to believe that the young people who once went into the trades are the very ones suffering.
4. Those closest to the action ie the homebuilders who collect the training levy, are in the best position to determine what the most pressing needs are and therefore should be able to decide whether to direct their training levies into the central CITF for distribution or directly into entry-level training schemes.
5. Allocating levies directly into apprenticeship training rather than into 'upskilling programs' ensures a tangible, pre-determined outcome. What can't be measured, can't be managed.
6. It's not just inefficient, it's wrong.
7. I shudder to think how much has been raised since the inception of the scheme (\$60m?... \$70m?...\$80m?).
8. There are people and organizations living very nicely off the CITF. Those who decide where the money goes represent organizations who receive substantial amounts of CITF money.
9. The CITF Act should be amended to allow contributors to direct their training levies into Entry-level Training Schemes to subsidise the high charge-out rates (\$14, \$16, \$18, \$20 per hour or \$600, \$700, \$800, \$900 per week).
10. Why should the CITF continue as a monopoly? If, as the CITF claims, it has the balance right and is satisfying the training needs of the industry then it should have nothing to fear from this legislative amendment.

June, 2004