

Australian Infrastructure Audit

Infrastructure Australia

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18th August 2015

Mr Mark Birrell
Chairman
Infrastructure Australia
L21/126 Phillip Street
SYDNEY NSW 2000

Re: Australian Infrastructure Audit

Dear Mr Birrell,

Thank you for the opportunity to comment on the Australian Infrastructure Audit.

The National Electrical and Communications Association (NECA) is the peak industry body for Australia's electrical and communications contracting industry, which employs more than 145,000 workers and delivers an annual turnover in excess of \$23 billion. We represent approximately 4,000 electrical contracting businesses across Australia.

NECA represents the electrical and communications contracting industry across all states and territories. 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 and State Governments, regulators and principle industry bodies such as the Australian Chamber of Commerce and Industry (ACCI) and Standards Australia.

Additionally, NECA maintains responsibility for the employment, training and skilling of more than 4,000 current and future electricians and contractors through our Group Training and Registered Training Organisations.

Australia has a critical shortage of economic infrastructure and we believe that further leadership is required to address and remove infrastructure bottlenecks across the country.

The Abbott Government's first Budget in 2014 outlaid a \$50 billion dollar infrastructure investment program through until 2019-20 with the goal to boost economic growth by 1% of Gross Domestic Product (GDP) to offset the slowdown in the mining sector for the second half of this decade¹.

Clearly, continuing investment in key economic infrastructure will present opportunities and work demand for the electrical contracting sector. As such, we welcome the opportunity provided by Infrastructure Australia to comment upon the Australian Infrastructure Audit.

NECA notes the 81 findings that arose from the Audit, however given the short timeframe in which to respond, we have identified four key findings of the Audit that are the most relevant for the electrical contracting sector. These findings are:

5. Future demand for infrastructure will be directly affected by growth in population, broader developments in the local and global economy, technological change, the need for environmental sustainability and consumer preferences

11. Infrastructure decision making must place a high priority on productivity growth. This can only be achieved through efficient management of existing infrastructure, rigorous and disciplined evaluation of investment initiatives, and efficient delivery of new projects.

32. Skills shortages contribute to cost increases for infrastructure construction. Development of an infrastructure pipeline presents an opportunity to develop a better skilled workforce and to minimise skills shortages in the future.

34. Governments, industry and the community should ensure there is a continuous focus on reducing construction costs, and promoting modern building practices.

¹ Australian Government Budget 2014-15 - <http://www.budget.gov.au/2014-15/content/glossy/infrastructure/html/index.htm>

5. Future demand for infrastructure will be directly affected by growth in population, broader developments in the local and global economy, technological change, the need for environmental sustainability and consumer preferences

The demand for new infrastructure across Australia will be constant given our birth rates are expected to continue at an above average rate for the remainder of the century whilst quality of life improvements and the effects of net migration will continue to see our population age and grow².

Given the strong links to the global economy, job markets, and migration preferences, Sydney and Melbourne are expected to see their populations rise to 8 million and 7.6 million respectively by 2061. These same estimates see Perth, on the back of mining sector employment overtaking Brisbane as our third largest capital by 2028 when both cities reach a population of 3 million³.

Australia's present population of 23,870,000 is expected to more than double by 2061 to reach 48,300,000 and the future demand for infrastructure is expected to mainly generate from these four capitals⁴.

Conversely, cities such as Darwin and Hobart are expected to experience only modest population gains, reflecting the locations of these capitals away from the major centres and closer to more environmentally sensitive land such as protected national parks.

11. Infrastructure decision making must place a high priority on productivity growth. This can only be achieved through efficient management of existing infrastructure, rigorous and disciplined evaluation of investment initiatives, and efficient delivery of new projects.

NECA agrees with the intent of this finding. This is supported by the 2014/15 Federal Budget that set a goal of boosting the nation's economic growth by 1% of GDP to effectively boost

² Australian Bureau of Statistics - Projection Results Australia -

[http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/3222.0main+features52012%20\(base\)%20to%202101](http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/3222.0main+features52012%20(base)%20to%202101)

³ Australian Bureau of Statistics – Projection Results State and Territories

[http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/3222.0main+features62012%20\(base\)%20to%202101](http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/3222.0main+features62012%20(base)%20to%202101)

⁴ Australian Bureau of Statistics – Main Features

[http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/3222.0main+features32012%20\(base\)%20to%202101](http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/3222.0main+features32012%20(base)%20to%202101)

the fortunes of the building and construction sector to offset the plateauing and slowdown of the mining sector.

This investment program allocated \$3.7 billion to boost and expedite identified, nationally significant capacity building projects. These include the Western Sydney Infrastructure Plan (to support road access and upgrades in relation to the Badgery's Creek airport), the expansion of Adelaide's North-South Road Corridor and the Melbourne CityLink project⁵.

The bulk of this investment was to be delivered across New South Wales and Queensland. Given that one in two Sydney residents are expected to live in Western Sydney by 2030 and that the development of the new airport is expected to create up to 35,000 jobs, NECA supports the evaluation and decision to place a high priority upon the delivery of new infrastructure in Western Sydney.

Infrastructure bottlenecks are a handbrake upon national productivity and economic growth and given the stress that exists across the budgets of the Commonwealth, State and Territories and the expense to deliver this significant infrastructure, strong and rigorous evaluation analysis and the efficient delivery of projects is vital for future capacity building.

32. Skills shortages contribute to cost increases for infrastructure construction. Development of an infrastructure pipeline presents an opportunity to develop a better skilled workforce and to minimise skills shortages in the future.

A key challenge for the electrical contracting sector in the years ahead is a shortage of skilled workers. This is evidenced through a reduction in the commencement and completion rates of electrical apprentices as well as the imminent retirement of the baby-boomer skilled workforce – therefore leading to loss of supply at both the younger and mature ends within our sector. This lack of supply of skilled workers will lead to wage increases and cost rises for future construction projects.

⁵Australian Government Budget – Infrastructure Map - http://www.budget.gov.au/2014-15/content/glossy/infrastructure/html/infrastructure_01.htm

NECA welcomes this finding and believes that opportunities exist for apprenticeship programs to assist with the delivery of future infrastructure that is vital for Australia's economic wellbeing. These programs should target younger (school leavers) entrants, mature age entrants and those workers seeking to upskill or cross over from other sectors.

The Commonwealth's decision to move forward with the construction of a second airport at Badgery's Creek in Western Sydney is expected to create up to 35,000 new jobs and has triggered an infrastructure investment program to upgrade the adjacent road network. These types of nation-building projects provide opportunities for electrical apprentices to gain critical exposure and experience.

34. Governments, industry and the community should ensure there is a continuous focus on reducing construction costs, and promoting modern building practices.

NECA supports this finding and has publicly advocated a range of initiatives that will help to deliver a more efficient and cost-effective building sector.

National Licensing – NECA has consistently advocated for the adoption of a national driver's licence model for implementation across the electrical trade in Australia believing that a single, national scheme for electricians and contractors will deliver a low cost licence model that increases labour flexibility and mobility whilst reducing regulatory burdens, as long as its implementation does not dilute safety standards and technical expertise.

The present system of state/territory licensing regimes has seen a marginal advancement of mutual recognition that enables some external state licensing equivalents to be recognised. However, we believe that a national driver's licence model would further encourage the alignment of training processes, lead to greater competition and reduced costs for contractors.

Flexible Workplace Agreements – NECA believes that a return to a workplace system that is fair to both employers and employees is a critical step to ensuring certainty in the electrical contracting sector. Mutually beneficial contract arrangements with an in-built safety net

should be reached between employees and the employer to fit the circumstances of the workplace and economic health of the sector.

Payroll Tax Harmonisation – Whilst an important revenue generator for State and Territory Governments, is essentially a tax on the employment of workers and a cost inhibitor within the construction sector. NECA supports calls for a national discussion about the harmonisation of each state and territory’s tax regimes as a way to encourage the eventual removal of this tax.

WH&S Harmonisation - NECA has advocated for greater harmonisation of Workplace Health and Safety legislation across Australia in order to remove conflict and duplicity across state legislations to make it simpler for electrical contractors to achieve compliance. Whilst most states have adopted the bulk of provisions with the Model WH&S Act, Western Australia and Victoria have refused to adopt the model act.

Product Quality Assurance - The trade in counterfeit products that fail to conform to Australian standards expose our sector to higher construction costs and reputational damage. NECA has lead industry efforts to stamp out non-compliant products and has called upon the Federal Government to increase its commitment and resources to ensuring a larger number of product random batch tests are carried out.

Energy Efficiency - NECA believes that further opportunities exist to accelerate the introduction of energy efficiency programs such as the New South Wales Government’s Energy Savings Scheme (ESS). These programs assist business to reduce electricity consumption and assists electrical contractors to reduce the costs of construction.

We urge the Government to act upon the feedback within our submission and to ensure that infrastructure expenditure across the country is delivered in an efficient, effective manner to build capacity for future generations of Australians.

Yours faithfully



Suresh Manickam
Chief Executive Officer
National Electrical and Communications Association (NECA)