



2012-13 BUDGET

RESPONSE TO THE CALL FOR IDEAS AND PRIORITIES FOR THE
2012-13 FEDERAL BUDGET

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ABOUT CONSULT AUSTRALIA

Consult Australia is the peak industry body representing consulting companies that provide professional services to the built and natural environment. These services include design, technology and management solutions for individual consumers through to major companies in the private and public sector including local, state and federal governments. Consult Australia represents over 270 companies, from large multidisciplinary corporations to small niche practices, collectively employing over 50,000 staff.

Consult Australia is a member of the Australian Sustainable Built Environment Council (ASBEC), the Australian Construction Industry Forum (ACIF), the Australian Services Roundtable (ASR), the National Engineering Registration Board (NERB), the Australian National Engineering Taskforce (ANET), and the Australian Chamber of Commerce and Industry (ACCI). Consult Australia is a host organisation for the annual Built Environment Meets Parliament (BEMP) summit.

EXECUTIVE SUMMARY

Consult Australia welcomes the opportunity to inform the design and implementation of the 2012-13 Federal Budget. In providing our recommendations in this submission we are mindful of the Government's continued commitment to deliver a surplus budget in 2012-13.

In this context Consult Australia's recommendations for the 2012-13 Budget focus on opportunities to achieve value for money across a range of public policy areas critical to boosting productivity. Recommendations to invest: in our cities as drivers of economic growth; productivity boosting infrastructure; and skills, support the Government's already substantial achievements across these portfolios. In these recommendations we highlight opportunities to capitalise on strong policy foundations with well placed reform and investment.

In December 2011 Consult Australia launched *Tomorrow's Cities Today* as a plan for action to realise the vision for our cities. As we grapple with the challenges of climate change, an ageing and growing population, congestion, urban sprawl and unaffordable housing it is important we do not simply maintain the status quo. This submission builds on our recommendations in *Tomorrow's Cities Today*, using the goals set through the National Urban Policy, to achieve more productive, sustainable, liveable and better governed cities.

Recommendations for: a stronger role for the Major Cities Unit; a grants program supporting the implementation of the National Urban Design Protocol; and a Productivity Commission review of best practice local government, are low-cost opportunities to achieve economic benefits and advance the Government's agenda across portfolios.

In addition, in a constrained budget environment, we highlight the importance of continued investment in infrastructure as a critical productivity driver. Consult Australia recommends increasing funding supporting the delivery of nationally significant infrastructure projects. In the face of global economic uncertainty infrastructure investment will provide important support to the building and construction industry, locking in employment and developing skills for short and medium-term benefits. In addition, longer-term agendas supporting more equitable revenue streams for transport infrastructure investment—such as road-user charging—should continue to be progressed incrementally. In this submission we recommend the Government commit to pilot studies of road-user charging to continue building an evidence base for longer-term funding reform.

Alongside these recommendations, we also submit that investment in skills continues to be critical both to support both labour market mobility and participation across the population. Consult Australia recommends investment in programs supporting careers advice for students to boost participation in those professions critical to productivity and growth. Participation across the workforce will be enhanced with an increase in the annual childcare rebate, and the skills gap should be filled with enhanced incentives for industry training. With many successful initiatives in place supporting the Government's skilled migration program, Consult Australia urges the retention of funding supporting visa processing and the Government's highly successful Industry Outreach program. Consult Australia continues to support the National Engineering Registration Board (NERB) campaign for a national engineering registration scheme and urges the Government to back this initiative as part of a seamless national economy. Finally, as the Treasury considers a review of fringe benefits tax treatment of living away from home benefits (LAFHA), Consult Australia supports clarification of LAFHA, but notes the importance of a transitional period accommodating those workers already receiving LAFHA for the term of the current temporary working visas.

Consult Australia hopes that, in the absence of further unforeseen economic turmoil, the 2012-13 Federal Budget will deliver a surplus. However, perhaps more important is that the Budget builds in resilience in the face of any short-term economic instability, but continues to lay the foundations for long-term economic growth. With the recommendations we have laid out: investing in our cities; investing in infrastructure and investing in skills, we believe the Government will create a strong platform for both economic resilience and productivity.

SUMMARY OF RECOMMENDATIONS

Investing in cities and urban development

1. The Australian Government create a ministerial portfolio for cities and urban Development, alongside local government and regional development to deliver integrated building, precinct and city policy and programs, supported by appropriately resourced agencies and departments.
2. An expansion of the staff and resources provided to the Major Cities Unit will support stronger, more informed public policy across a wider range of areas critical to achieving the goals of the National Urban Policy.
3. \$5 million supporting a Creating Places for People Grants Program available to industry associations and non-profit organisations to provide training and awareness raising activities supporting the adoption and implementation of the National Urban Design Protocol.
4. Expand and provide ongoing funding supporting the Liveable Cities Program beyond 2012-13.
5. A Productivity Commission review of what constitutes best-practice local government (including reference to size, structure, powers and geographic reach) in Australia's major cities, with reference to a city's ability to achieve: the COAG Cities Criteria; the indicators of city performance established by the State of Australian Cities Report; and the objectives established through the National Urban Policy and Sustainable Population Strategy.

Investing in transport infrastructure

6. Increased funding supporting the delivery of nationally significant infrastructure projects.
7. Pilot studies of new road pricing mechanisms including road-user charges. Such studies should include extensive community consultation, consider impacts across the whole transport system, and draw on overseas experience to maximise the likelihood of public acceptance, success and a sustainable source of infrastructure funding in the future.

Investing in skills

8. Fund programs to enable teachers to provide meaningful careers advice to students to encourage their study of maths and science at primary and high school level.
9. Introduce an education and training tax concession for employers that spend more than two per cent of payroll per year on training at a rate of 125 cents for every dollar spent on training.
10. Raise the annual childcare rebate from \$7,500 to \$10,000.
11. The Australian Government should support the development of a nationally consistent state-based registration scheme for engineers.
12. Retain the Department of Immigration and Citizenship Industry Outreach Program.
13. Retain funding for Department of Immigration and Citizenship visa processing teams, especially for the 457 visa subclass, to enable decision ready applications to be approved within two weeks of submission.
14. Consult Australia recommends that the rules governing LAFHA be clarified, but changes should not affect those workers already receiving LAFHA for the term of their current temporary working visas.

INVESTING IN CITIES & URBAN DEVELOPMENT

Realising the goals of the National Urban Policy

Following the *2010 Intergenerational Report*, the *State of Australian Cities 2010* report and the *Our Cities* discussion paper and consultation program, the publication in March 2011 of the Australian Government's National Urban Policy was a welcome step forwards. *Our Cities, Our Future* has decisively shifted the debate of recent years from local or state focused interests to a debate of critical national importance, and from research and ideas to a debate about political leadership, and the implementation of practical policy changes that deliver measurable outcomes.

Importantly the National Urban Policy describes the goals, objectives and principles to guide urban policy development and investment across Australia. Taken alongside the Government's Sustainable Population Strategy and Regional Policy Agenda, a strong framework is now in place to provide for evidence-based policy development so help meet current and future challenges.

Consult Australia is committed to the realisation of the goals described in the National Urban Policy. In November 2010, Consult Australia launched *Tomorrow's Cities Today*, outlining the initiatives we believe are critical for today's policy makers to deliver the cities we need and want to live in tomorrow. This report included a range of recommendations across the four goals of the National Urban Policy, and we have reflected these recommendations in this budget submission.

Australian Government leadership

Consult Australia supports the intent of the Australian Sustainable Built Environment Council's (ASBEC) 'call to action' for a streamlined, co-ordinated approach to urban management policy. This will be achieved through a higher profile for urban development and cities policy within government.

Recommendation 1:

- The Australian Government create a ministerial portfolio for cities and urban Development, alongside local government and regional development to deliver integrated building, precinct and city policy and programs, supported by appropriately resourced agencies and departments.

Bold leadership is required to foster greater consistency and alignment across the policy and planning initiatives affecting our built environment. ASBEC has identified (as at February 2011, before the announcement of the Government's Carbon Tax policy) nearly 40 Australian Government programs, strategies and initiatives which impact the built environment. These traverse eight ministers and their portfolio departments. An integrated and collaborative approach is necessary to encourage innovation and excellence, break down silos, use resources more efficiently and ensure our cities are liveable, affordable and sustainable.

Additional investment in the Major Cities Unit

The creation of the Major Cities Unit in 2008 to provide a more coordinated approach to cities policy within the Commonwealth Government and to identify opportunities for federal leadership in cities was a major step forwards. Since its creation, the Major Cities Unit has clearly demonstrated the value of the Federal Government acting as a catalyst for better urban development. The delivery of the *State of Australian Cities* reports, the National Urban Policy; the National Urban Design Protocol and the establishment of the Urban Policy Forum, have been important in fostering a coherent national debate about what we want our cities to look like and achieve.

With relatively scarce resources the Major Cities Unit has achieved much. But there is more to be done. The publication in February 2012 by the COAG Reform Council of their report on the state of capital city strategic planning will likely generate further impetus and opportunities for the Commonwealth Government to lead the development of better urban environments. The comparative analysis of our cities and cross-jurisdictional debate generated through the work of the Major Cities Unit is critical in supporting an evidence base for state and local policy change.

The National Urban Policy carries implications across portfolios including those related to industry and innovation, transport, health, social inclusion, climate change, population, and water. The realisation of the goals of the policy—to achieve more productive, sustainable, liveable and better governed cities—demands additional resources for the Major Cities Unit. This will help improve whole-of-government coordination; improved awareness within government of the role of cities; and the development of solutions to a wide range of current challenges.

Recommendation 2:

- *An expansion of the staff and resources provided to the Major Cities Unit, as part of a broad implementation plan to realise the National Urban Policy, will support stronger, more informed and coordinated public policy for better urban development across government.*

Supporting the National Urban Design Protocol: Creating Places for People

In parallel with a strengthened role for the Major Cities Unit, additional investment supporting the adoption and implementation of the National Urban Design Protocol: *Creating Places for People* is timely following its launch in November 2011.

Creating Places for People is an important example of the collaboration required across peak community and industry organisations, States, Territories, Local Governments and the Australian Government to achieve best practice urban design.

The success of *Creating Places for People* will be found in the extent to which the principles and aims of the Protocol are adopted at all levels of government, understood across the community and supported by industry. The current support created through wide network of protocol Champions creates a strong platform for the Government to catalyse more widespread adoption and implementation of the protocol.

Initiatives outlined in the 2011-12 Budget highlighted models for the Government to leverage the expertise of the private and non-profit sector to raise awareness, educate and effect change at a more local level. For example, Consult Australia welcomes the Government's Energy Efficiency Information Grants Program as a valuable opportunity assisting industry associations and non profits to provide practical, tailored energy efficiency information to small and medium enterprises and community organisations. Similarly the Government's Climate Change Grants Program was important to communicate the imperative for action now to reduce carbon pollution. These programs encourage innovative approaches supporting awareness raising, education and training across the community.

A similar program supporting the adoption of the National Urban Design Protocol will see long-term broad-based benefits across a range of public policy objectives. Leveraging the contributions and expertise of the private and not-for-profit sectors, such a program will provide an important value-for-money contribution, and help maintain the collaborative approach, critical to the success of the Protocol.

Recommendation 3:

- *\$5 million supporting a Creating Places for People Grants Program available to industry associations and non-profit organisations to provide training and awareness raising activities supporting the adoption and implementation of the National Urban Design Protocol.*

Expanding Liveable Cities

The Government's Liveable Cities program is an important initiative to showcase urban renewal and strategic urban development in line with the National Urban Policy and COAG criteria for capital city strategic planning. The success of the program is evident in the high number of subscriptions already received. Recognising the important contribution of the Program to facilitating better urban development, Consult Australia urges the expansion and ongoing funding of the program.

Recommendation 4:

- *Expand and provide ongoing funding supporting the Liveable Cities Program beyond 2012-13*

A Productivity Commission Inquiry into best-practice local government

Consideration should be given to facilitate the most appropriate levels of government to deliver facilities and services in the most efficient and effective ways.¹

Local government performs a vital role in Australia's system of governance delivering an increasing range of services across portfolios. The efficiency of local government in being able to rapidly deploy funds to develop infrastructure and meet community needs is recognised in the ongoing support provided through the Australian Government's Roads to Recovery program and in the distribution of the 2009 National Stimulus Package in response to the Global Financial Crisis. The principle of subsidiarity that underpins strong local government is critical in the development of our cities where local government performs a vital role, representing local communities, developing local strategic plans, infrastructure and services.

State of Australian Cities Report 2010 highlighted wide disparities in the number of local government areas that make up each of our major cities (ranging from 1 to 43). Where there are multiple local councils, each has varying resources available to provide services and infrastructure to support their local economic area (e.g Marrickville and City of Sydney). It has been clear since federation that a large number of local government areas in a given city is an obstacle to efficient infrastructure delivery and integrated strategic planning that delivers the best results for the city as whole. Sydney (with 43 local government areas within its boundaries) is the clearest example of the challenges created by smaller, less well-resourced local governments. The efficiencies and opportunities for integrated planning and

¹ Australian Government Department of Infrastructure and Transport. May 2011. *Our Cities Our Future – A National Urban Policy*. Page 71

more centralised infrastructure delivery created by Brisbane City Council offers a polar point of comparison.

The Committee for Sydney, in response to their 2009 report *Global Sydney: Challenges and Opportunities for a Competitive Global City* called for a Productivity Commission study into Australia's capital cities and the economics and efficiencies derived from the creation of greater metropolitan local government areas similar to that in Brisbane.

Recommendation 5:

- *A Productivity Commission review of what constitutes best-practice local government (including reference to size, structure, powers and geographic reach) in Australia's major cities, with reference to a city's ability to achieve: the COAG Cities Criteria; the indicators of city performance established by the State of Australian Cities Report; and the objectives established through the National Urban Policy and Sustainable Population Strategy.*

The outcomes of this review should be incorporated into a revised COAG Cities Criteria and explicitly linked to commonwealth funding agreements to incentivise the delivery by the states of best-practice local government: geographically larger, better resourced local government.

INVESTING IN INFRASTRUCTURE

Transport, population and the economy

Australia's economy is more dependent on transport than most other Organisation for Economic Co-operation and Development (OECD) countries. We owe Australia's economic and social development and well-being in large part to past investment decisions in transport infrastructure. Transport and logistics represent some 14 per cent of Australia's GDP and account for some 330 million kilometres of travel made every day in capital cities. Our transport infrastructure provides access to employment, facilitates social inclusion, and allows our cities to grow. It moves 520 billion tonne kms of freight each year, supplying Australia's industry, enabling export revenues, and supporting our economy. Transport represents up to 8 per cent of industry output.²

While public investment in transport infrastructure has followed population growth, it has failed to keep pace with our economy (GDP), this being partly offset by private investment. Recently, AusLink investment and stimulus response to the Global Financial Crisis (GFC) have increased public investment, but private investment has declined. Of significant concern, infrastructure maintenance has not kept pace with new investment.

Consult Australia is a long-standing supporter of Infrastructure Australia (IA) and we were pleased to see increasing funds in the 2011-12 Budget to strengthen its role alongside the Infrastructure Investment Incentive Package. The commitment for IA to work more closely with the states and territories and industry to promote better targeted investments in infrastructure linked to national priorities will help ensure the best value for money for the tax-payer. This, alongside the publication of cost benefit analyses and a commitment to undertake evaluations of infrastructure post-build will support a longer-term understanding of the value of our infrastructure investment.

In the face of constrained spending, the Government both maintained and increased funds available for infrastructure projects of national significance. Recognition of the vital role of infrastructure investment in

² Consult Australia, *Transporting Australia's Future*, November 2010, www.consultaustralia.com.au

boosting productivity must be continued. In the face of increasing global instability, the capacity for a strong pipeline of guaranteed infrastructure investment is particularly important to safeguard jobs and related industries.

Recommendation 6:

- *Increased funding supporting the delivery of nationally significant infrastructure projects.*

User-Charging for Transport Infrastructure

Current road tax arrangements will not meet Australia's future transport challenges. Poorly functioning road networks harm the amenity, sustainability, liveability and productivity of society. Moving from indiscriminate taxes to efficient prices would allow Australia to leverage the value of its existing transport infrastructure.³

Currently government funding for transport infrastructure is mainly sourced through consolidated revenue, reflecting a political balancing between competing demands. Given other pressures on government investment, this is unlikely to change over the short term. Many 'user charges' are woven into the current consolidated taxation system. Current revenue streams derived from transport infrastructure are mainly limited to:

- Fuel Excise;
- Vehicle registration;
- Parking fees;
- Tolls and Ticket fares; and
- GST.

Reliance on traditional fuel excise as the key revenue tool is internationally recognised as having limited longevity, with diminishing reserves and increased fuel efficiency curtailing revenues. An infrastructure funding regime based on fuel taxes has no sustainable future.

While revenues from transport users cover the aggregated costs of transport, they are largely treated as taxes and a net contribution to general revenue, with no accountability to transport users who are frustrated by inadequate reinvestment in transport. These charges do not account for less tangible costs of transport (e.g. congestion, greenhouse emissions, community service obligations, social equity).

Recommendation 7:

- *Pilot studies of new road pricing mechanisms including road-user charges. Such studies should include extensive community consultation, consider impacts across the whole transport system, and draw on overseas experience to maximise the likelihood of public acceptance, success and a sustainable source of infrastructure funding in the future.*

Road user charging and efficient road pricing has gained increasing recognition in Australia as providing an appropriate market-led solution to a burgeoning infrastructure deficit, increasing maintenance costs, dwindling government funds and frustrated community expectations.

³ Henry, Ken. December 2009. *Australia's Future Tax System: Report to the Treasurer Part Two Detailed Analysis*. Page 373

Australia's future tax system: Report to the Treasurer (Henry Review) notes that the implementation of user charging would lead to less congested roads, shorter travel times and investment in road infrastructure that addresses user demand and provides a foundation for further productivity growth, improved living standards and more sustainable cities. In exchange for targeted charges, road users benefit. They would pay less fuel tax, motor vehicle stamp duties could be abolished, and compulsory third party insurance (set through improved data on vehicle use) would be fairly priced. The revenue from efficient user charges could help finance new urban transport infrastructure, and cover the cost of heavy vehicle damage.⁴

Washington State Road Pricing Pilot

The Puget Sound Regional Council Traffic Choices Study recruited a statistically significant sample of volunteers and, after establishing their baseline "before-tolling" driving routine, began charging them for access to selected roadway facilities during particular time periods in the day. In other words, they had to pay road tolls. The study monitored driving behavior of participants for an average of approximately 18 months per household.

Participants did not lose money. They were given a travel budget (or endowment account) from which tolls were deducted. If their driving patterns remained unchanged over the study, they would "spend" their account balance by the time the experiment concluded. If they changed their driving patterns to reduce the amount of driving on toll roads, they would keep the difference. This method held participants financially harmless, yet offered them the incentive of keeping their leftover budget if they changed their driving patterns. In this way, the study introduced real price incentives of a toll system, and measured whether and how much participants responded to those incentives.

The Study found that participants made small-scale adjustments in travel that, in aggregate, would have a major effect on transportation system performance. Done right, this type of road user charging could provide broad benefit, including lower vehicle emissions, fewer accidents, travel time savings, improved roadway performance reliability, and lower vehicle operating costs. For motorists to be better off, however, the revenues from road tolling must be used to provide additional benefits to users of the transportation system.

Puget Sound Regional Council (<http://www.psrc.org/transportation/traffic/faq/>)

⁴ The Productivity Commission has also reported favorably towards user pays and distance based charges for heavy vehicles, informing COAG's decision to proceed with mass distance charges for heavy vehicles; see: Productivity Commission. April 2007. *Road and Rail Freight Infrastructure Pricing: Inquiry Report*

INVESTING IN SKILLS

The skills shortage is real and will continue

As part of a knowledge-based economy, growth in professional services is a core driver of productivity, with growth in trade services often part of the broader economic response to that increased output. Consulting engineering services form a significant component of that professional services sector, with some 46,800 firms (including about 22,000 sole practitioners), employing about 221,600 people and generating revenues of around \$40 billion a year.⁵

The Consult Australia 2011 Skills Survey shows that 90 per cent of large firms (and almost half of small and medium-sized firms) are recruiting in response to a significant skills shortage.⁶ It is widely accepted that national and international markets for engineering services are not operating to meet current and emerging demand, and that this shortage is a systemic rather than cyclical problem.

The Senate Education, Employment and Workplace Relations References Committee inquiry of the shortage of engineering and related employment skills is a welcome step towards finding solutions. That inquiry process will highlight process and policy changes to meet the skills challenge, plus several that require a budget response. The following highlights those budget responses advocated by Consult Australia. They focus on three main themes:

- Developing the next generation.
- Improving the productivity of the existing workforce.
- Improving access to the global labour force.

Developing the next generation

Training for teachers

We congratulate the Government on recent efforts that will contribute to reducing the shortage of professional engineers, including implementation of the Teach Next initiative, funding support for the Australian National Engineering Taskforce and commitment to higher education capital expenditure needs.

The ever-continuing skills shortage is evidence, however, that yet more needs doing.

The number of domestic students graduating with a three or four year bachelor's degree in engineering and related technology courses has remained largely static at about 6,000 each year between 2001 and 2009.⁷

Part of the reason for the lack of growth in engineering graduate numbers is the low number of school students studying maths and science at a level suitable for engineering studies. Figures available from Engineers Australia illustrate this situation.⁸ In 2009, just 10.2 per cent of Australian year 12 students studied advanced maths, 20.2 per cent studied intermediate maths, and 49 per cent studied maths at other levels unsuitable as a mathematical foundation for tertiary studies. In 2002, the respective figures were 11.1 per cent, 24.2 per cent and 45 per cent.

⁵ Bills, Geoff. 2011. *2011 Outlook: An economic forecast for consulting firms in the built and natural environment*, Consult Australia. Page 3.

⁶ Consult Australia. 2011. *The Consult Australia 2011 Skills Survey: An analysis of skills in the consulting industry for the built and natural environment*. Page 4. Available at: <http://www.consultaustralia.com.au/Home/Advocacy/Skills/SkillsSurveys.aspx>.

⁷ Kaspura, Andre. 2011. *The Engineering Profession: A Statistical Overview*, 8th edition, Engineers Australia. Page 43.

⁸ Kaspura, Andre. 2011. *The Engineering Profession: A Statistical Overview*, 8th edition, Engineers Australia. Page 28.

Physics and chemistry are also both important preparatory subjects for engineering courses. In 1976, 27.5 per cent of year 12 students studied physics, compared with just 16.5 per cent in 2001 and 14.6 per cent in 2007. For chemistry, the numbers are 28.6 per cent, down to 17.8 per cent in 2001 and 18 per cent in 2007.

Increasing the number of students studying higher level maths and science at school is vital. A core focus of primary and secondary education spending should be on initiatives to encourage more students to study and enjoy maths and science.

The Teach Next initiative recognises that teachers with industry experience and an understanding of how maths and science is applied in the "real world" can encourage young people to see maths and science as relevant to their future lives.

Unfortunately, current careers advice support for secondary school students is well below what students require. A large factor in this is the low number of careers advisors at secondary schools. Furthermore, careers advisors cannot be expected to fully comprehend and appreciate every career path available, let alone one so specialised as engineering in all its forms.

Consult Australia believes that classroom teachers must be engaged in delivering careers advice to students. Classroom teachers have a significant impact on students due to high levels of interaction in classes and a consequent understanding of individual students. This includes an understanding of students' strengths, weaknesses and interests, enabling them to provide targeted guidance.

There is universal support for encouraging more people to study to become teachers. The budget should also provide enough funding to the education sector to enable teachers to retain links with industry and careers related to their area of academic expertise once working as teachers. One model is to facilitate industry groups communicating with classroom teachers to provide insight into the industry's ever changing and evolving workforce.

When considering the engineering industry for example, historically there were five different types of standard engineer occupations; now over one hundred different types of engineering and related roles can be classified. Classroom teachers would not be expected to know this, but using very simple methods like industry group meetings or giving teachers access to industry newsletters would improve their knowledge.

Formal industry outreach programs could become part of teachers' Key Performance Indicators and teachers could be rewarded for electing to use their professional development time to proactively enhance their general teaching skills, knowledge and understanding of career paths available for students who enjoy maths and science.

Budget allocations in this area will result in up-to-date and student-specific careers advice being delivered through the classroom to motivate more young people to study maths and science and use them as the foundation for rewarding careers in engineering.

Recommendation 8:

- *Fund programs to enable teachers to provide meaningful careers advice to students to encourage their study of maths and science at primary and high school level.*

Improving the productivity of the existing workforce

Education and training tax concession

The shortage of engineers is most acute for mid-level and senior engineers who have benefited from several years experience and professional development. With this in mind, Consult Australia member firms are committed to overcoming the skills shortage by increasing training expenditure on existing staff.

To encourage greater investment by employers, implementation of an education and training tax concession is encouraged. The model proposed by Consult Australia is that when expenditure on education and training activities exceeds two per cent of payroll per year, employers are rewarded with a concession rate of 125 per cent of every dollar that exceeded the two per cent threshold.

A concession rate of 125 per cent will ensure that indirect costs associated with training, such as time spent at training courses, does not act as a disincentive to training.

The target of two per cent is recommended as it is the level that DIAC requires businesses to meet before being authorised to sponsor foreign workers on temporary resident work visas. The two per cent target also recognises that employers have an ordinary obligation to invest in their staff.

This initiative will lead to a higher skilled and motivated workforce that will improve the productivity of employers and the country. The scheme would also be optional, meaning it will not subject all firms to a compulsory training levy which has been previously proposed, and the concession could be capped to manage the potential financial risk to the Federal Government.

The concession eligibility criteria must be broad reaching, and simple for businesses to administer. Employers should only be able to claim the concession for approved types of courses that meet prudential guidelines.

Recommendation 9:

- *Introduce an education and training tax concession for employers that spend more than two per cent of payroll per year on training at a rate of 125 cents for every dollar spent on training.*

Child care

Harnessing the abilities of the total Australian workforce is necessary to meeting the skills challenge. For many industries, barriers to the participation of women are a particularly acute problem. The Government's introduction of Paid Parental Leave was a welcome and important reform.

In addition to Paid Parental Leave, access to childcare is a significant issue. The cost of childcare can reduce the ability of primary carers to re-enter the workforce and this lost talent is a major factor in slower national economic growth.

To reduce the financial burden of childcare and improve workforce participation rates, Consult Australia recommends that the maximum amount paid per year per child in approved care rise from \$7,500 to \$10,000.

Recommendation 10:

- *Raise the annual childcare rebate from \$7,500 to \$10,000.*

Consult Australia and its members continue to acknowledge the importance of attracting women to the professions they employ. In 2011, Consult Australia conducted a survey of member firms to measure the extent to which women are represented in the industry, with a focus on technical and managerial roles. The survey represented data for over 15,000 employees and confirmed that action is necessary to improve the participation of women.

To drive that action, Consult Australia has created a Workforce Diversity Roundtable to explore a range of issues related to diversity, with an initial focus on women. In 2012, the Roundtable will launch their report, *Diverse Approaches*. This report will provide an examination of existing best practice for improving workforce diversity, and explores the different ways that various professions and industry sectors have chosen to tackle workforce diversity. In the second half of 2012 the Roundtable will draw on the lessons identified through this report to develop advice specific to Consult Australia member firms.

Labour mobility and the registration of engineers

Fourteen different Acts and subordinate legislation regulate some engineering services in most states and territories. Where regulation exists, it is rarely specific to engineering services. Queensland is the only state that requires all engineers to be registered if offering or providing engineering services, and Western Australia is considering introducing similar requirements. In other states and territories engineers generally operate under a self-regulatory system.

While Australia undergoes an unprecedented mining and construction boom, Australia is facing a shortage of engineers and making sure that they can go seamlessly to where they are needed is key to dealing with this shortage in a practical and immediate way.

Now more than ever we need a national system for registration to ensure that there is portability of the profession across jurisdictions to bring efficiency to the system while making sure standards are protected.

Industry and the profession believe that nationally-consistent registration of engineering professionals is in Australia's interests and will:

- help to address skills shortages and enhance mobility,
- improve risk management and consumer protection,
- enhance recognition of engineering skills and status,
- enhance public safety, and
- improve efficiency.

Together with our partners in the National Engineering Registration Board (NERB),⁹ we are encouraging Australian states and territories to implement a national engineering registration scheme. It is recommended that this be developed via the Council of Australian Governments (COAG) in its next round of projects that are pursued as part of its agenda for a Seamless National Economy.

ACIL-Tasman, an economic consulting firm, made a Cost Benefit Analysis to quantify the financial benefits of a national registrations scheme. Combining the present value of total costs and total benefits associated with the proposed national registration scheme, the net present value of the scheme is estimated to be \$7.4

⁹ NERB is a collaboration between Consult Australia, Engineers Australia, the Institute of Public Works Engineering Australia, and the Association of Professional Engineers, Scientists & Managers, Australia (APESMA).

billion under a seven per cent real discount rate while its benefit-cost ratio is calculated to be 3.14. The internal rate of return is calculated to be 51.6 per cent.

The cost benefit analysis and further information about this scheme is available online at:
<http://www.consultaustralia.com.au/Home/Advocacy/Skills/EngineersRegistration.aspx>

Recommendation 11:

- *The Australian Government should support the development of a nationally consistent state-based registration scheme for engineers.*

Improving access to the global labour force

Industry Outreach Officers

Consult Australia appreciates the ongoing placement of a Department of Immigration and Citizenship (DIAC) Industry Outreach Officer (IOO) within the organisation. Through their liaison work and workshops specific to Consult Australia members, the IOOs have helped the industry to develop a good relationship with DIAC and a stronger understanding of visa processes.

This proactive outreach approach has had long-term efficiency benefits for the Department and employers alike, and led to reduced visa application times. The IOO program has proven to be an effective channel of communication between the Department and the industries that rely on skilled migration. The high level of employer understanding of the migration rules and processes leads to a system that functions more smoothly, and the exchange of information between government and industry helps to ensure that the migration program remains responsive to industry needs.

Consult Australia looks forward to continuing its good working relationship with the Department and supports the continued funding of this valuable program.

Recommendation 12:

- *Retain the Department of Immigration and Citizenship Industry Outreach Program.*

Visa processing times

Processing times for “decision ready” applications for the Temporary Business (Long Stay) - Standard Business Sponsorship (Subclass 457)—the primary visa subclass utilised by Consult Australia members—have been recognised as being appropriately swift since 2010.

Prior to 2010, the 457 visa program was beset by long application approval times that stifled effective use of the available global workforce. Sustained levels of funding for processing teams is essential to the success that the temporary working visa system now enjoys.

Consult Australia applauds the November 2011 introduction of the sponsorship accreditation scheme. A survey of Consult Australia members indicates that this scheme will be of greatest benefit to those firms with over 1,000 Australian-based employees.

This limited program should not distract from the need to retain a focus on visa applications which give a wide range of smaller employers the confidence in recruitment processes essential to effective business planning. It is recommended that processing teams are provided funding sufficient to enable them to continue to meet the needs of industry over the coming years, and ensure that the swift approval times currently being experienced continues.

Recommendation 13:

- *Retain funding for Department of Immigration and Citizenship visa processing teams, especially for the 457 visa subclass, to enable decision ready applications to be approved within two weeks of submission.*

Fringe benefits tax (FBT) treatment of living away from home benefits

On 29 November 2011, the Government announced reforms to the fringe benefits tax (FBT) treatment of living away from home benefits. Consult Australia will make a submission to the Treasury review in February 2012 but includes preliminary comments here for early consideration.

The characterisation of the Living Away From Home Allowance (LAFHA) being “rorted” is inaccurate. Consult Australia member firms engage overseas-based workers on salaries comparable to domestic employees but the high cost of living in Australia when compared with overseas, and the cost of maintaining a home in their country of origin, means that LAFHA is a necessary tool in attracting the best workers from around the world.

To continue enticing these workers from overseas, salaries may have to increase, placing added costs to projects, including public infrastructure projects.

Those temporary workers who have come to Australia based on the availability of LAFHA face being placed under very significant financial stress. They have made career and rental commitments based on LAFHA and will face a sudden reduction in income that either forces them to leave the Australian workforce or suffer unfair immediate financial burdens.

Consult Australia recommends that the rules governing LAFHA be clarified, but changes should not affect those workers already receiving LAFHA. If changes to LAFHA are made, a transition period should be included that allows existing temporary workers from overseas to continue to receive the LAFHA Benefit under current legislation until the expiry of their existing 457 visa (a maximum of four years).

Recommendation 14:

- *Consult Australia recommends that the rules governing LAFHA be clarified, but changes should not affect those workers already receiving LAFHA for the term of their current temporary working visas.*