



# 2020-21

## Tasmanian Government Pre-Budget Submission

(Revised August 2020)



# Contents

<b>Foreword</b> .....	<b>4</b>
<b>About NECA</b> .....	<b>6</b>
<b>About MPAT</b> .....	<b>8</b>
<b>Impact of COVID-19 on the trades</b> .....	<b>10</b>
COVID-19 and the Australian Recession .....	10
Recent performance and outlook for the Tasmanian Economy .....	10
<b>Trades Industry research and feedback</b> .....	<b>12</b>
NECA COVID-19 Electrotechnology Industry Impact Survey .....	12
MPAT Industry Insights .....	13
<b>1. Jump-starting Small Business</b> .....	<b>15</b>
1.1. SME's to undertake Electrical and Plumbing Safety and Efficiency Health Checks and Upgrades for homes and businesses .....	15
1.2. SME's to undertake Electrical, Plumbing and Gas safety and efficiency health check for Local Government buildings and assets .....	16
1.3. Introduce a Tasmanian HomeBuilder package .....	17
<b>2. Unlocking Infrastructure and Super-charging Business</b> .....	<b>18</b>
2.1. Medium and Large Business to drive Nation Building .....	18
2.2. Encourage new ways to achieve energy efficiency .....	19
<b>3. Taxation and Regulatory System Reform</b> .....	<b>20</b>
3.1. Reform the Australian Taxation System .....	20
3.2. Reform the Australian Regulatory System .....	21
3.3. New Tasmanian COVID-19 assistance .....	28
<b>4. Energising the Future</b> .....	<b>32</b>

4.1. Extend COVID-19 apprentice wage subsidies and new incentives for large business.....	33
4.2. Support pre-Apprenticeship initiatives.....	33
4.3. Provide apprentice mentoring .....	34
<b>5. Pre-Budget recommendations .....</b>	<b>35</b>

# Foreword

The National Electrical and Communications Association (NECA) and the Master Plumbers Association of Tasmania (MPAT) seek to make a joint submission to the Tasmanian Government to inform and shape the State's Budget 2020-21. Our evolving and dynamic workforce is the cornerstone that connects and maintains essential services and utilities in our homes, businesses and infrastructure - this supports our every day and overall way of life, encompassing plumbing, electrical and communications services.

The coronavirus (COVID-19) is having an extraordinary and unprecedented economic, financial and social impact on the global economy, it has resulted in Australia entering its first recession in almost 30 years. The national public health measures introduced to lower the rate of transmission are having significant and adverse economic consequences. Until recently, Tasmania's economy was one of the strongest and fastest growing economies in Australia, with the building and construction sector contributing over \$2 billion to the State's economy. Currently, the Tasmanian Government forecasts a budget deficit of just over \$700 million, with 27,500 jobs lost by the end of June 2020 and an unemployment rate of 12.25% as a result of COVID-19<sup>1</sup>.

Our respective industries have not been immune to the impacts of COVID-19. This global health crisis has resulted in job losses, supply chain shortages, increased contractual and legal risks, industrial risks, reduced productivity (due to social distancing and increased health requirements), and a heightened level of uncertainty and increased cautiousness amongst consumers. These impacts have been exacerbated by long-standing policy and systemic issues that require urgent Government intervention.

Whilst we commend the Tasmanian Government for the critical stimulus initiatives and infrastructure projects announced, the COVID-19 recovery cannot be achieved through this alone. Additional and longer-term projects would support a more sustainable COVID-Safe future for Tasmania. Given the benefits, size and contributions of our sector and our respective trades, it is critical that all levels of Government introduce industry-based initiatives and funding streams that will help kick-start our economy. These include incentivised industry-centric opportunities and releasing a pipeline of large-scale projects; attracting and retaining a diverse workforce, improving electrical safety and energy efficiency and reducing red-tape and longstanding systemic issues.

NECA and MPAT is very closely monitoring and responding to the effects of the COVID-19 crisis as it unfolds. Our firm commitment is to continue to advocate on behalf of our members and the broader trades industry and provide timely information and assistance

---

<sup>1</sup> Media Release, Premier Peter Gutwein. 15 May 2020. Tasmania's Economic and Fiscal Update Report. [http://www.premier.tas.gov.au/releases/tasmanias\\_economic\\_and\\_fiscal\\_update\\_report\\_may\\_2020#:~:text=And%20from%20being%20the%20fastest,per%20cent%20for%202019%2D20](http://www.premier.tas.gov.au/releases/tasmanias_economic_and_fiscal_update_report_may_2020#:~:text=And%20from%20being%20the%20fastest,per%20cent%20for%202019%2D20)

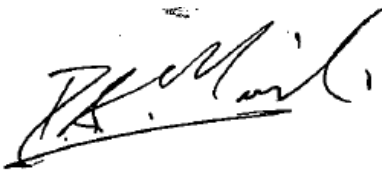
based on up-to-date advice from the Federal and relevant State/Territory Government(s). We seek to work together with industry, all levels of Government and the community to achieve a successful COVID-19 safe economy and swift recovery.

NECA and MPAT contend that our evidence-based industry driven recommendations are critical for Tasmania and our country to navigate a way out of the COVID-19 induced recession. Importantly, the recovery must be led by local businesses, working within their local areas to rebuild and restore their local economies. This will foster long-term resilience, productivity and competitiveness.

To this end, we strongly urge the Tasmanian Government to implement our recommendations when formulating the 2020-21 Budget. We appreciate the opportunity to engage and contribute to the Budget process, and accordingly thank the Tasmanian Government.

We would welcome an opportunity to engage with the Government further on this submission.

Yours faithfully



Suresh Manickam  
**Chief Executive Officer**  
**National Electrical and Communications Association**



Angela Bennett  
**Executive Officer**  
**Master Plumbers Association Tasmania**

**NECA NATIONAL OFFICE**

Level 4,  
30 Atchison Street,  
St Leonards NSW 2065  
Locked Bag 1818,  
St Leonards NSW 1590

**T** +61 2 9439 8523  
**F** +61 2 9439 8525  
**E** [necanat@neca.asn.au](mailto:necanat@neca.asn.au)  
**W** [www.neca.asn.au](http://www.neca.asn.au)

ABN 78 319 016 742

**MASTER PLUMBERS ASSOCIATION OF TASMANIA**

1/237  
Main Road, Derwent Park  
Tasmania 7010  
PO Box 1050  
Glenorchy TAS 7010

**T** +61 3 6272 2199  
**W** [www.mpatas.com.au](http://www.mpatas.com.au)  
**E** [contact@mpatas.com.au](mailto:contact@mpatas.com.au)

# About NECA

The National Electrical and Communications Association (NECA) is the peak industry body for Australia's electrical and communications contracting industry, which employs almost 170,000 workers<sup>2</sup> and delivers an annual turnover in excess of \$23 billion<sup>3</sup>. We represent the interests of over 5,500 electrical and communications contracting businesses across all Australian States and Territories. Our contractors engage in a range of essential work including the design, maintenance, installation and repair of electrical and electronic equipment, building and construction, mining, air-conditioning and refrigeration, manufacturing, communications and renewables sectors.

NECA has been advocating for, and on behalf of, the electrotechnology industry for over 100 years. We aim to help our members and the wider industry to operate and manage their business more effectively and efficiently whilst representing their interests to Federal, State and Territory Governments, regulators and principal industry bodies such as the Australian Chamber of Commerce and Industry (ACCI) and Standards Australia.

NECA is strongly committed to supporting the next generation of electrical and communications contractors. Working with our Registered Training Organisations (RTOs) and Group Training Organisations (GTOs), NECA provides employment and ongoing skills development for approximately 4,800 apprentices across Australia. The majority of these apprentices get the opportunity to gain work experience with NECA's members either directly or via our group schemes. The success of our programs speaks for itself - we proudly boast 90% completion rates across our courses, and approximately one in three electrical apprentices in Australia is a NECA apprentice.

Our approach to attracting and supporting entrants to our industry is through a holistic, progressive and high-quality range of industry relevant programs and initiatives including our long-standing scholarship program, NECA Foundation and the Women in Electrical Trades Roadmap. We proactively seek to ensure a diverse workforce, supporting and attracting more women, indigenous and mature aged apprentices, and promoting trade career pathways for both school students and school-leavers. In addition to these initiatives, we also manage and promote the industry wide NECA Annual Excellence Awards, designed to acknowledge and celebrate achievements and highly distinguished electrotechnology projects and Apprentice Awards which recognise the future leaders in our industry.

---

<sup>2</sup> Australian Government 'Job Outlook'. (July 2020) (Telecommunications Trades Workers) <https://joboutlook.gov.au/Occupation?search=alpha&code=3424> and (Electricians) <https://joboutlook.gov.au/Occupation?search=alpha&code=3411>

<sup>3</sup> Ibis World 'Electrical services in Australia Industry Statistics (May 2020) <https://www.ibisworld.com/au/industry/electrical-services/325/>

The NECA Tasmania Branch has been advocating on a range of issues affecting members including supporting the redevelopment of the TasTafe Clarence Campus into a Centre of Excellence Trades and Water, and an extension to the 2017 payroll tax concessions for apprenticeship take-ups.

Through proactive engagement and collaborative partnerships, NECA continues to build strong working relationships with key organisations including Consumer, Building and Occupational Services (CBOS), and Tasmania's building and consumer regulator.

We are represented on several committees and are regularly called upon for insight on issues affecting the electrical and communications sector in Tasmania.

NECA also continues to support the Tasmanian Government implement Continuing Professional Development (CPD) for the sector. There are more than 1,000 electrical workers across the State that are maintaining and developing their skill through the CPD program.

# About MPAT

The Master Plumbers' Association of Tasmania (MPAT) is the State's peak plumbing contractor organisation representing some 150 small to large businesses in Tasmania.

The Association pro-actively seeks involvement in all areas affecting the Plumbing Industry to safeguard contractor interests, explore and develop commercial opportunities and protect the health and well-being of the Tasmanian community and our environment through the provision of water plumbing, sanitary plumbing, gas-fitting, mechanical plumbing, drainage and roofing plumbing.

We promote and maintain the highest standards of plumbing through:

1. individual and industry competence;
2. ethics by education and support; and
3. training and information exchange and networking within Tasmania.

Our Members are bound by a Code of Conduct, and our Association is governed by its Constitution and an elected Board of Management with the support of the Executive Officer.

MPAT strategic themes are to:

- support our members in all aspects of their business;
- deliver valuable services with expertise;
- deliver high quality and relevant training;
- maintain trusted and respected partnerships;
- ensure a strong, safe and sustainable industry;
- advocate and protect our members and industry; and
- promote compliance and quality.

The MPAT is a Member State of Master Plumbers Australia and New Zealand which is the peak industry body for Australia's plumbing contracting industry which employs 65,300 workers and delivers an annual turnover of \$18 billion<sup>4</sup>.

---

<sup>4</sup> IbisWorld 'Plumbing Services in Australia - Market Research Report' June 2020. <https://www.ibisworld.com/au/industry/plumbing-services/324/>



Nationally our focus items are:

1. Safe Plumbing Products

All plumbing products sold, imported into and used in Australia and New Zealand must hold WaterMark certification.

2. Security of Payments

Implement stronger national and international legislation and defined processes to guarantee security of payment for construction industry contractors and sub-contractors.

3. CPD

Introduce CPD and mandatory minimum four-year apprenticeships across the plumbing industry in Australia and New Zealand.

4. Employment Legislation

Bring plumbing industry employment legislation into line with standard business practices.

5. Bathroom Pods Legislation

Ensure offsite constructed modules in the construction industry, commonly called pods, are certified by a licensed plumber if they involve plumbing works.

# Impact of COVID-19 on the trades

## COVID-19 and the Australian Recession

With the rapid outbreak of COVID-19 we have witnessed the Australian economy contracting by 0.3% during the March 2020 quarter, this has resulted in Australia's first recession in almost 30 years<sup>5</sup> and impacted every aspect of our everyday way of life. Currently 927,600 people across Australia are unemployed, representing an unemployment rate nationally of 7.1%, as compared with the pre-COVID-19 national unemployment rates of 5.2%<sup>6</sup>.

According to the ABS, COVID-19 has resulted in a significant loss to, and contraction of the Australian GDP. This has been driven primarily by a 1.1% fall in household consumption across the country as consumers have become increasingly cautious around expenditure prompted by employment uncertainty, 'stand-downs' and job loss/redundancies. It should be noted that falls in household consumption were last observed at this rate during the global financial crisis.

The full extent and length of time it will take for the Australian and local economies to recover from COVID-19 is unknown. As business awakes from hibernation and adapts to a COVID-Safe economy, it is forecast that Australia will continue to experience negative/flat growth for some time. Given our nations relatively strong fiscal position at the outset of the pandemic, Australia can confidently work towards a swift COVID-19 recovery as compared to many parts of the world that have not been as successful at containing the virus.

## Recent performance and outlook for the Tasmanian Economy

Prior to the COVID-19 pandemic, the Tasmanian economy was growing at its strongest rate in over a decade. High levels of tourism had led to a strong pipeline of tourism-related construction projects. Population growth was over double the long-term average rate and growth in employment was robust, unemployment rates were at very low levels. It is noted that some measures, such as those related to private investment, had started to slow prior to the pandemic, compared with the very high levels recorded in 2018-19<sup>7</sup>.

---

<sup>5</sup> ABS 5206.0 Australian National Accounts: National Income, Expenditure and Product, March 2020  
<https://www.abs.gov.au/ausstats/abs@.nsf/mf/5206.0>

<sup>6</sup> ABS 6202.0 Labor Force Australia, May 2020  
<https://www.abs.gov.au/ausstats/abs@.nsf/mf/6202.0#:~:text=SEASONALLY%20ADJUSTED%20ESTIMATES&text=Unemployment%20increased%2085%2C700%20to%20927%2C600,than%200.1%20pts%20to%2020.2%25.>

<sup>7</sup> Tasmania's Economic and Fiscal Update Report. May 2020.  
[http://www.premier.tas.gov.au/releases/tasmanias\\_economic\\_and\\_fiscal\\_update\\_report\\_may\\_2020#:~:text=And%20from%20being%20the%20fastest,per%20cent%20for%202019%2D20.](http://www.premier.tas.gov.au/releases/tasmanias_economic_and_fiscal_update_report_may_2020#:~:text=And%20from%20being%20the%20fastest,per%20cent%20for%202019%2D20.)

Prior to COVID-19, the Tasmanian Treasury was forecasting in its mid-year update released in February 2020 a surplus of \$11 million this year. Now, Tasmania is facing a likely deficit of just over \$700 million. From leading jobs growth in March 2020, the Tasmanian Government now forecasts 27,500 jobs lost by the end of June 2020 and an unemployment rate of 12.25%. From the fastest economic growth in the nation at 3.6% in 2018-19, Treasury now forecasts a decline of 1.75% for 2019-20<sup>8</sup>.

According to Tasmania's Treasury, private investment is expected to fall with some projects deferred or potentially cancelled, along with supply chain disruptions slowing the completion of existing projects. Dwelling investment is likely to slow in the June quarter 2020 as households put building plans on hold due to low consumer confidence related to the level of economic uncertainty and potential delays due to supply chain disruptions<sup>9</sup>.

Industry looks toward Government for leadership as we begin to restart the economy. It is critical that the recovery process is comprehensive and takes on a dual functionality. In short, we call for a classical Keynesian approach by way of economic stimulus coupled with targeted structural reform.

NECA and MPAT advocate for increased Government expenditure and lower taxes to stimulate demand and pull the economy out of the recession. Given the record low interest rates, Government has an historical opportunity in order to borrow to build. In short, we must ensure measures and initiatives are in place that stimulate activity and mobilise the market which will in turn assist our nation recover from what is being described as the 'coronacession'.

---

<sup>8</sup> Media Release – Premier Peter Gutwein. 15 May 2020.

[http://www.premier.tas.gov.au/releases/tasmanias\\_economic\\_and\\_fiscal\\_update\\_report\\_may\\_2020#:~:text=And%20from%20being%20the%20fastest,per%20cent%20for%202019%2D20.](http://www.premier.tas.gov.au/releases/tasmanias_economic_and_fiscal_update_report_may_2020#:~:text=And%20from%20being%20the%20fastest,per%20cent%20for%202019%2D20.)

<sup>9</sup> Tasmania's Economic and Fiscal Update Report. May 2020.

[http://www.premier.tas.gov.au/releases/tasmanias\\_economic\\_and\\_fiscal\\_update\\_report\\_may\\_2020#:~:text=And%20from%20being%20the%20fastest,per%20cent%20for%202019%2D20.](http://www.premier.tas.gov.au/releases/tasmanias_economic_and_fiscal_update_report_may_2020#:~:text=And%20from%20being%20the%20fastest,per%20cent%20for%202019%2D20.)

# Trades Industry research and feedback

Our respective Associations have been proactively engaging with members and the broader industry to understand the impact of COVID-19 on our respective trades.

A summary of the research findings is outlined below:

## NECA COVID-19 Electrotechnology Industry Impact Survey

To gain an in-depth understanding of the current landscape, NECA surveyed 470 representatives of the electrical and communications industry across Australia, including Tasmania during May 2020 on their experience operating within COVID-19<sup>10</sup>.

The results of the survey have informed the evidence-based solutions proposed by NECA to drive a nationwide economic recovery. Businesses that responded represent more than 10,000 employees across all States and Territories, as well as remote, regional and metropolitan Australia.

Despite the quiet optimism that businesses will eventually recover from COVID-19, the research paints a sobering picture with very few opportunities on the horizon and the current pipeline of work expected to dry up at or around September 2020.

Some of key findings from NECA's COVID-19 Industry Impact Survey are outlined below:

- nationally 93.8% of businesses said COVID-19 is impacting on their business with most experiencing a significant or moderate impact, this was approximately 66% in Tasmania;
- almost 50% of businesses nationally have reduced employee work hours to buffer the impact of COVID-19, the Tasmanian respondents indicated it was approximately 45%;
- 80% of all businesses surveyed have seen a negative financial impact as a result of COVID-19 with one in five experiencing a reduction in revenue of more than 50%;
- all areas of the electrotechnology industry have been impacted by the COVID-19;
- businesses are concerned about the future pipeline of work, with more than 50% of new projects and installations impacted and at least 80% of work underway due to end within 6 months;
- opportunities for future work nationally are slim with 70% less tender opportunities compared to the same time last year;
- a majority of respondents are somewhat confident their business will recover, however

---

<sup>10</sup> National Electrical and Communications Association, 2020. 'Industry Survey and Policy Implications'

cite Government support as critical to industry recovery;

- almost 60% of businesses nationally have applied for Government assistance;
- 70% of respondents believe investment in infrastructure and construction is required in order to stimulate the economy. Further, that any stimulus must be supported by regulatory reform;
- approximately 40% of respondents agree temporary amendments to the *Fair Work Act* 2009 are critical to provide flexibility in Enterprise Agreements in response to COVID-19;
- 36.2% of respondents believe extending apprentice subsidies to all businesses (irrespective of size) coupled with the provision of adult apprentice wage subsidies (27.9%) will assist in the COVID-19 recovery;
- regulatory reform is key to moving forward with 28.9% of respondents seeking adoption of a uniformed approach to Security of Payment laws; and
- other ways respondents believe Government can support business include introduction of Unfair Contracts legislation (24.3%); introduction of a moratorium on Liquidated Damages (21.3%) and flexibility in relation to the Extension of Time provisions (14.7%).

## MPAT Industry Insights

To assist members with support services throughout COVID-19, MPAT surveyed members in July 2020 regarding the impacts of COVID-19 on their businesses.

What was evident from survey findings is that there is significant degree of uncertainty regarding the future of the industry in Tasmania. Over half of the respondents reported a reduction in workforce size. Beyond July 2020, 25% of respondents anticipate a further reduction in work. 33% are unsure of work levels and 42% do not anticipate a change in the volume of work.

Respondents reported a range of COVID-19 related factors negatively impacting their business, including, but not limited to:

- keeping employees in work;
- chasing work;
- fear of major downturn in work;
- forecasting future work;
- staff morale;
- quantity and quality of work moving forward;

- managing staffing to avoid too much contact between staff;
- delays in projects starting;
- managing workflow with the uncertainty of when, or if, jobs will commence;
- having enough work to price in the future;
- maintaining profitability while seeing work dry up and cash flow impacted;
- keeping loyal and well trained staff employed in the future, as well as being able to keep on apprentices, some who are close to finishing their training/apprenticeship, we need to keep them employed to get a return on our investment already made in them;
- getting paid for work completed;
- workplace relations;
- ATO commitments;
- cash flow; and
- extra cost for personal protective equipment (PPE) in relation to COVID-19.

# 1. Jump-starting Small Business

Small business and family owned enterprises (SMEs) are the lifeblood of the national economy and dominate the electrical and communications contracting industry. Approximately 80% of businesses within the electrotechnology and plumbing/gas fitting industry's employ less than 20 staff, and the overall trends indicate the number of small businesses across the nation are increasing.

The COVID-19 crisis is having a devastating impact, SME members are citing the Government's mandatory lockdowns, restrictions and the resulting economic downturn to be contributing factors. A sizable majority of respondents (93.8% nationally, over 66% in Tasmania) to the NECA survey reported COVID-19 having an impact on their business with most experiencing a *moderate* or *significant* impact on their business. SME's on average are experiencing a *moderate* impact. Diminished work opportunities are due to heightened uncertainty in the marketplace and the reluctance of cautious homeowners and businesses impacted by social distancing restrictions and/or consumer sentiment. These conditions are equally relevant and seen for the plumbing and gas industries.

The Tasmanian Government in its efforts to return Australia to its former economic position must think and act locally. That is, supporting local business and connecting these with local projects to stimulate local economies, resilience and growth. It is critical that the recovery efforts be led by local SME's, working within their local areas to rebuild and restore their local economies. This will foster long-term resilience, productivity and competitiveness.

## 1.1. SME's to undertake Electrical and Plumbing Safety and Efficiency Health Checks and Upgrades for homes and businesses

Ageing residential and commercial buildings present serious challenges and safety risks to property owners and/or renters, as existing electrical wiring including associated equipment and gas appliances may be non-compliant with current industry standards under the Australian Building Code and/or degrading and/or deteriorating requiring remedial action. In some instances, building safety is further compromised by COVID-19 as building systems can be underutilised or left dormant and give rise to potential hazards such as legionella bacteria.

It is our view that the Tasmanian Government should incentivise households and businesses to engage local plumbing, electrical and communication SMEs, supporting and connecting local tradies to local jobs which will stimulate and jump-start the local economy.

We propose a 'dollar-for-dollar' Government grant scheme to be available through the 2020-21 financial year. This includes:

- a new 'dollar-for-dollar' grant scheme to households up to \$3,000 to undertake electrical, plumbing and gas safety and efficiency upgrades; and
- a new 'dollar-for-dollar' grant scheme to businesses up to \$5,000 to undertake electrical, plumbing and gas safety and energy efficiency upgrades to commercial property.

## 1.2. SME's to undertake Electrical, Plumbing and Gas safety and efficiency health check for Local Government buildings and assets

In response to COVID-19 extensive parts of the Government's workforce have been redeployed from their buildings/facilities/assets to home-based offices. Community interaction with Government employees in public facilities has been redirected to online services with physical activities deferred to commence at a later date. In turn, many of these buildings/facilities/assets are either vacant or operating at a very low capacity. With lower patronage and activity these circumstances have created a unique opportunity to review the risks/condition of buildings/facilities/assets and in turn improve Government-owned assets, including across local Government, utilising local community skills and capacity to ensure the greatest take-up across all metropolitan, regional and remote areas.

A similar initiative should be established whereby grants are available for a 'dollar-for-dollar' grant scheme for local Government to undertake electrical, plumbing and gas safety and efficiency health checks and associated remediation/upgrades. This work is also to be undertaken by local SME's to ensure local tradespeople are prioritised to do local work to boost the local economy.

It is our view that all levels of Government commit to a program of community capacity building within all Local Government Area (LGA). Principally, that local tradespeople are engaged to improve, maintain and build local assets including social housing, asset maintenance works, capital works programs, security upgrades, lighting upgrades and small scale solar.

### *Ancillary potential opportunity to reduce insurance premiums*

We argue that these proposed health checks and likely rectifications will improve the safety and efficiency of a building and in turn, when insurance premiums on buildings are calculated, actuaries could factor in these improvements and incentivise reduced risks.

Therefore, a premium discount would be applied to owners who continue to ensure that their property is safe and fully compliant. This added benefit to property owners is particularly valuable to those impacted by COVID-19 through job losses and stand-downs.



### *Suggested Registration System – Supporting local SMEs*

To ensure the safety and efficiency initiatives proposed are undertaken by local tradespeople in their local community, we suggest that the Government introduce a registration system, modelled from the recent Australian Bushfire Recovery. This will collect key information to best match local tradespeople with local projects including residential, commercial and Government projects. This would be particularly suited to more regional and remote areas to ensure local tradespeople are prioritised to do local work to boost the local economy.

### **1.3. Introduce a Tasmanian HomeBuilder package**

We welcome the Federal Government's recognition of the critical role the construction industry will play in rebuilding the Australian economy, by introducing the HomeBuilder package (HomeBuilder). HomeBuilder provides eligible homeowners (including first home buyers) with a grant of \$25,000 to build a new home or substantially renovate an existing home, conditionally upon spending at least \$150,000. HomeBuilder is available to homeowners that commence new home builds and renovations in the 2020 calendar year<sup>11</sup>.

Whilst we see this initiative as a positive first step, we are of the view that the Tasmanian Government introduce a similar HomeBuilder package for projects below \$150,000 to stimulate the local market and smaller projects. We assert that the timeframe should be at least 18 months (until the end of 2021) in order to provide homeowners with sufficient time to research the best available options and industry with sufficient to implement them.

#### **Recommendations**

- Introduce a 'dollar-for-dollar' grant scheme for households up to \$3,000 to undertake electrical, plumbing and gas safety and efficiency upgrades to homes;
- Introduce a 'dollar-for-dollar' grant scheme for businesses up to \$5,000 to undertake electrical, plumbing and gas safety and efficiency upgrades to commercial property;
- Commit to a program of community capacity building within all Local Government Area (LGA). Principally, that local tradespeople are engaged to remediate, improve, and upgrade local buildings and assets; and
- Introduce a Tasmanian HomeBuilder package to encourage a stronger take-up and greater economic activity of smaller projects.

---

<sup>11</sup> HomeBuilder Economic response to the Coronavirus – Fact Sheet. 4 June 2020. [https://treasury.gov.au/sites/default/files/2020-06/Fact\\_sheet\\_HomeBuilder.pdf](https://treasury.gov.au/sites/default/files/2020-06/Fact_sheet_HomeBuilder.pdf)

## 2. Unlocking Infrastructure and Super-charging Business

Medium to large scale business offers the scale, capacity and capabilities to help deliver the critical infrastructure required to meet our current and future demographic projections, comprising of an additional 5 million people by 2030, whilst stimulating our economy to help in the recovery from the impacts of COVID-19.

Infrastructure in Australia's major cities is under increasing strain and requires significant Government investment to reduce congestion, improve liveability and increase productivity. Filling the growing infrastructure gap requires careful market-focused evidence-based decision-making and the scale and capacity offered by medium to large business. It is critical that all levels of Government identify, prioritise and commence 'shovel-ready' major infrastructure and renewal opportunities to restore the economy, and these are most suited towards medium and large-scale businesses.

Medium to large scale contracting businesses typically work on large-scale and high yielding building and construction projects, they typically have a larger workforce that is more likely to recruit the next generation of tradespeople. Generally, a larger development project will be sustained over a longer period and will generate broad economic benefits to all areas of the economy.

### 2.1. Medium and Large Business to drive Nation Building

NECA and MPAT propose that all levels of Government unlock and fast track medium to large scale renewal and infrastructure projects that will significantly boost jobs in the building and construction sector, productivity and investment across Tasmania. This will also require significant systemic reform of longstanding policy issues including taxation reform, reducing red tape, removing institutional roadblocks such as simplifying and streamlining planning systems, improving Government coordination and increasing collaboration with financial institutions.

To deliver value-for-money the Tasmanian Government should be looking to leverage private sector infrastructure investment. Wherever possible, the private sector should be engaged to finance, construct, operate and maintain infrastructure assets. Where this creates issues with local monopolies, a light-handed approach to regulation should be applied. Any regulation should aim to maximise efficiency and competition whilst diminishing the exercise of any market power.

We seek for all levels of Government to identify, prioritise and commence 'shovel-ready' major infrastructure and renewal opportunities to restore the economy, and these are most suited towards medium and large-scale businesses.

## 2.2. Encourage new ways to achieve energy efficiency

A number of States and Territories have taken the initiative to bolster their energy initiatives and programs that will support the recovery efforts nationally. For instance, New South Wales has set out a plan to deliver three Renewable Energy Zones (REZ). A REZ involves the coordinated development of new grid infrastructure in energy rich areas, to connect multiple generators (such as solar and wind farms) in the same location.

REZ capitalise on economies of scale, unlocking new generation at lower cost. This builds on the *NSW Transmission Infrastructure Strategy* and supports the implementation of the Australian Energy Market Operator's Integrated System Plan. The REZ are expected to unlock a significant pipeline of large-scale renewable energy and storage projects, while supporting up to \$23 billion of private sector investment in our regions and up to 2,000 construction jobs each year<sup>12</sup>.

Tasmania now has an opportunity to lead the way for energy efficient environmentally sustainable practices, including renewable energy, and it is critical that the Tasmanian Government act to support and introduce any such initiatives.

### Recommendations

- Unlock and fast-track a pipeline of major infrastructure 'shovel-ready' projects for medium to large businesses to stimulate the economy e.g. Government construction projects, large scale renewable energy generation, local Government works across metropolitan, regional and remote Australia; and
- Support innovative strategies and emerging technologies to encourage new ways to achieve energy efficiency.

---

<sup>12</sup> NSW Government Renewable Energy Zones FAQ <https://energy.nsw.gov.au/media/1946/download>

## 3. Taxation and Regulatory System Reform

COVID-19 has exposed and amplified a number of long-standing systemic regulatory and taxation issues. NECA and MPAT is of the view that our outdated and inefficient regulatory and taxation systems need urgent strategic, evidence-based and industry informed reform. A collaborative approach to these longstanding systemic issues will best inform and lead Australia to a swift and sustainable economic recovery.

It is vital that in recovering from COVID-19 the Tasmanian Government addresses inequitable conditions, excessive red-tape, and ensures a more competitive, resilient and productive marketplace. Moreover, that our regulatory and taxation systems are self-sufficient to generate revenue, incentivise opportunities for industry, foster a diverse workforce and look for new opportunities for economic growth. Policy must mitigate the disruption already caused to all areas of the building and construction sector, encouraging consumer confidence and investment.

We call upon the Tasmanian Government to begin the process of comprehensive reform with the aim of delivering a structurally stronger, fairer and more efficient regulatory and tax systems as outlined in the following sections of this submission.

### 3.1. Reform the Australian Taxation System

Improving Australia's tax system will enable Australia to capture opportunities for lifting economic growth over the long-term and strengthen the economy's recovery out of the COVID-19 crisis. Tax reform will require the Commonwealth, State and Territory Governments to collaboratively work together to agree on and implement systematic policy responses that remove impediments and increase the incentives for individuals and businesses to engage in economic activity, seize opportunities, and be creative and innovative.

Achieving comprehensive tax reform that supports Federal and State budgets over the long term while addressing distributional impacts and promoting economic growth will take time and is no mean feat, but that should not prevent all levels of Government committing to the challenge of tax reform. Australian businesses need the tax system to deliver the right mix of incentives that will make them globally competitive, stimulate investment in research and development, and support them in becoming more efficient and productive. The impact of COVID-19 cannot be ignored, and now is the time to address the systemic issues to ensure business is able to adapt to the new global economic landscape.

It is imperative that the Government immediately reduce the impact of inefficient taxes that will be a drag on both economic and employment growth through the recovery and beyond. NECA has previously put forward to the Government comments and suggestions as part of the 'Australian Future Tax System Review' in 2008 (Henry Review), and subsequent Tax Reform White Paper process. MPAT are in agreement to this matter.

## 3.2. Reform the Australian Regulatory System

### 3.2.1 *Introduce a national occupational licensing regime*

NECA and MPAT call upon the Federal Government to introduce a single national occupational licensing scheme for electrical and plumbing subcontractors respectively and seek the endorsement of the Tasmanian Government in this regard. The implementation must not dilute safety standards, technical expertise or adequate insurance requirements.

The ability and freedom for contractors to work freely across Australia is more important than ever in light of the recovery from COVID-19. This approach will result in a harmonisation and reduction in cost and administrative red-tape to business, and this will allow people to work on their business at this important time. For this to efficiently, effectively and safely occur, a national occupational licence system needs to be implemented.

Whilst individual State and Territory licensing agreements have not stopped this from occurring, there is a general lack of mutual recognition of cross-jurisdictional licenses and this has acted as a barrier to entry for many businesses trying to geographically diversify their operations. In a COVID-Safe economy it is critical that we support business and mobilise our workforce. Being able to deploy and utilise skills and trades anywhere across Australia would continue to assist the industry in being competitive, agile and productive.

We support the creation of a single national occupational licencing scheme for our contractors. However, its implementation must not dilute safety standards, technical expertise or adequate insurance requirements. We also support mutual recognition licensing reform across Australia and encourages all States and Territories to continue discussions in order to adopt these reforms.

### 3.2.2 *Introduce Security of Payments for contractors*

As a finishing trade, our contractors are involved in the latter stages of the building and construction cycle. Further, the equipment and labour involved in modern buildings is often highly sophisticated and expensive. In the event a builder falls into receivership, contractors can be at a disadvantage in terms of being recompensed when compared to all other trades who contribute to the project and have been fully recompensed at an earlier stage in the project.

The current system of payment security penalises sub-contractors by effectively rendering them de-facto underwriters to unscrupulous or inefficient head/principal contractors. Of all sub-contractors, electrical contractors provide the highest value inputs by way of fixtures, fittings and labour towards the latter stages of the construction cycle.

Concerns about the security of payments are further exacerbated by the fact that the relevant Building and Construction Industry Security of Payment legislation is facilitated by

State/Territory Governments and determined by the State/Territory where the construction work is carried out. Building and Construction Industry Security of Payment legislation was first adopted by New South Wales in 1999 followed by Victoria, Queensland, Western Australia and the Northern Territory and lastly, in 2009, the Australian Capital Territory, South Australia and Tasmania.

In light of COVID-19 and the risks associated with the cessation of arrangements for businesses to operate insolvent, these issues are highly amplified and of significant concern to our members and the industry. All levels of Government must urgently institute arrangements that will protect the fair payment of contractors who are taking significant risks to run their business equitably during this time.

NECA and MPAT call for the harmonisation of the creditor line process across Australia so that contractors are not disadvantaged by the potential collapse of a construction company.

We also call for Payment Withholding Request legislation – that allows the principal/head contractor to be more easily served with a claim for payment – should be adopted across all State/Territory jurisdictions.

#### *Introduce Statutory Trust Model*

One of the most serious and ongoing issues facing our industry, and in particular SMEs, is the operation of unscrupulous principal contractors that abuse their power and size to enforce detrimental and unfair contracts on smaller parties on a 'take-it or leave-it' basis. Sub-contractors, who tend to be smaller businesses often do not have the capacity to fairly and equitably negotiate contracts with larger principal contracts. This exposes SMEs in our industry to the potential to be taken advantage of, or enter adverse and compromising contracts.

In light of COVID-19, the recession and imminent cessation of provisions allowing companies to operate from an insolvent position, we have significant concerns about the risk and impact to our respective industries. Without adequate provision and security for contractors in the form of a Trust, the very real risk exists that the industry could be detrimentally impacted which would have broad reaching impacts.

NECA and MPAT calls upon the Tasmanian Government to immediately implement the Murray Review recommendations in relation to Statutory Trusts, as outlined below:

- Recommendation 85. A deemed statutory trust model should apply to all parts of the contractual payment chain for construction projects over \$1 million. The deemed statutory trust model outlined in the Collins Inquiry provides a suitable basis.
- Recommendation 86. The Australian Government should take a lead role in working with the States and Territories and key industry stakeholders towards the establishment of a nationally consistent deemed statutory trust model. The establishment and

implementation of such a model should be accompanied by a program of industry-wide education and training.

### 3.2.3 Stamp out non-conforming building products

#### [Introduce the Senate Economics Reference Committee Inquiry into Non-conforming Building Products – Government response to the final report](#)

NECA and MPAT firmly believe that Governments across Australia must do more to ensure that non-conforming products are removed from the building and construction sectors. We believe that all levels of Government have a responsibility to regularly and vigorously undertake random product auditing and bolster efforts around non-compliant product enforcement. It is imperative that Government Departments actively and effectively communicate with each other and all relevant stakeholders to remove and protect the market from non-conforming products and implement an effective batch-testing regime.

The Australian Senate Economics References Committee recently released their Final Report: *Non-conforming building products – the need for a coherent and robust regulatory regime (April 2020)* and outlined a total of 13 recommendations to be pursued by the Federal Government.

NECA and MPAT is supportive and strongly encourages the Federal Government to immediately fast-track the recommendations within the Final Report and seek the Tasmanian Government's support to advocate for these recommendations to be implemented. NECA and MPAT provide the following comments in relation to the report:

- improve engagement between Government and industry around non-conforming building products, and establish a joint forum;
- confidential reporting processes to assist with the identification and management of non-conforming products in the interest of electrical, plumbing and gas-fitting safety and calls for this to be undertaken immediately;
- greater clarity as to which level of Government and/or Department is responsible for the oversight and monitoring of imported electrical, plumbing and gas-fitting products, including the sale of imported electrical products;
- boost Governments commitment and resources to be more pro-active in relation to product enforcement activities and larger product random batch testing;
- ensure any product that requires a licensed electrician, plumber or gasfitter for installation can only be sold through a trade's desk of a retail outlet and/or hardware store;
- broaden and boost Customs powers to enable random compliance audits of imported electrical products and the ability to detain non-compliant electrical products;
- facilitate discussion in relation to product recall insurance; and

- instigate and enforce strong financial penalties for any persons found to have imported and sold non-compliant building products.

### 3.2.4 Introduce a national Electrical Equipment Safety System (EESS) Database for the Electrotechnology Industry

Unsafe and/or non-compliant equipment is costly for businesses, consumers and Governments. A key concern for the electrotechnology industry is the lack of Government enforcement, at all levels, against distributors of non-compliant products to ensure quality and measurement of performance to Australian Standards. In recent years, there have been countless examples of avoidable building defects and product failures that have led to loss of life and damage to property. Despite these incidents, there has been extensive delays in developing and implementing policies to address the presence of non-compliant products in the building industry in Australia. Of greater concern is that Government has not sufficiently and appropriately funded the policing of non-conforming products.

Given the size of the building and construction sector, and the extent of economic activity in infrastructure and development, it is critical that safeguards are in place to ensure damages do not flow to the industry or consumers as a result of non-compliant building products.

In 2013, NECA in conjunction with Voltimum, developed and instigated the *Does it Comply?* campaign. This campaign focuses on the removal of unsafe and non-compliant products across the electrical sector. Whilst we acknowledge that the Survey was undertaken in 2013 however, of concern to NECA is that there has been no fundamental shift to the legislative or regulatory environment surrounding non-compliant building products in this country. Therefore, the risks that non-compliant building products pose remains effectively the same, or worse.

As part of the campaign, NECA and Voltimum conducted an industry survey to gain an understanding of the seriousness of the issue of non-compliant product and attitudes across the industry towards this problem. The survey results indicated that over 75% of respondents had seen the installation or sale of non-compliant electrical product in the Australian market. [Does it Comply?](#) enabled the creation of the Electrical Industry Charter, an alliance of major industry partners who are committed to selling and using only genuine and compliant products.

The recall of Infinity and Olsent branded electrical cables installed in houses and buildings across Australia between 2010 and 2013 was initially expected to cost businesses around \$80 million. However, more recently released estimates from the ACCC have revised this figure to approximately \$100 million. Further, approximately 20,000 properties are said to have been affected with Infinity and Olsent branded cables, according to the ACCC. These product failures have not just been limited to the Infinity and Olsent incidents.



Another concern for our sector is the lack of testing and checking of imported products to ensure their safety and conformance. Whilst random batch testing of electrical products does occur, these checks are too infrequent and fail to ensure a product's quality, measurement and adherence to Australian Standards. The concerns of our sector are mirrored across other sectors such as glass and steel manufacturing where counterfeit products have been labelled as meeting Australian Standards, but later found to be a counterfeit product of poorer durability and safety.

NECA advocates that the Federal Government introduce a national Electrical Equipment Safety System (EESS) Database designed to combat the use of non-compliant electrical products, and for this to be supported by the Tasmanian Government. EESS would provide a database of information to all industry stakeholders. It would record all registration details of responsible suppliers of electrical equipment in Australia and New Zealand. This allows for electrical equipment to be easily traced to the supplier and its legal supply in Australia and New Zealand to be verified.

### *3.2.5 Point-of-Sale Legislation in the Plumbing Industry*

Whilst the plumbing industry (and the consumer) are somewhat protected through the national WaterMark system, there continues to be non-WaterMarked products sold into the Australian community or fraudulently WaterMarked products sold through primarily DIY outlets.

With COVID-19 there has been a considerable rise in the purchase of DIY douche sprays and bidet retrofit systems, some of which do not include backflow prevention which means contaminated water can be drawn back up through the system and contaminate potable water supplies. The health and safety implications of the installation of non-conforming plumbing products to the Tasmanian community is significant and serious. The legal implications to the installing contractor are wide ranging and can result in irreparable damage to their business and through no fault of their own.

MPAT has long advocated for point of sale legislation that would prohibit non-compliant products being sold however this appears too difficult to implement, thus leaving the plumber to determine the legitimacy of the product on installation which is near impossible when the product is fraudulently marked.

### *3.2.6 Introduce a national approach to Continuing Professional Development*

Continuing Professional Development (CPD) is the process of tracking and documenting the skills, knowledge and experience gained both formally and informally by licensed electricians, over and above any initial training. It provides an improved level of achievement and comfort for the practitioner, the wider industry, regulators and consumers. Typically, one point of CPD equates to one hour's worth of learning and development activities.

CPD has successfully been introduced for Tasmanian electricians, plumbers and gas fitters to improve standards across the electrical sector. Government, consumers and regulators hold the view that CPD can assist business (particularly smaller entities) to document, maintain and refresh knowledge of skills, processes, new technologies, and relevant regulations.

NECA and MPAT represent about 67% of all licenced trades in Tasmania and have long been providing quality CPD to industry practitioners and contractors. More recently NECA and MPAT have developed and implemented a highly successful CPD program to provide CPD activities and resources to all electrical, communications, plumbing and gas-fitting contractors in Tasmania and carrying out Tasmania's CPD program.

Since the commencement of the CPD Program in September 2016, NECA and MPAT have undertaken a range of activities, including:

- development and launch of a NECA CPD Tracker and a MPAT CPD Toolbox, which are online self - managed platforms that allow licence holders to register, accrue CPD points and report to the Regulator on their CPD activities and status;
- delivering of a range of CPD workshops and events across Tasmania for more than 2,500 attendees on a range of topics and delivering and recording 14,883 hours of CPD from 1 July 2016 to 31 July 2020;
- distribution of NECA News the industry trade publication designed to educate, inform and inspire the electrotechnology industry; and
- engagement and liaison with the Tasmanian Government.

We believe that industry associations such as NECA and MPAT are best placed and most qualified to deliver independent, knowledge-based activities that are attuned to the needs, requirements and legislative changes across industry. In order to continue to successfully deliver these activities, enhanced certainty and longevity is required to fund ongoing industry learning delivery.

We seek the Tasmanian Government's ongoing commitment to continuous, industry-wide CPD that will assist to deliver improved standards and knowledge across the plumbing, gas-fitting, electrical and communications trades.

### *3.2.7 Address Unfair Contract Terms for SMEs*

SMEs are the lifeblood of the electrical, communications, plumbing and gas-fitting contracting industries, over 79% of the businesses within the electrotechnology, plumbing and gas-fitting industries employ up to 25 staff<sup>13</sup>. These businesses generate the vast

---

<sup>13</sup> NECA 2019 Industry Market Monitor <https://neca.asn.au/content/market-monitor-2019-0>

majority of their work as sub-contractors. The relationship between sub-contractor and principal contractors is fundamentally imbalanced for the following reasons:

- sub-contracting businesses are generally characterised as an SME, offering specialised skillsets and capabilities. This profile is in direct contrast to principal contractors, which are mostly characterised as much larger, diverse and well-resourced organisations. Given the very polarised nature, scale and capabilities of these entities, sub-contractors are generally disproportionately disadvantaged in their ability to equitably participate and negotiate fair contracts;
- in general, the relationship between principal and sub-contractors is such that a dependency exists by the sub-contractor onto the principal contractor. This relationship also infers a power imbalance. Contractors are aware of this dependency and imbalance. We have concerns that this imbalance is often exploited by unscrupulous principal contractors; and
- further to the size and power yielded by these principal contractors, there is only a very small pool of these principal contractors. This means there is limited competition in the area of principal contracting, resulting in sub-contractors regularly and consistently engaging with the same small group of principal contractors.

One of the most serious and ongoing issues facing SMEs is that unscrupulous principal contractors abuse their power and size to enforce detrimental and unfair contracts on smaller parties on a 'take-it or leave-it' basis. Sub-contractors, who tend to be smaller businesses often do not have the capacity to fairly and equitably negotiate contracts with larger principal contractors. This exposes SMEs in our industry to the potential to be taken advantage of, or enter into adverse and compromising contracts.

These conditions are resulting in the following adverse and inequitable outcomes:

- reinforcing the ongoing imbalance between principal contractors and sub-contractors in contract negotiations, given the inherent imbalance due to the power, scale and access to resources of larger organisations;
- deterring new entrants and existing tradespeople from owning and operating SMEs, this is having a knock-on impact to the depleted and declining skills workforce;
- penalising sub-contractors by effectively rendering them de-facto underwriters to unscrupulous or inefficient principal contractors;
- compromising quality assurance and the timely delivery of much needed new development, which is directly impacting the end consumers;
- legal disputes and bankruptcies across the trade industry's; and
- broader economic impacts at both a local and national level, detrimental to the overall competitiveness, productivity and sustainability of our industry in Australia.

Unscrupulous principal contractors will often seek to shift and allocate risks and costs associated with projects e.g. overruns/delays, design variations and changes to materials/finishes, down the contract hierarchy, and onto sub-contractors through, and embedded within an inherently unfair contract.

Due to the imbalanced size, power and capacity between principal contractors and sub-contractors as outlined in this submission, sub-contractors have a compromised ability to mitigate the transfer of these risks, or the capacity to control or manage the risks once they have been transferred. This again can have dire financial consequences for a small business, and potentially result in insolvency. Arrangements need to be designed and implemented to address the transfer of risk through a building contract from a principal contractor to a sub-contractor.

Under the current law, one of the requirements for a contract to be considered a small business contract is that at least one party to the contract employs fewer than 20 persons at the time the contract is entered into<sup>14</sup>. NECA and MPAT's experience indicates that businesses are much larger, and that the definition and size of a business should be amended from 20 to 100 persons employed, reflecting a more accurate picture of the business size employed to work on larger construction projects across many jurisdictions.

Further, NECA and MPAT argue that the threshold on upfront price payable on the contract should be increased from \$300,000 to \$3,000,000 for contracts of 12 months or less, and from \$1,000,000 to \$9,000,000 for contracts greater than 12 months in scope. These thresholds reflect a far more realistic value on the price of contracts across the contracting sector, particularly for medium scale enterprises with a larger number of staff involved, with more time consuming and complex project scales.

### 3.3. New Tasmanian COVID-19 assistance

#### 3.3.1 *Support and protect supply chains*

COVID-19 has highlighted the high level of dependence Australian supply-chains have on international manufacturing and production. The primary issue highlighted by COVID-19 is how insufficient our national capacity and capability is within the manufacturing sector, and the risk this has to our sovereignty. There is an opportunity to leverage existing sectoral and local clusters to increase scalability of domestic manufacturing and facilitate the development of high-performing and cooperative clusters through incentive packages to address supply chain issues.

Our industries have been impacted by availability of key tools and equipment necessary to undertake essential work. It is critical that the Tasmanian Government puts systems,

---

<sup>14</sup> Enhancement of Unfair Contract Term Protections <https://ris.pmc.gov.au/2019/12/20/enhancements-unfair-contract-term-protections>

processes and practices in place that protect supply chains to ensure business is resilient and self-sustaining into the future. This can be done by bolstering the manufacturing sector which has significant potential to grow the economy and create jobs.

We encourage the Government to look at new, additional and sustainable manufacturing supplies and to incentivise onshore manufacturing to ensure supply chain certainty.

### *3.3.3 Moratorium on Liquidated Damages provisions*

We urge the Tasmanian Government to support our advocacy efforts to the Federal Government to introduce a moratorium on Liquidated Damages (LD) provisions within construction contracts to help prevent a potentially catastrophic impact to Australia's building and construction sector as a result of COVID-19. On many large projects, the risk associated with a delay is imposed on sub-contractors who enter one-sided contracts as they have little or no bargaining power when it comes to amending the contractual terms.

As a result of the risk for delays being passed on the sub-contractors, sub-contractors have little or no entitlement to claim an extension of time for these delays. This is both unfair and unreasonable. Given the current economic and social landscape associated with COVID-19, the unfair position that sub-contractors find themselves has been further exacerbated as sub-contractors will be severely impeded by their ability to undertake the works as prescribed by the construction contract. This has the potential to trigger a number of LDs claims which will be devastating for the building and construction industry. It is without exaggeration that the potential collapse of the building and construction industry is foreseeable unless Government intervention is forthcoming.

We urgently seek that all levels of Government's support the introduction of a moratorium on LD provisions within construction contracts, and for this to apply for at least the term of the Governments Staged Restrictions.

### *3.3.4 Flexibility for the Extension of Time Provisions*

NECA and MPAT have received numerous enquiries from members that indicate the social distancing guidelines are making current site conditions and productivity goals unattainable. Similarly, closing sites down would have a catastrophic impact across the sector and the broader economy which is something that NECA and the MPAT is not advocating for. The Extension of Time (EOT) provisions/clauses are often written out of the contracts or changed by the Government or Tier 1 or Tier 2 construction companies, leaving sub-contractors further down the line exposed to the substantial risk for delays caused by the current pandemic, relating to Government Construction projects.

Contractors are not receiving the appropriate EOT's that then could result in contractors being served with LD claims. This leaves contractors not being paid real time-related costs for delays, thus leaving the contractor exposed to LDs on the project, as a result of

COVID-19. It is critical that that Government respond to this issue, in the first instance by retrofitting suitable provisions within its own contracts that will provide an industry best practice guideline for other areas of the sector to follow.

Moreover, larger Government contracts have onerous general damages and indemnity provisions. These circumstances will have significant detrimental consequences to the marketplace, as larger business enterprises are the employers of a number of dependent contractors and deliver high yielding projects including Government projects. Onerous general damages and indemnity provisions need to be restricted or amended.

We seek for the Tasmanian Government to develop contract guidelines which require all Government building and construction contracts to contain EOT provisions (and other related clauses) that protect sub-contractors impacted (with appropriate economic protection to contractors) arising from COVID-19.

### *3.3.5 Temporary relief to trading insolvency provisions under the Corporations Act 2001*

The Federal Government's COVID-19 response package has provided directors with temporary relief from personal liability if a company is trading insolvent. These changes which were introduced to the *Corporations Act 2001* encourage businesses to keep trading even if they have been adversely affected by the economic shutdown associated with COVID-19.

Effectively these provisions allow for directors to incur debt without contravening the duty to prevent insolvent trading (even where there are grounds to suspect insolvency) where the debt was incurred:

- in the ordinary course of the business;
- during the 6-month period commencing 25 March 2020 (or any period extended by the regulations); and
- before any appointment of an administrator, or liquidator, of the company during that period.

These provisions are also understood to extend to holding companies. Moreover, debtors can now take up to 6-months instead of 21 days to respond to a bankruptcy notice.

Whilst these provisions are considered to be extraordinary and have merit in their intent and allow businesses greater flexibility and the ability to continue to trade during a period of lost revenue, delays in cashflow and retain staff, significant concerns are raised about the arrangements when these provisions cease, and how this will impact the broader supply chain and system once these sunset provisions are complete.

We have significant concerns about potential bankruptcies and seeking to ensure certainty in payments for contractors who carry high financial risk in the building and construction process. We strongly urge the Tasmanian Government to seek to address this issue.

## Recommendations

- Urgently reform the Australian Taxation and Regulatory Systems to reduce red-tape, streamline and simplify systems to stimulate the economy and support jobs;
- Introduce a national occupational licensing regime;
- Introduce Security of Payments for the trades industry's;
- In accordance with the Murray Review Recommendation 85 - A deemed statutory trust model should apply to all parts of the contractual payment chain for construction projects over \$1 million. The deemed statutory trust model outlined in the Collins Inquiry provides a suitable basis;
- In accordance with the Murray Review Recommendation 86 - The Australian Government should take a lead role in working with the States and Territories and key industry stakeholders towards the establishment of a nationally consistent deemed statutory trust model. The establishment and implementation of such a model should be accompanied by a program of industry-wide education and training;
- In the context of unfair contracts, amend the size of an SME to 100 employees as this would more accurately reflect the size of businesses engaged to work on larger construction projects across Australia;
- In the context of unfair contracts, the threshold for upfront prices payable on a building contract should be increased to \$3 million for contracts of 12 months or less, and \$9 million for contracts greater than 12 months;
- Stamp out non-conforming building products and implement the recommendations from the Senate Economics Inquiry;
- Introduce a national Electrical Equipment Safety System for the electrotechnology industry;
- Continue support for Continuing Professional Development;
- Outline additional funding arrangements for the CPD program moving forward, to ensure that NECA and MPAT can deliver learnings and training opportunities, in line with the program's governance guidelines;
- Introduce new Tasmanian Government COVID-19 assistance including new, additional and sustainable manufacturing supplies and to incentivise onshore manufacturing to ensure supply chain certainty;
- Introduce a moratorium on Liquidated Damages Provisions;
- Greater flexibility for the Extension of Time provisions; and
- Extend temporary relief to trading insolvency provisions.

## 4. Energising the Future

NECA and MPAT support the operation of a national competitive training market comprising of public and private RTOs, as overseen by one national regulator. We recognise that the future viability and success of Australia's Vocational Education and Training (VET) system is a shared responsibility, one that should be strongly influenced and informed by industry and supported by Government. Our member feedback and experience within the VET sector suggests that the current standards and systems have not always led to the delivery of quality job ready graduates with the necessary skills required by the industry. This needs to change.

COVID-19 is re-defining the future profile of the trades industry, compounding existing skills shortages. We assert that this presents an excellent opportunity to encourage young people into the industry as well as reskilling prospective apprentices from other affected vocations. With a forecasted strong emergence of new technologies, our trades will become ever more essential to daily life. It is critical that the VET system is designed to attract and prepare apprentices with the relevant skills and expertise, and that the existing workforce have the opportunity to re-skill to competitively operate in the landscape.

The JobKeeper Package is set to cease in March 2021. This is premature of communities and businesses being able to effectively and independently re-start. We have significant concerns that businesses will not be stable and resilient by this point in time and therefore, the JobKeeper package should be reviewed in the latter part of 2020 with the potential for these provisions to be extended as depending on the conditions and needs for business. This is imperative for the attraction and retention of apprentices to our trades, and we highlight the benefit and importance of the Federal Governments wage subsidies for apprentices. The opportunity also exists for the Tasmanian Government to introduce its own apprenticeship incentives to assist business and support the next generation of tradespeople.

The JobKeeper wage assistance has and should continue to be in place to management the risks and ease the pressure on employers and retain employees all impacted by COVID-19 – particularly apprentices, the next generation for our industry. We anticipate that absence of these arrangements would be devastating and will impact the current and future apprentices. We also strongly encourage that these wage subsidy arrangements to be extended to businesses of all sizes so as to allow fairness in the market, and ensure all apprentices are given an equal opportunity to retain their roles – COVID-19 has not excluded any areas of the market, and it is important that Government arrangements do not create 'winners' and 'losers'.



As a lead player in the training of future and current electrical and communications contractors through our GTOs and RTOs across Australia, NECA believes that:

- quality education, skills and training initiatives are critical for the development of the electrical trade;
- Government must ensure there are adequate opportunities, initiatives and funding to support a diverse workforce, and that the small business sector is incentivised as the major employer to the next generation of tradespeople;
- Government has a critical role to play in informing school students of their career pathways and opportunities, specifically opportunities found within the trades;
- initiatives are required to ensure a more gender and age diverse workforce; and
- promote the benefits of a career pathway into the electrotechnology industry.

#### **4.1. Extend COVID-19 apprentice wage subsidies and new incentives for large business**

A key ongoing challenge for our industry is a shortage of supply of skilled electrical and communications workers. This is evidenced through a reduction in the completion of electrical apprenticeships across Australia and the retirement of long-term and highly skilled workers, resulting in the loss of suitably qualified electricians at both ends of the sector.

COVID-19 has resulted in businesses being unable to retain and/or attract apprentices, in particular mature aged apprentices who may be interested from sectors impacted by COVID-19 e.g. hospitality and tourism, due to their substantially higher costs. Whilst this is the current trend, the medium and longer term projections suggest if we do not continue to attract and retain apprentices, this will significantly impact our industry and broader sector.

#### **4.2. Support pre-Apprenticeship initiatives**

School-based apprenticeships are an important pathway for students and are a good source of apprenticeship applications for the industry and provide a way to screen potential applicants. Some of these courses, however, are too institutionally based and do not always lead to good vocational outcomes.

We consider that there is a need to reform the approach to pre-apprenticeships. Pre-apprenticeships should be encouraged where they meet employer and student needs, particularly where there is flexible timetabling. In some cases, it may be sufficient to use this option for Year 11 students to bridge the gap in academic learning required in off-the-job training.

Employers have only limited understanding of this option and its ability to supplement labour when off-the-job training is being undertaken by full-time apprentices. Attainment of acceptable minimum mathematics skills (at least to sound Year 10 level) is an ongoing problem with young applicants.

NECA has been examining the development of a national approach for pre-apprenticeships under the *Electrical Innovative Delivery and Pathways Project*, including how the provision of short, targeted, upfront pre-apprenticeship training can be used to ensure apprentices are more work ready, understand the basics of the industry and have hand skill familiarity.

### 4.3. Provide apprentice mentoring

NECA Training's high completion rates - at over 90% against an industry level of 50 to 60% - demonstrate the merits of mentoring apprentices and the success of our organisation. Mentoring allows the proactive management of the individual apprentice's development, including:

- OH&S awareness and compliance;
- managing personal issues and discipline where necessary;
- work exposure;
- reviewing PPE (personal protective equipment);
- reviewing toolkits; and
- monitoring and discussing trade schoolwork.

A Deloitte study commissioned by the NSW Board of Vocational Education and Training suggests that the cost of non-completions in NSW for 2010 alone was \$348 Million. The study also estimated that the cost to the NSW Government of non-completion amounted to \$4,100 per apprentice per annum and excluded costs to the Commonwealth, employers and to the broader economy in terms of lost productivity and other multiplier effects.<sup>15</sup> The implication of this study is that Government effectively saves funds in other areas through the careful targeting of expenditure in apprentice mentoring that leads to higher completion rates of apprenticeships.

#### Recommendations

- Support pre-apprenticeship initiatives; and
- Provide apprentice mentoring.

---

<sup>15</sup> Deloitte Access Economics, commissioned by the NSW Board of Vocational Education and Training, The cost of apprenticeship non-completion in NSW, 25 August 2011

## 5. Pre-Budget recommendations

### Recommendations

NECA and MPAT urgently calls upon the Tasmanian Government to make provision in the 2020-21 budget for the following:

- Introduce a 'dollar-for-dollar' grant scheme for households up to \$3,000 to undertake electrical, plumbing and gas safety and efficiency upgrades to homes;
- Introduce a 'dollar-for-dollar' grant scheme for businesses up to \$5,000 to undertake electrical, plumbing and gas safety and efficiency upgrades to commercial property;
- Commit to a program of community capacity building within all Local Government Area (LGA). Principally, that local tradespeople are engaged to remediate, improve, and upgrade local buildings and assets;
- Introduce a Tasmanian HomeBuilder package to encourage a stronger take-up and greater economic activity of smaller projects;
- Unlock and fast-track a pipeline of major infrastructure 'shovel-ready' projects for medium to large businesses to stimulate the economy e.g. Government construction projects, large scale renewable energy generation, local Government works across metropolitan, regional and remote Australia;
- Support innovative strategies and emerging technologies to encourage new ways to achieve energy efficiency;
- Urgently reform the Australian Taxation and Regulatory Systems to reduce red-tape, streamline and simplify systems to stimulate the economy and support jobs;
- Introduce a national occupational licensing regime;
- Introduce Security of Payments for the trades industry's;
- In accordance with the Murray Review Recommendation 85 - A deemed statutory trust model should apply to all parts of the contractual payment chain for construction projects over \$1 million. The deemed statutory trust model outlined in the Collins Inquiry provides a suitable basis;
- In accordance with the Murray Review Recommendation 86 - The Australian

Government should take a lead role in working with the States and Territories and key industry stakeholders towards the establishment of a nationally consistent deemed statutory trust model. The establishment and implementation of such a model should be accompanied by a program of industry-wide education and training;

- In the context of unfair contracts, amend the size of an SME to 100 employees as this would more accurately reflect the size of businesses engaged to work on larger construction projects across Australia;
- In the context of unfair contracts, the threshold for upfront prices payable on a building contract should be increased to \$3 million for contracts of 12 months or less, and \$9 million for contracts greater than 12 months;
- Stamp out non-conforming building products and implement the recommendations from the Senate Economics Inquiry;
- Introduce a national Electrical Equipment Safety System for the electrotechnology industry;
- Continue support for Continuing Professional Development;
- Outline additional funding arrangements for the CPD program moving forward, to ensure that NECA and MPAT can deliver learnings and training opportunities, in line with the program's governance guidelines;
- Introduce new Tasmanian Government COVID-19 assistance including new, additional and sustainable manufacturing supplies and to incentivise onshore manufacturing to ensure supply chain certainty;
- Introduce a moratorium on Liquidated Damages Provisions;
- Greater flexibility for the Extension of Time provisions;
- Extend temporary relief to trading insolvency provisions;
- Extend COVID-19 Apprentice wage subsidies and new incentives;
  - the introduction of a wage subsidy for employers that employ mature age apprentices;
  - extend apprentice wage subsidies to large business;
- Support pre-apprenticeship initiatives; and
- Provide apprentice mentoring.

