

Kevin Rudd and Labor

A New Way

Australian
Labor 

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LABOR MOVES TO INCREASE AUSTRALIAN INDUSTRY PARTICIPATION AND APPRENTICESHIP RECRUITMENT

Summary

The Rudd Labor Government today announces two policies to create more jobs for the future.

Creating jobs after the mining investment boom is Australia's single most important economic challenge, and Federal Labor has a positive plan to keep the economy strong as the boom winds down.

Our policies will grow and diversify Australia's economy so we don't have all our eggs in the one basket.

First, the Rudd Labor Government is committed to maximising Australian industry's participation in major investment projects. That is why in April 2013 as part of the \$1 billion Plan for Australian Jobs, the Federal Government passed the Australian Jobs Act (Jobs Act).

The Jobs Act mandates that all projects over \$500 million complete Australian Industry Participation (AIP) plans, to ensure they provide every opportunity to Australian industry to supply into projects. As a result of the Federal Labor Government moving to increase Australian business access to investment projects, these projects can no longer use global supply chains by default or lock local businesses out of work on major projects. The Jobs Act was estimated to bring in between \$1.6 and \$6.4 billion of extra work to Australian industry. Work that would bring with it more jobs.

In addition, the Jobs Act established the Australian Industry Participation Authority, which will administer AIP plans and bring all Government initiatives designed to improve access for Australian business, both to projects here and abroad, under one roof. Initiatives like Buy Australian at Home and Abroad and Industry Supplier Advocates will work within the Australian Industry Participation Authority to further promote Australian business, here and in global markets.

Because the wind-down in the resource investment boom has accelerated faster than expected, the need to promote new sources of growth and jobs has also accelerated. In

response, the Rudd Labor Government is boosting the Plan for Australian Jobs. We are expanding Industry Innovation Precincts as Innovation Partnerships, with an additional 2 Innovation Partnerships to be established with an additional \$12 million in funding. This will provide even more support to sectors which will provide growth and jobs in a post mining boom economy.

Already, the Federal Government has announced Innovation Partnerships in Advanced Manufacturing, Food, Medical Technologies, Sports Technologies, Bio-pharmacy, Transport and Logistics, Financial Services, Creative Digital, Space and Spatial, and Oil and Gas, with two more Innovation Partnerships to come.

In order to further promote a more diverse economy and more broad based growth, the Rudd Labor Government will lower the threshold which triggers the need for AIP plans, from the current \$500 million to \$300 million. This will expand the scope of the Jobs Act, bringing in a greater number and more diverse investment projects under the Act and further expanding the opportunities for local businesses in accessing work on these projects.

Secondly, Federal Labor will ensure there are more training places on major construction project funded by taxpayers.

Construction projects worth more than \$5 million which are majority-funded by the Commonwealth Government will be required to use apprentices, trainees or cadets to meet a minimum of 10 per cent of total labour hours on the project.

Construction companies will be allowed to count training to improve the skills of existing workers towards meeting up to a quarter of this new training obligation.

This measure strengthens existing Fair Work Principles allowing the Federal Government to give preference to tenderers who have a demonstrated commitment to supporting apprenticeships and workplace training.

Why do we need to act?

The increased use of global procurement firms, global supply chains and in some cases unfair standards has led to an unfair competitive disadvantage for Australian businesses when seeking to win work on major investment projects. In particular, the default use of global supply chains has meant that work that could be supplied competitively by Australian businesses automatically goes to overseas suppliers because of established relationships rather than for sound competitive reasons.

Australian Industry Participation plans address these practises by requiring project proponents to open their procurement decisions and allow Australian industry to compete for work on a level playing field.

As the mining investment boom winds down, it will be increasingly important for Australian industry to access as much work as possible from both mining sector investment projects and increasingly importantly from non-mining sector investment projects. Lowering the threshold at which projects need to complete AIP plans to \$300 million will achieve this aim while still ensuring the projects are not subject to excessive administrative burden. It will

better strike the balance between needing to improve access for Australian business to investment projects and keeping the costs of these projects as low as possible.

Extended and broadened AIP plans will increase the positive impacts of investment projects on regional economies, skills and Australian producers even further.

We also need to ensure that, in addition to getting value for money when taxpayers' money is spent on construction, that there is a skills dividend for Australian workers.

Apprentices are our future master tradespeople and the Federal Labor Government has strongly supported apprentices through 'Tools for Your Trade' payments, employer incentives and by building the national entitlement to a post-school qualification.

There's always more we can do, and we're determined that where taxpayer funds are building infrastructure, they are also used to build skills for the future.

How will it work?

Lowering the AIP threshold to \$300 million will increase the number of non-mining investment projects covered by the Jobs Act. As a result, it will increase the expected benefits to Australian Industry. This expansion is estimated to increase the amount of work going to Australian Industry by between \$156 million to \$624 million. This brings the total estimated benefit to Australian industry from the Jobs Act to between \$1.8 and \$7 billion.

In addition to direct benefits to Australian Industry, AIP plans typically benefit projects as they expose these projects to competitive Australian suppliers which proponents would otherwise not access. Surveys of proponents that have completed AIP plans since 2003 showed that over 70 per cent agreed that their AIP Plan had a positive impact on procurement outcomes for their company, 71 per cent agreed that their AIP Plan had a positive impact for their Australian producers and over 75 per cent agreed AIP plans had a positive regional development impact. In addition, over 90 per cent agreed AIP plans had a positive employment and skill acquisition impact on the Australian economy through their suppliers.

The policy for additional apprenticeship recruitment will apply to building work above the \$5 million threshold that is majority funded (directly or indirectly) by the Commonwealth.

We will implement the requirement by introducing a procurement connected policy under section 44 of the *Financial Management and Accountability Act 1997*.

We will consult with industry, unions, the States, Territories and other stakeholders prior to implementation.

The Commonwealth's existing procurement connected policies can be found here:

<http://www.finance.gov.au/procurement/procurement-policy-and-guidance/buying/policy-framework/procurement-policies/principles.html>

What will this cost?

Expanding AIP requirements under the Jobs Act to investment projects worth \$300 million or more will not require additional expenditure. Consistent with the Jobs Act, AIP plans will be administered by the new Australian Industry Participation Authority.

Introducing the requirement for Commonwealth funded construction projects is expected to be Budget neutral.