

National Electrical and Communications Association (NECA)

2020-21 Australian Government Pre-Budget Submission

(Revised July 2020)





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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 almost 170,000 workers¹ and delivers an annual turnover in excess of \$23 billion². 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.

Our members make an essential contribution to the Australian economy – connecting homes, businesses and infrastructure – encouraging investment, improving reliability and security across the energy system and delivering greater environmentally sustainable and affordable outcomes. We view the safety and reputation of the electrotechnology industry as paramount to all tradespeople, consumers and the broader community.

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

¹ 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>

² Ibis World 'Electrical services in Australia Industry Statistics (May 2020) <https://www.ibisworld.com/au/industry/electrical-services/325/>

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.

NECA is very closely monitoring and responding to the effects of the Coronavirus (COVID-19) crisis as it unfolds. Our firm commitment is to continue to advocate on behalf of our members and the broader industry and provide timely information and assistance based on up-to-date advice from the Federal and relevant State/Territory Government(s). We seek to work together with industry, Government and the community to achieve a successful COVID-19 safe economy and swift nationwide recovery.

Foreword

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 building and construction sector is not exempt from the adverse impacts of COVID-19. There has been a reported 5.8% loss of construction jobs between 14 March and 30 May 2020³. This is a significant and serious concern for the economy, wellbeing and prosperity of Australia given the building and construction sector is the second biggest contributor to Australia's economy⁴ generating over \$360 billion in revenue, equating to around 9% of the national gross domestic product (GDP)⁵. Our sector also employs more than 1.2 million people⁶ from a range of industries.

Electrotechnology is a key industry within the building and construction sector with our workers providing essential services to all parts of the community from homes to offices, schools and hospitals. Indeed, in the context of the current crisis, the 'essential' nature of our sector is enshrined in the legislation of a number of States and Territories, alleviating any confusion as to the critical nature and contribution of our sector.

As a result of COVID-19, the electrotechnology industry has experienced 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 in relation to engaging contractors for electrical work/projects. These impacts have been exacerbated by long-standing policy and systemic issues that require urgent Government intervention.

Whilst we commend the Federal 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. Given the benefits, size and contributions of our sector, 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,

³ 'A snapshot in time – The Australian labour Market and COVID-19' July 2020, National Skills Commission

⁴ Australian Building and Construction Commission <https://www.abcc.gov.au/about/who-we-are/overview#:~:text=The%20building%20and%20construction%20industry,vital%20to%20the%20Australian%20economy.>

⁵ Australian Industry and Skills Committee 2019 'Construction, Plumbing and Services – IRC Skills Forecast and Proposed Schedule of Works' https://artibus.com.au/wp-content/uploads/2019/03/ConstructionPlumbingServices_SkillsForecast_2019.pdf

⁶ Australian Building and Construction Commission <https://www.abcc.gov.au/about/who-we-are/overview#:~:text=The%20building%20and%20construction%20industry,vital%20to%20the%20Australian%20economy.>

improving electrical safety and energy efficiency and reducing red-tape and longstanding systemic issues.

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.

NECA contends that our evidence-based industry driven recommendations are critical for Australia to navigate a way out of the COVID-19 induced recession. To this end, we strongly urge the Federal Government to implement our recommendations when formulating the 2020-21 Budget. NECA appreciates the opportunity to engage and contribute to the Budget process, and accordingly thanks the Federal Government.

Should you wish to discuss this submission or matters concerning our industry, I can be contacted on 02 9439 8523 or by email suresh.manickam@neca.asn.au

Yours faithfully



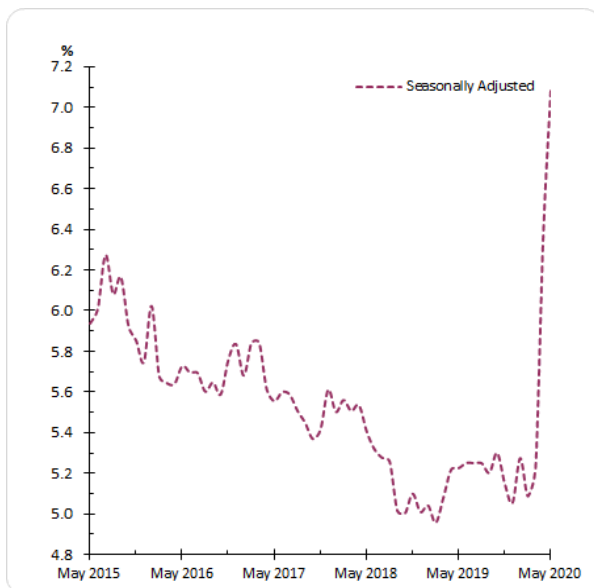
Suresh Manickam
Chief Executive Officer

Impact of COVID-19 on the Electrotechnology Industry in Australia

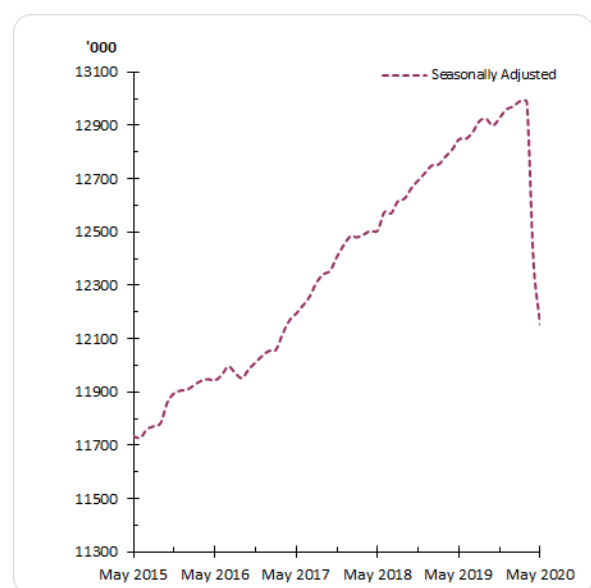
COVID-19 and the Australian Recession

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 years⁷ and impacted every aspect of our everyday way of life. Currently 927,600 people across Australia are unemployed, representing an unemployment rate of 7.1%, as compared with the pre-COVID-19 unemployment rates of 5.2%⁸ (see Graph 1 and 2).

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 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.



Graph 1: ABS Unemployment Rate (May 2020)



Graph 2: ABS Employed People (May 2020)

⁷ ABS 5206.0 Australian National Accounts: National Income, Expenditure and Product, March 2020
<https://www.abs.gov.au/ausstats/abs@.nsf/mf/5206.0>

⁸ 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%20.1%20pts%20to%2020.2%25.>

The full extent and length of time it will take for the Australian economy 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 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.

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, NECA calls for a classical Keynesian approach by way of economic stimulus coupled with targeted structural reform. NECA advocates for increased Government expenditures and lower taxes to stimulate demand and pull the Australian 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'.

NECA COVID-19 Industry Impact Survey

NECA is actively engaging with our members and the broader industry to better understand the impact COVID-19 is having on our industry. To gain an in-depth understanding of the current landscape, NECA surveyed 470 representatives of the electrical and communications industry during May 2020 on their experience operating within COVID-19⁹. 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.

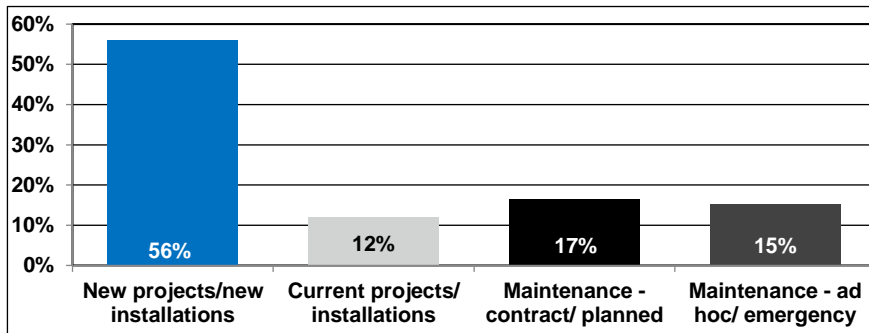
Despite the quiet optimism that businesses will eventually recover from COVID-19, the research paints a sobering picture with very few opportunities on the horizon and the current pipeline of work expected to dry up at or around September 2020.

Some of the key findings from NECA's COVID-19 Industry Impact Survey are outlined below (including Graph 3 and 4):

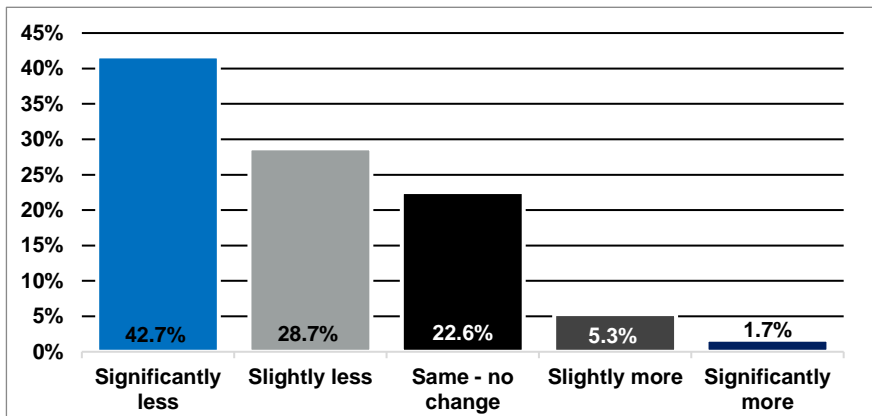
- 93.8% of businesses said COVID-19 is impacting on their business with most experiencing a significant or moderate impact;
- almost 50% of businesses have reduced employee work hours to buffer the impact of COVID-19;
- 80% of all businesses surveyed have seen a negative financial impact as a result 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 (see Graph 3) and at least 80% of work underway due to end within 6 months;
- opportunities for future work are slim with 70% less tender opportunities compared to the same time last year (see Graph 4);
- a majority of respondents are somewhat confident their business will recover, however cite Government support as critical to industry recovery;
- almost 60% of businesses 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;

⁹ National Electrical and Communications Association, 2020. 'Industry Survey and Policy Implications'

- 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%).



Graph 3: NECA Survey – How COVID-19 has impacted aspects of work



Graph 4: NECA Survey – Tender Opportunities for Business

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 our industry 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, with NECA's SME members citing the Government's mandatory lockdowns, restrictions and the resulting economic downturn to be contributing factors.

Respondents to the NECA Survey were asked to indicate the level of impact COVID-19 was having on their business. A sizable majority of respondents (93.8%) 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.

When NECA asked Survey respondents about their current pipeline of work, at least 80% of businesses expect the current pipeline of work to dry up by September 2020 - at latest. Of concern respondents highlight there being 70% less tender opportunities in the market compared with last year. The complex industry-wide impacts on SMEs must be properly recognised and an urgent response by Government is needed to jump-start the industry, support jobs and boost business.

The Federal 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 Safety and Energy 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 may be non-compliant with current industry standards under the Australian Building Code and/or degrading and/or deteriorating requiring remedial action. In the residential housing context, home electrical safety checks are encouraged but not enforced across Australian States and Territories.

NECA believes it is critical that everyone should be aware of any wiring or electrical safety concerns, as you would of any building defects or non-conformance, to protect the safety and well-being of inhabitants.

It is NECA's view that the Government should incentivise households and businesses to engage local electrical and communication SMEs, supporting and connecting local trades to local jobs which will stimulate and jump-start the local economy. NECA is proposing a 'dollar-for-dollar' Government grant scheme known as the '*Electrical and Safety Upgrades Initiative*' (Initiative) 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 safety and energy efficiency upgrades to homes under NECA's Safety and Energy Upgrade Program; and
- a new 'dollar-for-dollar' grant scheme to businesses up to \$5,000 to undertake electrical safety and energy efficiency upgrades to commercial property under NECA's Safety and Energy Upgrade Program.

1.2. SME's to undertake electrical safety and energy 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 safety and energy 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. The types of work that may be considered could include social housing, asset maintenance works, capital works programs, security upgrades, lighting upgrades and small scale solar.

It is NECA's 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

NECA argues that these proposed health checks and likely rectifications will improve the electrical safety and energy 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's wiring 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 electrical safety and energy efficiency initiatives proposed are undertaken by local tradespeople in their local community, NECA suggests 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. Changes to the HomeBuilder package

NECA welcomes the Federal Government's recognition of the critical role the construction industry will play in rebuilding the Australian economy, in particular 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 year¹⁰.

Whilst NECA sees this initiative as a positive first step, we are of the view that the HomeBuilder package requires the following modifications:

¹⁰ HomeBuilder Economic response to the Coronavirus – Fact Sheet. 4 June 2020. https://treasury.gov.au/sites/default/files/2020-06/Fact_sheet_HomeBuilder.pdf

Reduction of the current eligibility threshold

Currently the minimum threshold a homeowner is required to spend in order to be eligible for the HomeBuilder grant is \$150,000.

NECA is mindful that Australia has entered a recession with resultant high unemployment. Under these economic conditions, consumer behaviour is risk adverse with a reluctance to take on debt as well as undertake large purchases.

NECA asserts that a substantial lowering of the threshold from \$150,000 to \$5,000 (whilst still attracting a Government grant) would encourage a greater take-up of the HomeBuilder package and provided the Government with greater economic activity.

Specific inclusion of energy efficient solutions, home automation and solar panels as part of the HomeBuilder package

NECA asserts that if the Government were to specifically include energy efficient solutions, home automation and solar panels as part of the HomeBuilder criteria, Australia (and homeowners) would reap a substantial secondary dividends: home owners would increase the energy efficiency of their property; the grid would experience a gradual reduction in load; whilst at the same time assisting the Government in achieving and improving Australia's emissions reduction target.

Extend the eligibility timeframe of the HomeBuilder package

NECA understand that the timeframe provided to homeowners to take part in the HomeBuilder package is limited to December 2020.

NECA asserts that the timeframe should be extended by at least 18 months in order to provide homeowners with sufficient time to research the best available options and industry with sufficient to implement them.

Recommendations

To support and connect local tradespeople to local jobs to support the local economy, NECA calls upon the Federal Government in the 2020-21 Budget to:

- introduce a 'dollar-for-dollar' grant scheme for households up to \$3,000 to undertake electrical safety and energy efficiency upgrades to homes under NECA's Safety and Energy Upgrade Program;
- introduce a 'dollar-for-dollar' grant scheme for businesses up to \$5,000 to undertake electrical safety and energy efficiency upgrades to commercial property under NECA's Safety and Energy Upgrade Program;

- 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
- Changes to the HomeBuilder package:
 - substantial lowering of the HomeBuilder Package eligibility threshold from \$150,000 to \$5,000 (whilst continuing to attract the Government grant) to encourage a stronger take-up and greater economic activity;
 - inclusion of energy efficient solutions, home automation and solar panels as part of the HomeBuilder package;
 - extend the eligibility timeframe of the HomeBuilder package by at least 18 months.

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 electrical and communications 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 of time and will generate broad economic benefits to all areas of the economy.

2.1. Medium and Large Business to drive Nation Building

A total of 70% of respondents to the NECA COVID-19 Industry Impact Survey believe investment in infrastructure and construction is required to stimulate the economy.

NECA proposes 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 Australia. 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 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.

NECA seeks 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 year¹¹.

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

Recommendations

In order to support the medium to large contractors and retain capacity, NECA calls upon the Federal Government in the 2020-21 Budget to:

- 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.

¹¹ 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 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 Federal 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.

NECA calls upon the Federal 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.

The submissions are premised on the following topics and equally proposed to assist in the COVID-19 recovery efforts:

3.1.1 Harmonise reporting regimes including Business Activity Statements (BAS), Pay-as-you-go (PAYG), Fringe Benefit Tax (FBT) and Workplace Gender Equality Compliance (WGEA) to reduce red-tape and administrative burdens, allowing business to focus on their business

Regulatory burdens and red-tape are two of the largest concerns that NECA hears from its members. Compliance requirements for businesses has significantly increased in the last 10 years and adds unnecessary additional pressure to business operations.

The alignment of key reporting timeframes across the financial year would be welcomed by businesses within the electrotechnology industry. It is currently the case that there are multiple reporting dates required from multiple Government agencies which accordingly increases the level of red-tape and administrative costs to business. NECA believes that simplifying and an alignment of business reporting timeframes is an essential ingredient in reducing red-tape and administrative costs. An alignment of reporting for BAS/PAYG administration, FBT, WGEA and other items is long overdue.

To this point, NECA calls for the harmonising of the various regimes. Key reporting timeframes should be reviewed and be more closely aligned to reduce administrative burdens allowing businesses to focus on their operations and not on Government paperwork. This is particularly pertinent as businesses seek to recover from COVID-19.

3.1.2 Reduce Company Tax to 25%

NECA believes that tax reduction is a critical step in assisting the growth and competitiveness of the electrotechnology industry and the creation of additional employment opportunities.

In 2014 Federal Budget reduced the company tax rate for SMEs by 1.5% to 28.5% with a further reduction to 27.5% for SMEs with an aggregated turnover of less than \$10 million in 2016. This threshold was increased to \$25 million for 2017/18.

The Henry Tax Review, commissioned by the former Federal Government, recommended a further reduction to 25% in the short to medium term – subject to economic and fiscal circumstances. The current Federal Government, through its *Treasury Laws Amendment (Enterprise Tax Plan) 2016 Bill*, outlined a commitment to progressively reduce company tax to 25% by 2026/2027.

The current and forecasted economic circumstances provide a compelling basis for the Government to reduce the current Company Tax rate. This reform would be critical to assist business in adapting to a COVIDSafe environment, retaining employees and supporting the economy.

NECA strongly urges the Government to commit to reduce Company Tax to 25%, in line with the recommendations of the Henry Tax Review. We also encourage the Government to fast-track the timetable for company tax reduction.

3.1.3 Abolish Fringe Benefits Tax

Whilst NECA has welcomed the FBT exemption for SMEs with an aggregated annual turnover of less than \$2 million to provide employees with more than one qualifying work-related portable electronic device, we believe that further reform is necessary.

NECA strongly encourage the removal of FBT as another level of red-tape and administrative paperwork, and hinderance to business in its efforts to recover from COVID-19.

3.1.4 Phase out of Stamp Duty

Whilst NECA acknowledges that a number of States and Territories are currently reviewing their tax systems and this includes Stamp Duty Tax, we call upon the Federal Government to work with State and Territory Governments to set a timetable for the phasing out of Stamp Duty.

3.1.5 Further tax concessions for the Not for Profit (NFP) Sector

NFP sector organisations make a major contribution to the national economy. Education and Research activity is the main driver of this sector and their value of output equates to more than 30%.

Whilst there are a range of tax incentives and concessions in place to assist NFPs, NECA asserts that any concessions be streamlined and concessions be applied in a more consistent and equitable manner.

3.2. Reform the Australian Regulatory System

3.2.1 Reduce the impact of superannuation on business

Annual Leave Loading (Superannuation Guarantee Contributions)

The longstanding position held by NECA and the vast majority of its members is that Annual Leave Loading is designed to compensate for loss of ability to undertake overtime when on annual leave, and therefore could not form part of ordinary time earnings and

attract superannuation. These contributions are effectively a ‘double-dip’ and have a significant financial impost to business.

NECA urges the Federal Government to:

- reject the ATO’s interpretation of the application of Superannuation Guarantee Contributions on Annual Leave Loading;
- reject the ATO’s ongoing impost of Superannuation Guarantee Contributions to Annual Leave Loading;
- that ATO to specify Superannuation Guarantee Contributions do not apply to Annual Leave Loading; and
- urge the Fair Work Commission to vary the Modern Award during the next Award Modernisation round for the *Electrical, Electronic and Communications Contracting Award 2010*.

Superannuation Administration and the cost of contributions to business

NECA believes the administrative costs of any Government legislated program should be borne by the Government and not small business. The increase in compulsory superannuation contributions in future years remains a challenge.

Whilst we support the Federal Government’s move to freeze the compulsory contribution at 9.5% through to 2021, we believe that further increases beyond 10% and up to a rate of 12% are unsustainable under the current market conditions and should not be considered in light of COVID-19.

3.2.2 Introduce a national occupational licensing regime

NECA calls upon the Federal Government to introduce a single national occupational licensing scheme for subcontractor. However, its 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 COVIDSafe 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.

NECA supports the creation of a single national occupational licencing scheme for both electricians and electrical contractors. However, its implementation must not dilute safety standards, technical expertise or adequate insurance requirements.

NECA supports mutual recognition licensing reform across Australia and encourages all States and Territories to continue discussions in order to adopt these reforms

3.2.3 Introduce Security of Payments for the Electrotechnology Industry

As a finishing trade, electrical contractors are involved in the latter stages of the building and construction cycle. Further, the electrical equipment and labour involved in modern buildings is often highly sophisticated and expensive. In the event a builder falls into receivership, electrical 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. In other words, electrical contractors are more disproportionately disadvantaged than any other sub-contractor.

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 NECA, our members and the industry. The Federal 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 calls for the harmonisation of the creditor line process across Australia so that contractors are not disadvantaged by the potential collapse of a construction company.

NECA also calls 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 into 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 industry. 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 calls upon the Federal 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.

3.2.4 Stamp out non-conforming building products

Introduce a national Electrical Equipment Safety System (EESS) Database

Unsafe and/or non-compliant electrical 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.

NECA acknowledges 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.

Given the size of the building and construction sector, 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. The estimated costs of damages to the building and construction sector from non-conforming products are immense and include expenses relating to the provision of replacement products; property damage and rectification; insufficient insurance products and resultant premium increases; industry brand and/or reputational damage; fire; and not least the potential of death or serious injury to installers and the public.

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 firmly believes that all Governments across Australia at the Federal and State/Territory levels must do more to ensure that non-conforming products are removed from the building and construction sectors.

NECA is of the view 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 Federal and State/Territory 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.

NECA also advocates that the Federal Government introduce a national Electrical Equipment Safety System (EESS) Database designed to combat the use of non-compliant electrical products. 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.

Given the intergovernmental failure with respect to the progression and adoption of the EESS, NECA seeks Commonwealth support for the management and administration of the EESS database. The EESS database is enhanced to provide stronger verification of test certificate legitimacy, linked to a list of accredited test labs that are subject to an audit regime based upon track record and the level of risk.

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

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 is supportive and strongly encourages the Federal Government to immediately fast-track the recommendations within the Final Report. NECA 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;

- NECA supports confidential reporting processes to assist with the identification and management of non-conforming products in the interest of electrical 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 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 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.

3.2.5 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 recently been successfully introduced for Tasmanian electricians and it is likely other State/Territory Governments will elect to introduce CPD, incorporating the learnings from the Tasmanian scheme. Government, consumers and regulators hold the view that CPD can assist businesses (particularly smaller entities) to document, maintain and refresh their knowledge of skills, processes, new technologies, and relevant regulations.

NECA believes that the electrotechnology industry may benefit from CPD implementation if:

- sound professional development and training opportunities are delivered;
- CPD programs remain basic and low-cost in its design;
- CPD does not become a burden for the wider industry, particularly SMEs;
- it provides a cost-effective way to improve technical and organisational knowledge

through the provision of regulatory and legislative frameworks;

- implementation takes State/Territory and local considerations into account; and
- the reputation of our industry within a complex and evolving regulatory environment is enhanced.

Where CPD has been implemented successfully, member-based industry associations are involved in the program management and/or delivery of course seminars, learning and training opportunities, and CPD is mandatory and overseen by a governing regulator.

We believe that industry associations such as NECA are best placed and qualified to deliver independent, knowledge-based activities attuned to the needs, requirements and legislative changes of the industry.

NECA supports the implementation of CPD across all States/Territories in a practical and cost-effective manner. CPD should be delivered with minimal or no cost to business, be limited to some, but not all licence holders and take State or Territory and local issues into account.

3.2.6 Address Unfair Contract Terms for SMEs

SMEs are the lifeblood of the electrical and communications contracting industry, over 79% of the businesses within our industry employ up to 25 staff¹². These businesses generate the vast majority of their work as sub-contractors. The relationship between sub-contractor and principal contractors is fundamentally imbalanced for the following reasons:

- electrical sub-contracting businesses are generally characterised as an SME, offering specialised electrical 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. NECA has concerns that this imbalance is often exploited by unscrupulous principal contractors;

¹² NECA 2019 Industry Market Monitor <https://neca.asn.au/content/market-monitor-2019-0>

- 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 electrical SMEs, this is having a knock-on impact to the depleted and declining electrical 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 electrotechnology industry; 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 into¹³. NECA'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 of our States and Territories.

Further, NECA argues 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 electrical contracting sector, particularly for medium scale enterprises with a larger number of staff involved, with more time consuming and complex project scales.

3.3. Extend the Australian Government's COVID-19 assistance

3.3.1 *Extend JobKeeper Arrangements beyond September 2020*

The ABS Business Impacts of COVID-19, April 2020 Survey found 61% of businesses had registered or were intending to register for the Government's JobKeeper Payment scheme. This proportion was highest for businesses in the Construction industry (80%)¹⁴. Presently, the JobKeeper Package is set to cease in September 2020. This is considered to be premature of communities and businesses being able to effectively and independently re-start and it will be particularly significant for our industry which has been highly dependent on these arrangements.

Whilst we commend the Government for extending the critical JobKeeper support arrangements to March 2021, we have significant concerns that the cessation of the JobKeeper arrangements would be devastating, particularly for SMEs if conditions do not improve or even deteriorate.

NECA is of the view that JobKeeper arrangements have, and should be reviewed with the possibility to extend them beyond March 2021 in order to protect businesses impacted by COVID-19, help retain employees and apprentices to our trade.

¹³ Enhancement of Unfair Contract Term Protections <https://ris.pmc.gov.au/2019/12/20/enhancements-unfair-contract-term-protections>

¹⁴ : ABS, Business Indicators, Business Impacts of COVID-19, April 2020 (Cat. No. 5676.0.55.003), original data

3.3.2 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 industry has been impacted by availability of key tools and equipment necessary to undertake essential work. It is critical that Government puts systems, 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.

NECA encourages 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

NECA urges 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 into 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.

NECA urgently seeks that the Government's support to introduce a moratorium on LD provisions within construction contracts, and for this to apply for at least the term of the Government's Staged Restrictions.

3.3.4 Flexibility for the Extension of Time Provisions

NECA has 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 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 the 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 in particular 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.

NECA seeks for the 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 again 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.

Recommendations

NECA calls upon the Federal Government in the 2020-21 Budget to:

- reform the Australian Taxation System;
 - harmonise reporting regimes including Business Activity Statements (BAS), Pay-as-you-go (PAYG), Fringe Benefit Tax (FBT) and Workplace Gender Equality Compliance (WGEA) to reduce red-tape and administrative burdens, allowing business to focus on their business
 - reduce Company Tax to 25%
 - abolish Fringe Benefit Tax
 - phase out Stamp Duty
 - further tax concessions for NFP
- reform the Australian Regulatory System;
 - reduce the impact of superannuation on business including contributions for Annual Leave Loading and administrative costs
 - introduce a national occupational licensing regime
 - introduce Security of Payments for the electrotechnology industry
 - 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; and
- in the context of unfair contracts, the threshold for upfront prices payable on a building contract should be increased to:
 - o \$3 million for contracts of 12 months or less, and
 - o \$9 million for contracts greater than 12 months.
- stamp out non-conforming building products by introducing a national Electrical Equipment Safety System and implement the recommendations from the Senate Economics inquiry;
- introduce a national approach to Continuing Professional Development; and
- Australian Government's COVID-19 assistance including;
 - extend JobKeeper Arrangements beyond March 2021
 - look at 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

4. Energising the Future

NECA supports the operation of a national competitive training market comprising of public and private RTOs, as overseen by one national regulator. NECA recognises 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 electrical and communications industry, compounding existing skills shortages. NECA asserts 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 including batteries, solar infrastructure and electric vehicles, our trade 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 considered to be 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 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'.

The opportunity also exists to attract apprentices from other sectors that have been impacted and may not recover for many years from COVID-19 e.g. hospitality and tourism. NECA supports the commitment by the Federal Government in the 2019-20 Federal

Budget to the \$525 million Skills Package – ‘Delivering skills for today and tomorrow’ (Skills Package), comprising of the new National Skills Commission (NSC), National Careers Institute (NCI) and the pilot Skills Organisations. In light of the COVID-19 crisis, it is critical that the Government tailors subsequent initiatives within the context of COVID-19 recovery.

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.

4.1.1. Attract mature aged apprentices to the electrotechnology industry

The cost to hire a mature age apprentice is a challenge, particularly for small business. The cost differential over the three-year apprenticeship from a school leaver to a mature age worker is roughly \$30,000, an additional cost that many SMEs are unable to sustain in order to employ an apprentice, this creates a workforce distortion and favours younger

apprentices. Conversely, a mature age apprentice can be more productive given their past work history.

An unintended consequence of COVID-19 has been a rise in youth unemployment which has also captured many mature aged apprentices. NECA holds concerns in relation to the employment prospects of mature apprentices in the absence of government assistance. Given the employment cost differential between apprentices and mature age apprentices, NECA asserts that Governments should introduce a wage subsidy for employers that employ mature aged apprentices.

The introduction of a wage subsidy for employers that employ mature age apprentices would provide the following solutions: address the cost differential between apprentices and mature age apprentices; attract new apprentice entrants to our industry who are seeking to re-skill or up-skill; and combat the rising youth unemployment issue created by COVID-19.

4.1.2 Extend apprentice wage subsidies to large business

The Government must also consider the different needs and appropriately support medium and larger scale businesses who have equally been impacted by the effects of COVID-19, these are large employers of electrical and communications contractors and importantly the next generation of our trade.

To this point, larger scale businesses are equally in need of support and wage subsidies to retain their apprentices, this is highly significant given that this scale of business is large employer of apprentices. In addition, we believe that employees who undertake and complete additional training at higher levels (post-trade) should also receive adequate tax benefits as an incentive to complete their qualifications. School and entry requirements.

Whilst we commend the Government for the much-needed apprentice wage subsidies in place for small and medium businesses in response to COVID-19, large business has also been impacted and in need of support. The unintended consequences of the subsidy gives a competitive advantage to small and medium business, in turn distorting the marketplace. Large business plays a significant role in our industry and sector, by their sheer capacity and nature of the work, they are able to recruit larger numbers of apprentices. They have been impacted by COVID-19, with flow on impacts to the retention of apprentices. This must be acknowledged and supported by the Government through the wage subsidy arrangements.

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.

NECA considers 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.¹⁵

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

NECA calls upon the Federal Government in the 2020-21 Budget to:

- 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.

¹⁵ 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. NECA's pre-Budget recommendations

Recommendations

NECA urgently calls upon the Federal Government to make provision in the 2020-21 budget to 'power up the economy' with respect to the following:

- introduce a 'dollar-for-dollar' grant scheme for households up to \$3,000 to undertake electrical safety and energy efficiency upgrades to homes under NECA's Safety and Energy Upgrade Program;
- introduce a 'dollar-for-dollar' grant scheme for businesses up to \$5,000 to undertake electrical safety and energy efficiency upgrades to commercial property under NECA's Safety and Energy Upgrade Program;
- 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;
- Changes to the HomeBuilder package:
 - substantial lowering of the HomeBuilder Package eligibility threshold from \$150,000 to \$5,000 (whilst continuing to attract the Government grant) to encourage a stronger take-up and greater economic activity;
 - inclusion of energy efficient solutions, home automation and solar panels as part of the HomeBuilder package;
 - extend the eligibility timeframe of the HomeBuilder package by at least 18 months. 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;
- reform the Australian Taxation System;
 - harmonise reporting regimes including Business Activity Statements (BAS), Pay-as-you-go (PAYG), Fringe Benefit Tax (FBT) and Workplace Gender Equality Compliance (WGEA) to reduce red-tape and administrative burdens, allowing business to focus on their business

- reduce Company Tax to 25%
- abolish Fringe Benefit Tax
- phase out Stamp Duty
- further tax concessions for NFP
- reform the Australian Regulatory System;
- reduce the impact of superannuation on business including contributions for Annual Leave Loading and administrative costs
- introduce a national occupational licensing regime
- introduce Security of Payments for the electrotechnology industry
- 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; and
- 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 by introducing a national Electrical Equipment Safety System and implement the recommendations from the Senate Economics inquiry;
- introduce a national approach to Continuing Professional Development;

- Australian Government's COVID-19 assistance;
 - extend JobKeeper Arrangements beyond March 2021
 - look at 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.

