

# TRANSCRIPT

## LEGISLATIVE ASSEMBLY ENVIRONMENT AND PLANNING COMMITTEE

### **Inquiry into Employers and Contractors Who Refuse to Pay Their Subcontractors for Completed Works**

Melbourne – Monday 29 May 2023

#### MEMBERS

Juliana Addison – Chair

Martin Cameron – Deputy Chair

Jordan Crugnale

Daniela De Martino

Sam Groth

Martha Haylett

David Hodgett

**WITNESSES**

Mr Keith Ryan, Executive Director, Victoria, and

Mr Steven Wojtkiw, Deputy Executive Director, Victoria, Housing Industry Association.

**The CHAIR:** Thank you very much to Keith and Steven from the Housing Industry Association for coming in today. The committee is hearing evidence in relation to the Inquiry into Employers and Contractors Who Refuse to Pay Their Subcontractors for Completed Works, and that evidence is being recorded.

All evidence taken is protected by parliamentary privilege as provided by the *Constitution Act 1975* and further subject to the provisions of the Legislative Assembly standing orders. Therefore the information you provide during the hearing is protected by law. You are protected against any action for what you say during this hearing, but if you go elsewhere and repeat the same things, those comments may not be protected by this privilege. Any deliberately false evidence or misleading of the committee may be considered a contempt of Parliament.

All evidence is being recorded. You will be provided with a proof version of the transcript following the hearing. Transcripts will ultimately be made public and posted on the committee's website.

For the Hansard record, can you please state your name and the organisation you are appearing on behalf of.

**Keith RYAN:** Thank you. My name is Keith Ryan. I am the Executive Director for the Housing Industry Association in Victoria.

**The CHAIR:** Terrific. Welcome, Keith.

**Steven WOJTKIW:** Good morning. Steven Wojtkiw, Deputy Executive Director, Victoria, Housing Industry Association.

**The CHAIR:** Terrific. Thank you so much for joining us. Today on the inquiry we have got Martha Haylett, the Member for Ripon; Martin Cameron, the Member for Morwell; Jordan Crugnale, the Member for Bass; Daniela DiMartino, the Member for Monbulk; and I am Chair Juliana Addison. My Deputy Chair, I should have said, the Member for Morwell. Two of our members are currently off doing some other business, so they may return at some stage – Sam Groth, the Member for Nepean, and David Hodgett, the Member for Croydon. Would you like to start with some opening remarks?

**Keith RYAN:** Of course. Thank you, Chair. First of all, thank you very much for giving us the opportunity to present today and to answer questions. I will just quickly explain what the HIA is. We are an industry association who represent home builders and those who work with the home building industry. So yes, many of our members are builders, from small builders, mums and dads who might build a couple of houses a year, through to the large-scale builders like the volume builders, but we also have members who are contractors, subbies, suppliers and consultants as well. It is a fairly broad membership we have, so our comments are very much guided by not just the interests of our home builder members but also our members in general.

I guess I would probably also start by making the point, as we did in our submission, that we were a bit disappointed by the name of the inquiry. The expression 'refusal to pay for completed work' to us seemed a bit judgemental, particularly in the current climate where unfortunately the home building industry has been enduring a very tough set of circumstances. We have had a lot of supply pressures, we have had cost pressures, we have had some insolvencies – thankfully not as bad as some people would think, but it certainly has not been ideal. Indeed ironically today, probably in an hour or so, we will learn the fate of another large builder, Marcorp, which is currently having a meeting of creditors due to start in about 45 minutes, and that will probably result in potentially a liquidation of that company, and that would mean a number of suppliers and customers as well as contractors would be impacted. And that is obviously very unfortunate, and we do feel great distress for those people. I think it is important to stress that contractors are as much affected by these insolvencies as are the clients and other parties as well, other creditors. So we will just express there that we do not believe there is a widespread issue with our membership refusing to pay for completed work, noting that there are a number of factors we have raised in our submission which can lead to non-payment.

**The CHAIR:** Keith, can I just quickly respond to that, because I think it is an important point to make. We have just had the Department of Transport and Planning present to us, and between 2021 and 2022 there was \$116 million of claims being made that went to adjudication, and after it was adjudicated only \$30 million was paid out. So we do believe that across Victoria, all sectors – and we are so glad that you are here, but we are really going on that data and believe this is a really important inquiry to have. We welcome your input and we understand that different sectors have different scenarios, but looking broadly, that is just my response to your claim.

**Keith RYAN:** Yes, your point is very fair. I will just make the point that a lot of the data about the construction industry in general is going to be covering commercial, civil and residential construction, and our experience is that the security of payment system is not generally used much in residential building. So I do not disagree with those figures. I suspect you were not given a breakdown, probably because it is not possible, about how much of that \$116 million was actually for commercial builds and how many of them were potentially large-scale payments where there was an insolvency of the head contractor or developer or principal.

**The CHAIR:** We do have those figures, and the majority of them are under \$50,000, interestingly.

**Keith RYAN:** Yes, which would probably be small contractors who are more likely to be in the commercial space. That said, we do agree that non-payment of anyone – and I do stress ‘anyone’ – is a concern. The other point I would also make is that with the regulation of trades, the trade industry in Victoria is currently about to go through a shake-up. In the last four years we have had on our doorstep a potential change to the licensing and registration of contractors and subcontractors. That is a reform which has, for want of a better word, perhaps stalled a bit partly because of COVID but probably also because of some difficulties with the merits of the reform. But it does mean that we are currently dealing with a situation where our membership, as well as the trades who work for them and who are not members, have an uncertain future about where they will be in a few years time, and Steven will talk a bit about the demand factors for trades and the supply of trades to perhaps add a bit more perspective to that.

**The CHAIR:** That would be good to know.

**Steven WOJTKIW:** Thank you, Keith; and thank you, Chair and committee members. As Keith indicated, we are not aware from a residential building industry’s point of view of widespread or widescale non-payment of subcontractors from employers and/or contractors. That is not to say individual matters may not arise from time to time, but that more entrenched behaviour or the suggestion that it is entrenched is in our mind not possible, because if it were to occur, there would need to be a significant imbalance in bargaining power in favour of builders, who on their whim, if you like, freely dictate who they engage, when and for how long they are engaged, the nature of the work to be performed and also of course the terms and conditions of work, including payment. In HIA’s view for builders to be able to exert that level of influence the labour market would need to be characterised by one where there is an excess supply of subcontractors, and as has been intimated by Keith, that is certainly not the case. The fact points to an industry where it is no secret that for several years there has been an acute shortage of subcontractors and labour generally across virtually all occupations needed to build or renovate a home. That includes traditional trades – plumbing, bricklaying, plastering, roofing and carpenters – but also some of the more advanced ones, like energy efficiency engineers, energy auditors and solar installers.

They are not just HIA facts that we do pick up through our regular quarterly trades availability index but facts backed up by the Victorian government’s own skills plan 2022 into 2023, which itself was developed through consultation, research and considerable analysis in concert with employers, union groups and labour market experts. The extent of labour shortages was certainly identified in that particular skills plan, and not only shortages but projected or forecast shortages too, with some estimated 34,000 new workers being needed over the next three years to meet demand. That is demand not just solely in the residential home building industry but also in those other facets of construction, those other industries. Confronted with that reality, most residential employers and contractors are all too aware that non-payment or related disputes with subcontractors can be detrimental to their ability to keep building work going so they too themselves can be paid by homebuyers under progress payment arrangements. Builders also have reputational risks to consider. Word of mouth can get around very quickly in the industry if a builder is not seen to be doing the right thing by any of

the many stakeholders that they are engaged with, whether that is insurers, banks, suppliers, subcontractors and of course customers or homebuyers as well.

There is another inherent characteristic of the construction industry – and I say ‘construction industry’ broadly – that I think is important, and that is that the workforce does come from a position of strength because of the simple fact that most subcontractors, tradespersons, have the ability to and do from time to time work across the different subsectors that characterise construction of industrial, commercial and residential property. It is good for them – less so for the home builder, who has less choice inasmuch as being able to draw on those particular workers. So that position of strength, if there is one, sits within that of the subcontractors who have that capacity and do work across different industries.

The other point I would like to raise is that by and large the relationship between employers, contractors and subcontractors is not adversarial. It has not been, and it is one that cannot be. For a great long time there has been an interdependence between subcontractors, employers and those who work for them and with them. The trend is not new; it is one that has grown and remained strong and will continue to be strong. For decades subcontractors have been hired by contractors and employers to assist them and give them the flexibility, if you like, for large-volume builders and small home builders as well to be able to provide that specialist expertise to help a fast turnaround in home building work that they might not be able to achieve relying on their own resources. As I have said, small volume home builders benefit from having that ability to rely on generalists to perform the myriad of work that actually goes with building or renovating a home, and by most estimates there are up to two dozen different subcontractors working on a home before it is completed.

In short, there is a very clear reliance on subcontractors, and it is for those fundamental reasons that that relationship is strong and will continue to grow to ensure that subcontractors are paid properly for the time and work that they perform. Thank you, Chair.

**Keith RYAN:** I will just make a couple of other quick points. First of all, I used to run the HIA’s legal advice branch in Victoria and Tasmania. The usual starting point for discussion about a contractor and a builder having a dispute was the following line or something very similar, ‘My usual trade wasn’t available,’ and then they had to find someone else. There is a really strong relationship between trades and builders, and builders have a very, very powerful incentive to look after their trades. Often at the moment, more of the feedback we are getting – and indeed one of your submissions you have received for this inquiry backs that up – is that there are builders who feel that they have no option but to make a payment to ensure they keep that trade on side and keep them available to work on a number of projects.

The final point I would like to stress is that cash flow is obviously critical for any business, be it a small business or a larger business. The Victorian home building industry does have a bit of a crunch at the moment, where you have a scenario where contractors, suppliers and others expect to be paid properly. That is fair enough, but at the same time the builders are subject to very fixed progress payments prescribed by law. With those progress payments, there are only six in total, including a final payment and deposit. If a build is delayed, which is extremely common at the moment – we have experienced building projects for homes essentially doubling in length. A year-plus is no longer uncommon. In fact it is probably becoming the norm. What that means is that the builder’s cash flow is clearly being spaced out quite a bit, and that is more likely to be a cause of a contractor not being paid in the time they would like than a refusal or decision just not to pay.

We probably also do need to stress that builders also have to pay for work that has been completed properly, and sometimes there can be a very significant dispute about whether or not work has been completed as required. Our members, as home builders, are subject to the likelihood that if the client believes the work is not completed properly, they will not be paid until matters are resolved. Often builders and their subcontractors do not have the same situation. The builder usually ends up paying to ensure the cash flow of the contractor is retained. So I would not accept the proposition that builders are just refusing to pay. There are often other reasons for that happening. Yes, they would prefer to pay, but unfortunately at times there are cash-flow constraints, and that makes it more difficult. I would argue that government legislation for progress payments has made the situation bad, and of course the recent conditions with work times doubling have obviously made it even worse.

**The CHAIR:** Thank you very much for those opening remarks. Committee members, do you have questions?

**Martha HAYLETT:** Thank you so much, both of you. I am wondering just broadly what your membership numbers are and what percentage of those are subcontractors versus the broader membership. Then from that membership that are subbies – and put the word ‘refusal’ to the side about non-payments – how much are you hearing from those members about non-payments? Because you were saying in the legal team it comes up a little bit, how much are you seeing that within your organisation as an issue?

**Keith RYAN:** I cannot give you the exact percentage of how many of our members are contractors. Part of the reason for that is that, to be blunt, we have members who will join us but will not necessarily tell us when their status changes. We have a lot of members who start off as contractors who then progress to become home builders, but they do not always see telling us of their changed status as a priority – which is fair enough, they have got a business to run. So I cannot give you precise figures; it is not a massive percentage by any means. It would probably be, if I had to make a guess, roughly 10 per cent. Some of those, though, would be people who are progressing towards becoming home builders.

As far as the second part of your question, we do reasonably frequently get the odd question from a contractor who has not been paid. It is not the most common question we get. Most of our questions are about disputes between builders and consumers or about regulatory matters such as dealing with the Victorian Building Authority. It would be quite possible for one of our workplace advisers to go a week without having a contractor question. It is common enough that they are used to it, but it is not the most routine inquiry they get.

**Martha HAYLETT:** And if that inquiry comes through, do you then refer them on to the VBA, or is there some sort of method that you use when that inquiry comes through? Because you would not deal with it yourself.

**Keith RYAN:** No. What we essentially do is give information to our members about their rights and what information they need to know. Obviously referring them to the building industry security of payment legislation is one thing that they get told about, as well as other options, including the small business commissioner and negotiation. There are a range of things we can advise them about.

**Martha HAYLETT:** Thank you.

**The CHAIR:** Daniela.

**Daniela DE MARTINO:** Thank you. In the Murray *Review of Security of Payment Laws: Building Trust and Harmony*, which was released in 2018, John Murray actually called for home builders to access this Act, the security of payment Act, as is the case across other states, so Victoria seems to be the one with this carve-out. What is your position on that applying, or do you think the domestic building Act covers it adequately? It would be interesting just to hear your thoughts across that.

**Keith RYAN:** Yes, I can answer that question in two parts. The first thing, the idea of security of payment applying for head contractors, it is carved off in Victoria in the sense that if you are building for consumers you cannot take advantage of the Act as a home builder, but if you are building for developers you do have the option of using that legislation. That is the position in most states and territories – well, that is my understanding. I think Tasmania is the main exception to that rule. In Tasmania, though, it has been quite rare in my knowledge for home builders to seek to use that legislation. I suspect it is because that adjudication system would probably bring to a head a fairly big dispute between the builder and the client. Normally the builder and the client are both focused on getting the home finished, and I would argue that the DBDRV, which is the Victorian government’s current system for trying to resolve disputes between builders and consumers, has failed for that reason. Normally builders and clients will push back their disputes until the very end when the home is about to be handed over. Unfortunately by that stage either the relationship has been repaired, in which case you do not need to worry about a dispute resolution process, or it has become even more toxic, and it becomes quite a heated, difficult dispute to resolve. With all due respect to the DBDRV, the conciliation process unfortunately often in those cases becomes very difficult and can lead to significant delays and dragged out disputes. And that is of course not helped by the fact that if DBDRV fails, you then go to VCAT.

But to answer your initial question, certainly there is a need for an improved process for disputes between home owners and builders to be resolved. The current process can, if the parties agree, come to a quick resolution, and that is fantastic. But unfortunately all too often particularly our smaller members report that the DBDRV process can take many months, it often is unsuccessful, and then the parties are left with the option of going off

to VCAT, and that is now potentially a one- to two-year wait. Of course in the meantime all the other creditors, including subcontractors, still need to be paid. There is a real mismatch there. Whether extending security of payment for home builders and consumers is the right way to go, I think it is worth exploring. Whether it would work – I guess I would be a bit cautious simply because of the Tasmanian experience, where it has been available but not often used. But it is certainly worth considering as an option.

**Martin CAMERON:** Thank you for coming in, and thanks for coming in to fly the flag for the HIA and put your views on. As we have said before, this is an inquiry that we are looking into. A bit on my background, and I just said it in the previous meeting – plumber. Up to five months ago I was still in the industry in country Victoria. The dispute resolution, when there are disputes, is a grey area, and not a lot of country tradies sort of know the process to get it done. I reference this, or to clarify what I am saying – most of the time when I was doing housing, new houses, you have a builder, and you are with that builder normally for life. You go through the process, then they jump into a little bit of commercial stuff and all the trades sort of follow. So I take your point of the groups marrying up, and your disputes come when there is a rogue one – I should not say a rogue one, but when there is an outsider who comes into the party and runs things a different way. But there does need to be that process. For me as a plumber, if I am not being paid, or an electrician or a plasterer, we need that process to actually go through so that the dispute can be done.

In saying that, do you find a lot of the issues that you have are more city based or more country based, or is it a mix of everything? I will load you up with a few questions here: you said before that you do not actually have a lot of the tradies dealing directly with you, it is more the home owner or the people building the house, the builder – is that more prevalent also in the city than the country, and how does it all amalgamate?

**Keith RYAN:** We do not collect precise data, so I cannot answer that question without resorting to a bit of anecdotal evidence.

**Martin CAMERON:** Just in general.

**Keith RYAN:** Normally, though, I think it is probably fair to say that in regional Victoria you tend to have probably a more conciliatory approach taken to resolving disputes as opposed to the metro areas. Also in regional Victoria both the builder and the contractor have to maintain relationships and keep a good standing, and so at the risk of being accused of resorting to stereotypes, there does seem to be more of a pattern of common sense and negotiation between parties in regional Victoria without referring to external dispute resolution mechanisms. Whereas in the city, particularly when there is a large number of jobs out there and fewer numbers of trades, there is probably more freedom for a trade to just decide, 'I'm walking; I don't need to worry about keeping this builder happy,' and the dispute can blow up. So that is more anecdotal, but that is my experience in particular and what I have heard from our staff as well.

**Steven WOJTKIW:** Sorry, if I may, I will just pick up on your point: you said earlier there were parts of your career when you or others in your industry at the time found it difficult to know where to go and the particular channels and resources, and that is key here. It is key for all parties to continually have not just the mechanisms and the channels to actually have disputes heard and ultimately resolved but to be aware of what those particular resources are, whether that is through HIA or through relevant government agencies or departments all playing their role to be sufficiently resourced and to ensure that the industry and all its players are sufficiently aware of just where to go and what is needed to ensure that the process is a relatively seamless one, and one which occurs in a short time, because time is money for both parties.

**Martin CAMERON:** Correct. Thank you.

**The CHAIR:** Other questions? I am happy to ask one. In your submission, the HIA does not support additional measures to safeguard payment to subcontractors, including statutory trusts and project trust accounts. Why?

**Keith RYAN:** Okay, well, first of all, I think the Queensland experience will probably be quite informative. Their actual in-place trust requirement rules are being put on hold for smaller projects, and there has been some evidence that unfortunately that trust system has not worked. It has created a lot of red tape, a lot of uncertainty, but it has not seemed to have done much, unfortunately, to help subcontractors get paid. I mentioned before that there is a real disconnect between the timing of payments for home builders as the head contractors and everyone else. A trust system will not do much to address that – in fact what it will do is it will essentially

create further demands on the need for working capital for head contractors. It would probably make it more difficult for smaller builders to remain in the market. And quite frankly, at the moment we are seeing a drop-off of some big builders. We are seeing a number of our members retiring after the two years of COVID and now the challenges of the supply issues. And with sales now dropping, a lot of our older, more experienced members have decided enough is enough. We are going to need fresh blood coming into our industry to build homes for Victorians, and that is going to come from small businesses. These additional regulatory requirements, which are not yet proven to actually do anything to help subcontractors get paid, will not help to encourage new entrants into the home building industry.

The problem with these requirements will be that the good people who work hard and try and comply will do their best to comply. The people who do not worry about complying – and I am talking about the grey market, the owner-builders in hiding – will continue to do what they have always done, which is not comply with laws. Bringing in new laws does not suddenly mean they are going to start complying. All you are doing by bringing in project accounts or other mechanisms is essentially adding another barrier to entry for new entrants but also increasing the cost and difficulty for those who are complying, or trying to comply, and giving a leg-up to those who choose to enter the grey market and not build safe, compliant homes for Victorians. So as much as I understand the attraction of having a trust account, there is no evidence it will actually work. All it will do, unfortunately, is distort the market further and cause more harm for home builders but also for consumers.

**Martha HAYLETT:** Keith, just following on from your point, do you think that there are any non-legislative options that we could use? And this is obviously not just specific to the residential housing industry, but just more because we know non-payments are happening. Are there any non-legislative ideas that you have that you would like to share with us?

**Keith RYAN:** Absolutely. I think probably a key point is the importance of education. This is a point that ever since I joined HIA I have been directly working on a bit – getting more information and education out to smaller businesses about how to better run their businesses. I see that as being more likely to have a benefit. In fact I actually find that one of the more enjoyable parts of my job is actually helping give guidance to small businesses, ideally so they become bigger businesses or at least are successful. It needs to be a combination of government, industry associations and other organisations giving guidance and support. I note the new Victorian small business commissioner is becoming quite active in this area. In fact we are about to run a story in our latest regional news for our members, which goes out via email every fortnight, talking about some of the services that they offer to help small businesses with managing their businesses.

It is also an area that my members are very passionate about at the moment. Tomorrow afternoon I have got a meeting of our membership and training committee, and they have been extremely keen for us to pursue ways to help educate our members on how to run their businesses. And that is not just home builder members, it is all members, including the contractors. That is an area where I think more work can be done by all the key stakeholders, and I do welcome the efforts of the Victorian small business commissioner. I have also noted that other agencies like the VBA have been very active in the space of education as well, and that is welcomed as well. I think that is where government can make a big difference, and we are happy to help as best we can to get that information and message out, because from our perspective successful subcontractor businesses are critical for our membership, for houses in Victoria to be affordable and for us to have a chance of making up the gap in the current supply of housing.

**Martin CAMERON:** I am a firm believer that as you go through the process of doing your apprenticeship it should run alongside a small business, because –

**Keith RYAN:** You should be on our committee, because that is what I hear from our committee members.

**Martin CAMERON:** I am a case myself. You are inundated with work. All of a sudden you find that you have got too much work, so you are employing apprentices and stuff like that. Tax and cash flow are not at the forefront of your mind until all of a sudden things start to bite, and then you are trying to educate yourself. So to run them both alongside – I am in full agreement.

**Keith RYAN:** Definitely. I probably also would stress – and this may sound a bit strange coming from an industry association, but one set of regulations we are actually keen to see progressed is the continuing professional development regulations. The Victorian government since 2017 has had the power to make

regulations to allow for CPD. Provided the scheme is set up in a feasible manner, we support that. We see it as being important not just to maintain the technical skills of our members but also to maintain their business management skills, and it helps provide an incentive. We do not want to see it being too time consuming, because obviously people have to run a business, but there is a real benefit. Having been a lawyer who had to do CPD, I have personal experience of the benefits of being given a bit of a prompt to go and get that refresh and training. It is really important, and I would be keen to see the Victorian government continue to have those regulations developed.

**The CHAIR:** Terrific. In your submission and also in what you have spoken about today, you have explained that there are bona fide reasons why some subcontractors are not paid on time, and that is because of quality of work or defective subcontractors not completing the scope of the work or to the quality and standard. What is the flow-on effect for your industry having subcontractors not meeting the requirements of their builders?

**Keith RYAN:** Yes, well, that is a very good question. If a subcontractor has done a bad job, the builder is then in a situation where they need to get it fixed. The mechanics are such that if the subcontractor, who has usually got lots of other jobs to go to, is not coming back, the builder has to find another contractor to come in. That takes time, it increases the risk of them dealing with something that they are not used to dealing with, and it can potentially lead to not just greater expense to the builder but also delays in completing the project, which then of course flow through to the consumer, who often quite rightly will take the view, 'Well, I've engaged the builder to manage this job. It's their fault that the contractor hasn't worked out.' That is the reality of the situation.

Some of our industry believe that, for example, registering or licensing trades will improve things because it will make the trades accountable for their work. Unfortunately I do not think that is likely to be the case. We saw only on the weekend David Chandler, the New South Wales commissioner for building, essentially saying, 'Well, builders have to be accountable for all their work, regardless of whether it is the trade's fault or not', and that is because the consumer and the builder have the contract. The reality is that builders have to deal with the consequences of subcontractors doing bad work, and an expectation that the government will somehow force the trade to come and do their job properly is probably not likely to be realised. So it is really important for the builder that they do have good trades, and that is why they look after them: because when they are doing a great job, it keeps their business running successfully. If a bad trade does a bad job, often they will still get paid because commercially the costs of going off and fighting with them in a tribunal are just not worth it. The builder pays off and then has to find someone else. That is usually the way it works. That is just the cruel commercial reality that builders face when they are dealing with subcontractors who refuse to do their work.

**The CHAIR:** With the labour shortages that we have got – and from what I am hearing you have got an ageing workforce too probably in terms of your experience – builders and stuff like that –

**Keith RYAN:** That is right.

**The CHAIR:** in terms of looking forward, to support the industry, is there anything that you would like to see happen that is not happening at the moment?

**Keith RYAN:** Look, I think the government has actually done a couple of good things in recent times. I think the Victorian Skills Authority is a worthwhile reform to see if that can help to identify and provide data, and Steven referred to some of that data earlier on. There was also probably something which is not going to make a difference overnight but is actually quite critical, and that is the decision to modify the VCE VCAL so you now have the vocational VCE to address the perception that somehow going off and doing a trade is a second-best option. Quite frankly, I suspect –

**Martha HAYLETT:** Make more money.

**Keith RYAN:** I think at the moment, with arguably things like artificial intelligence further deteriorating, dare I say, the value of a potential white-collar career, there are probably more prospects. I think the government decision to try to address that perception is really important, and I think it is a great outcome. Ultimately what can the government do? This is always hard, because money can also help – that said, I know it is very tight at the moment – but it could invest in mechanisms to encourage more apprentices. Governments



in the past across the country and in Victoria have been investing in this, and it is really important. We do need support to help bring in young apprentices.

We also, though, do have to face another challenge, and that is the alternative sources of employment. If you are a young worker at the moment and you are good with your hands, you have to choose between an apprenticeship, which is not massive pay because you are still learning on the job, or going off and working on a government project or large commercial project where you can get extraordinarily good pay. Look, that is great for them in the short term, but in the longer term is it good for them and is it good for our economy when they do not get the chance to learn the skills and potentially build a longer term successful career? They are a bit like footballers, I dare say: they might get a couple of good years of good payment but then find themselves not having the skills to prosper in the longer run. So further action to help encourage people to become apprentices would be helpful.

It would be remiss of me not to mention that a lot of our members are quite distressed by the impact of the Big Build and Big Housing Build, not because of the great infrastructure but because of the fact that the workforce are being drained and just taken off there at the moment, and they are not available to work for our industry as well as for other industries.

**The CHAIR:** Thank you for that. Yes, there is the sugar hit of being a labourer at the moment as opposed to going and doing a four-year trade. My husband is a fitter and turner, so I know just how important those trade papers are. I guess that is why we are doing free TAFE, particularly in these high-demand areas, and supporting young apprentices with free registration and a range of different programs to really kind of say, 'It's a tough few years and it's a lean few years, but hang in there because in the long term you are going to have a very successful career all going well and be financially rewarded for it.'

**Keith RYAN:** We certainly hope so. Look, the free TAFE is helpful. The registration concession for apprentices is nice. Unfortunately probably the sugar hit of the big payment now makes it hard for that to necessarily be seen as attractive, but that is also a positive step – trying to find ways to help make it easier for people to enter the industry and stay in it. So we are very grateful that that has happened, but unfortunately the payments available to these workers are a massive sugar hit. It does make it very hard, even with the best intentioned reforms, to have an impact of the moment.

**Martin CAMERON:** And as our workers start to retire, they are the ones that are the really, really good teachers actually educating the apprentices, not while they are in at the TAFE doing their stuff but on the job doing it. That is the hardest thing at the moment. We are just losing that right across the spectrum – it does not matter what industry you are in.

**Keith RYAN:** I think that is a really important point. Look, a lot of our members have in the past had apprentices not because it was necessarily the most financially attractive thing to do but because they actually believed in the importance of having new people work for them and join our industry. That has dropped off a bit due to financial stresses at the moment, but it is something that is very important. I think learning on the job, particularly with these sorts of skills, is critical. I would argue that for any occupation. I went to law school, and I do not think I really learned how to be a lawyer until I was actually working in an office. You do not get it from going to lectures or going to classes; you need to actually do as well.

**Steven WOJTKIW:** The other challenge too is not just the supervision and learning on the job and mentoring from those older persons who have those skills and experiences to bring to young persons but the lack of trainers in industry. That is affecting the TAFE system as well as private sector providers. Just simply, we know and we have heard anecdotally that we would get more people in terms of a particular apprenticeship course intake than would otherwise be the case, except for the case that we just do not have the number of trainers to be able to run the number of courses we would like to. Again, that is not a solution just for government to address; it is for industry, government and unions to work together to work at the solutions.

**The CHAIR:** And it is particularly significant in the regions. Yes, Martha, last question.

**Martha HAYLETT:** Last question. So just in your view – either of you or both of you – how accessible and effective do you think that the adjudication process is right now, and are there any key concerns with it or are there any ways you think it could be strengthened?

**Keith RYAN:** Look, because we do not get much member feedback about the adjudication system and security of payment – it is not something that is used very often – I would be a bit careful about making any observations because it is such a small number that we have got. Suffice to say that we have very rarely had complaints about the adjudication process. There might be complaints about the paperwork process, some confusion about what it all means, but as far as the adjudication itself we have not really received from our membership complaints about the adjudicators being unfair or being unreasonable. I think I had one about five years ago. It is not common. That said, in residential building it is not used very often. It might be that others, including those who are about to follow us, might have more to say on that.

**The CHAIR:** Well, thank you very much, Keith and Steven, for your contribution today and for answering all our questions. As witnesses you will receive a copy of the transcript in a few weeks for proofreading. So thank you very much, and I am sure over the next couple of years we will probably see you again at different inquiries, but thank you for making the time today.

**Keith RYAN:** Thank you for your time. It is much appreciated. It was a pleasure.

**The CHAIR:** Terrific. Thank you.

**Witnesses withdrew.**