national electrical and communications association

ACT Budget 2016/17:

Pre-budget submission

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About NECA

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 Canberra Business Chamber, 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.

Foreword

This submission highlights the main issues that NECA considers that the ACT Government should address in formulating the 2016/17 Budget.

We believe that in the forthcoming Budget, the ACT Government can and should take concrete action to lift the burden on the electrical contract sector, including in respect of:

- Addressing the significant dangers posed by non-conforming products;
- The establishment of a new RTO for the training of electrical apprentices;
- Improving vocational education and training in the ACT;
- School and entry requirements;
- Taxation; and
- Facilitating energy efficiency and safety.

We thank the ACT Government for the opportunity to participate in this consultation as part of the 2016/17 Budget process.

Should you wish to discuss further, I can be contacted on ph: 02 9439 8523 or email: suresh.manickam@neca.asn.au

Yours faithfully

Suresh Manickam
Chief Executive Officer

Non-conforming products

NECA strongly calls for the stamping out of non-compliant electrical parts and product sales that fail to meet Australian Standards. The professional reputation of our industry is compromised through the weakening of safety standards, property damage and the potential endangerment of human life when non-compliant products remain on sale.

NECA therefore calls upon the ACT Government to increase its commitment and resources to ensure a larger number of product random batch tests are carried out. This action would assist with the delivery of higher quality electrical products for consumers.

Dangers of non-conforming products

The trade in counterfeit and non-conforming products poses a clear threat to the viability of Australia's electrical contracting sector. This threat manifests itself as follows:

- The risk of electrical fire and shocks;
- The potential of death or serious injury to installers and the public;
- Property damage and rectification;
- Legal liability issues;
- Expenses relating to the provision of replacement products;
- Insufficient insurance products and resultant premium increases;
- Industry brand and / or reputational damage;
- Cost to businesses operating with the supply chain of the electrical sector; and
- Consumer confidence.

Examples of recent product failures

Recent product failures such as Infinity, Olsent Cables and E-Cables, coupled with the tragic death of a woman on the New South Wales Central Coast in 2014 following electrocution from a non-compliant USB charger, have amplified our concerns. Further, the problem has deteriorated to such an extent that the Australian Competition and

Consumer Commission (ACCC) is now actively involved with and monitoring product recalls.

These product failures have not just been limited to the Infinity and Olsent incidents. In recent times there have been a range of other examples where product failure and / or administration failure has led to regulatory intervention, these include:

- Federal Government Pink Batts Home Insulation;
- Mr Fluffy Asbestos (particularly in the ACT);
- Avanco DC Isolators;
- HPM products NSW; and
- Faulty USB charger causing electrocution in NSW.

Case studies of these five examples are provided in the Annexure section of this submission.

Residual Current Devices

Residual Current Devices (RCDs) are an example of a product which requires additional resources to be committed to ensuring their quality and conformance to Australian Standards.

RCDs act as a safety switch by monitoring the flow of electricity from the main switchboard and prevent electrocution and the risk of fire by quickly cutting the electricity supply if an imbalance in the current is detected. It is now compulsory across most states and territories for two RCDs to be fitted to all newly constructed homes to protect the power and lighting circuits as part of the electrical installation.

With the increased reliance upon the use of the RCDs to prevent electrocution and fire risk, complacency may exist on the presumption that the RCD is made of sufficient quality. If this safety component is compromised through non-conformance, the risk of electrocution, fire or death is significantly increased.

Costs associated with product failures

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 be have affected with Infinity and Olsent branded cables, according to the ACCC.[1]

Australian Senate Economics References Committee inquiry into non-conforming building products

Due to these dangers above, NECA has joined with a range of leading building and construction industry peak bodies to call for more government funding and enforcement in relation to non-compliant building products, as part of the current Australian Senate Economics References Committee inquiry into non-conforming building products. The inquiry's report is due on 2 December 2015.

Does it Comply? campaign

In 2013, NECA in conjunction with Voltimum, one of the world's leading electrical industry information portal and Standards Australia, developed and instigated the ***Does it Comply?*** Campaign. This campaign focuses on the removal of unsafe and non-compliant products across the electrical sector. 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 and towards this problem. The survey results indicated that over 75% of respondents had seen the installation or sale of non-conforming electrical product in the Australian market.

[1] John Rolfe, Infinity cable recall too slow, ACCC fears only fires will stir consumers into action, *Daily Telegraph*, 26 March 2015: http://www.dailytelegraph.com.au/news/opinion/infinity-cable-recall-too-slow-accc-fears-only-fires-will-stir-consumers-into-action/story-fnlrw4is-1227278718234

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.

Contribution of the construction industry to the ACT economy

According to the Australian Bureau of Statistics (ABS), the contribution of the construction industry to industry gross value in the ACT added was the second largest (10.4%) for any industry as at June 2014, behind only public administration and safety.

Top 10 industries by contribution to industry gross value added, ACT – June 2014		
Ranking	**Industry**	**% of total industry value added**
1	Public administration and safety	31.6
2	**Construction**	**10.4**
3	Professional, scientific and technical services	9.1
4	Ownership of dwellings	8.4
5	Education and training	7.2
6	Health care and social assistance	6.3
7	Financial and insurance services	3.7
8	Electricity, gas, water and waste services	3.1
9	Accommodation and food services	2.9
9	Retail trade	2.9
10	Rental, hiring and real estate services	2.7
Source: *ABS Catalogue 5220.0 - Australian National Accounts: State Accounts, 2013-14*		

Given the size of the building and construction sector in the ACT and around Australia, it is critical that safeguards are in place to ensure that damages do not flow to industry or consumers as a result of non-complaint building products.

Need for greater government enforcement

A key concern for the electrical contracting sector is the lack of government enforcement, at all levels, of those businesses importing non-compliant products. This

is further compounded by the effectiveness (or otherwise) of the current product batch-testing regime that seeks to ensure that Standards are adhered to.

With respect to the above, NECA believes that Access Canberra should regularly and vigorously undertake random product auditing as well as non-compliant product enforcement.

NECA therefore calls upon the ACT Government in the 2016/17 Budget to increase its commitment and resources to:

- **Ensuring a larger number of product random batch tests are carried out;**
- **Ensuring that a greater number of audits are carried out in relation to sellers of electrical products to verify their authenticity; and**
- **Ensuring that there is great enforcement surrounding the sale and distribution of non-compliant building products.**

Establishment of a new RTO for the training of electrical apprentices in the ACT

NECA believes that in the 2016/17 Budget the ACT Government should support and incentivise the establishment of a new RTO for the training of electrical apprentices in the ACT.

Our members have expressed concerns for some time in relation to the training provided to apprentices by the Canberra Institute of Technology (CIT). These problems have been exacerbated by the closure of ElectroSkills, which until 2013 also provided training for apprentice electricians in the ACT.

The education provided by CIT to apprentice electricians has been the subject of significant complaints by NECA members for some years.

These include a lack of effective communication with employers, specifically:

- The lack of notification provided to employers of changes to the subject timetable;
- The lack of notification provided to employers of when individual apprentices are required to attend class;
- Not providing information to employers as to whether apprentices have subjects outstanding prior to apprentices applying to sit their Capstone exam. Employers are paying for the subjects studied by apprentices; and
- In some cases employers have been advised by CIT that apprentices have not attended classes on certain days, when in fact they are not enrolled in those subjects at all.

Additional problems experienced in relation to CIT include:

- The lowering of standards, presumably in order to push more apprentices through the system and thus gain funding;
- Frequent changes to the curriculum without explanation;
- The transitioning of all students to a new academic package, including students who were part-way through their studies. These students have suffered from a

lack of continuity to their studies, including in some cases having to go over certain areas they have already covered previously; and

- An academic as opposed to industry-focussed approach.

While the performance of CIT has improved in some respects, there are still fundamental issues which need to be addressed.

The closure of ElectroSkills in 2013 worsened these problems.

After the closure of ElectroSkills, approximately 250 to 300 electrical apprentices transferred to CIT. However, the transition between the two was not a smooth one, nor handled well.

Firstly, some records of student achievement were not passed on from ElectroSkills to CIT. Other records were incomplete and did not indicate whether or not apprentices had successfully completed the subjects they attempted.

This resulted in the absurd situation whereby apprentices had to repeat subjects they had already satisfactorily completed, as they could not prove they had done so.

ElectroSkills and CIT had different approaches to training, which did not dovetail and made the transition harder still for apprentices.

Anecdotally, we believe that a significant number of apprentices have dropped out due to these issues, and the stress, lost time, financial cost and frustration involved.

Moreover, CIT has struggled to cater for the extra number of apprentices it must educate in the wake of the closure of ElectroSkills.

Many apprentice electricians are not being provided with important basic skills by CIT. For example, some are coming through the training system unable to properly conduct tests – obviously this has significant safety implications when dealing with electricity!

These issues with CIT have resulted in many businesses taking on fewer apprentices, or not taking on any altogether, due to the significant costs in financial terms as well as time.

This, combined with apprentices dropping out in frustration due to the issues involved in transitioning from ElectroSkills to CIT as previously mentioned, will unfortunately impact on the availability of skills in the industry in the future.

NECA therefore believes the ACT should support and incentivise the establishment of a new RTO for the training of electrical apprentices in the ACT.

This would reduce the strain evident on CIT, as well as allow the introduction of a more industry-focussed approach for the training of electrical apprentices in the ACT.

In the 2016/17 Budget, the ACT Government should support and incentivise the establishment of a new RTO for the training of electrical apprentices in the ACT.

Vocational Education and Training

The ACT Government in the 2016/17 Budget should allocate funds for the training of industry supported 'skill sets', particularly at post-trade levels. This responds to the overall drop-off in formal training undertaken by workers in the industry and their preference for shorter training times.

NECA's employee survey shows that many post-apprentices spend less than one hour a month on training and professional development at their own initiative. Consideration should be given to a core set of competencies that reflect environmental requirements for the industry and consumers.

The ACT Government in the 2016/17 Budget should allocate funds for the training of industry supported 'skill sets', particularly at post-trade levels.
The ACT Government in the 2016/17 Budget should allocate funds for mentoring electrotechnology apprentices in order to ensure high quality completion rates of apprentices.

School and entry requirements

There is a need to reform the approach to pre-apprenticeships. There are a large number of school and other post-compulsory education students in pre-apprenticeships. The pre-apprenticeships 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. This issue will become increasingly important as employment opportunities within the industry slow. School-based apprenticeships are important pathways for students.

They 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 on-going problem with young applicants.

In the 2016/17 Budget, the ACT Government should therefore allocate funding for:

- **Flexible timetabling for pre-apprenticeships;**
- **The development of practical maths lessons in schools for trade-training aspirants, with involvement of relevant partners in the education systems (including the Australian Association of Maths Teachers); and**
- **Financial assistance to RTO's and GTO's who undertake pre-apprenticeship programs for industry entrants**.

Taxation

Governments should consider introducing tax incentives for employers to take on apprentices, particularly for small contractors who form the basis of the industry. Additional government assistance should be provided when companies employ adult apprentices at the stipulated EBA rate.

Payroll tax, whilst an important revenue generator for State and Territory governments, is essentially a tax on the employing of Australians and a disincentive to grow small and medium enterprises. Each state and territory maintains separate tax and threshold limits creating further confusion and complexity for national businesses.

NECA encourages State and Territory Governments to follow Victoria's recent example to reduce payroll tax and to have a national discussion to encourage greater harmonisation and its long term removal.

NECA calls for a national discussion to set in place a timetable to harmonise payroll tax regimes and a long-term plan for its eventual phasing out. This might be accomplished as part of the process for the broadening or raising the rate of the GST.

In the 2016/17 Budget, the ACT Government should:

- **Introduce tax incentives for employers to take on apprentices, particularly mature age apprentices; and**
- **Reduce payroll tax.**

Enhancing energy efficiency and safety

Pilot scheme for hybrid power generation

NECA believes that the ACT government has a valuable role to play in facilitating the shift to greater energy efficiency by households and businesses.

We therefore advocate that the ACT government establish a pilot scheme for hybrid power generation.

Hybrid technology systems combine two or more technologies in order to achieve greater efficiency. Possible combinations are:

- Wind-solar photovoltaic (PV) hybrid systems;
- Wind-diesel hybrid systems;
- Fuel cell-gas turbine hybrid systems; and
- Wind-fuel cell hybrid systems.

The ACT currently does not have one project supported by ARENA (Australian Renewable Energy Agency), while NSW has 49.

As part of this pilot, incentives to consumers and businesses might be offered if they switch over to using power generated by this hybrid power generation scheme.

Incentives for wiring safety audits

NECA also proposes that the ACT government offer incentives to home buyers for undertaking a wiring safety audit on an existing property. This initiative will mitigate against the risk of electrical hazards.

In the 2016/17 Budget, the ACT Government should:

- **Establish a pilot scheme for hybrid power generation;**
- **This pilot scheme might incorporate incentives for business and consumer to utilise the power thus generated; and**

- **Offer incentives to home buyers for undertaking a wiring safety audit on an existing property.**

Summary

Non-conforming products

NECA calls upon the ACT Government in the 2016/17 Budget to increase its commitment and resources to ensure a larger number of product random batch tests are carried out.

Establishment of a new RTO for the training of electrical apprentices in the ACT

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In the 2016/17 Budget, the ACT Government should therefore allocate funding for:

- **Flexible timetabling for pre-apprenticeships; and**
- **The development of practical maths lessons in schools for trade-training aspirants, with involvement of relevant partners in the education systems (including the Australian Association of Maths Teachers).**

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In the 2016/17 Budget, the ACT Government should:

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Enhancing energy efficiency and safety

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- **This pilot scheme might incorporate incentives for business and consumer to utilise the power thus generated; and**
- **Offer incentives to home buyers for undertaking a wiring safety audit on an existing property.**

Appendix – Non-conforming products case studies

Death from a non-compliant USB Charger

In April 2014 a woman on the Central Coast of NSW died by electrocution from a non-compliant USB charger. The USB charger was purchased for $4.95 from a Campsie mobile phone accessory store. The store was found to be selling faulty USB chargers made of low quality plastic that could not only melt, but contained no insulation pins or approval marks to signify compliance with Australian standards.

Under the New South Wales Electricity (Consumer Safety) Act 2004, the trader faced a maximum penalty for an individual to sell an electrical product that is prohibited is $87,500 and/or two years imprisonment. NECA understands that no prosecution has been recorded against the Campsie trader.

Pink Batts Home Insulation Program

The former Rudd Government's $2.7 Billion Pink Batts, Home Insulation Program (HIP) was found by a Royal Commission in 2014 to have contributed to the deaths of four workers throughout 2009 and 2010, following exposure to electrical wiring and other installation points.

The consequence of this administrative failure was the avoidable deaths of four workers, coupled with the financial hardship that more than 200 small businesses suffered.

Mr Fluffy

For over two decades, more than a thousand homes across the ACT and NSW had their roofs lined with insulation that was a loose-fill asbestos product. Given the known dangers of loose-fill asbestos, it is the case that both the occupiers and tradesmen have been exposed to these risks.

The clean-up bill and remediation is estimated to cost up to $5 Billion. This administrative failure has been costly for Governments and, by extension, taxpayers.

Product Recalls

Avanco CD Isolators and **Infinity Cable** provide current examples of the economic cost of product recalls. Of concern to NECA and the sector, is that these two instances have unfairly placed electrical contractors in a position of being held responsible for the quality of electrical components that are beyond their control.

The national public recall by the Australian Competition and Consumer Commission of up to 4,000 kilometres of Infinity and Olsent branded electrical cable installed in houses across Australia between 2010 and 2013 is a reminder of the costs to industry and the challenges that product recall programs hold for regulators, consumers and the industry.

Initially, the ACCC estimated that 40,000 properties could be affected by the recall, however the most recent estimate is closer to 20,000. The Director of the now defunct company that imported the non-conforming product faces criminal charges.

NSW Fair Trading has commenced legal action against the Director of the Infinity Cable Co. and the matter is now before the court.

NECA was a foundation member with respect to the ACCC working party and has proactively worked with the ACCC in finding a solution to the Infinity issue.