

2012

(No. 8)



PARLIAMENT OF TASMANIA

**SELECT COMMITTEE ON
THE COSTS OF HOUSING, BUILDING AND CONSTRUCTION
IN TASMANIA**

Interim Report No. 2

*Brought up by Mr Hidding and ordered by the
House of Assembly to be printed*

MEMBERS OF THE COMMITTEE

*Mr Hidding (Chairperson)
Mr Best
Mr Booth
Ms Archer
Ms White*

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1 APPOINTMENT & TERMS OF REFERENCE

- 1.1 The Honourable Member for Lyons, Rene Hidding, the eventual Chair of this Committee, on 1 September 2010, gave notice of a motion in the House of Assembly (the House) that he intended to move for the establishment of a Select Committee of the House to inquire into and report on the cost of housing, building and construction in Tasmania.
- 1.2 Such motion was moved and debated on 1 September and eventually resolved on 29 September 2010. The resolution was as follows:

Resolved, That:—

- (1) A Select Committee be appointed, with power to send for persons and papers, with leave to sit during any adjournment of the House exceeding fourteen days, with leave to report from time to time, and with leave to adjourn from place to place, to inquire into and report upon issues relevant to the costs of housing, building and construction in Tasmania, including:—*
- (a) costs associated with land development;*
 - (b) costs of Local Government services;*
 - (c) costs of utility services;*
 - (d) public policy settings impacting upon building costs;*
 - (e) cost of statutory levies and contributions;*
 - (f) costs of builders registration; and*
 - (g) other matters incidental thereto.*

(2) The Committee shall consist of five Members, being two from the Government nominated by the Leader of the House; two from the Opposition nominated by the Leader of Opposition Business in the House; and one from the Tasmanian Greens nominated by the Leader of the Greens.

(3) The Committee report by Thursday, 31 March next.

- 1.3 The House further resolved on 16 March 2011 that the reporting date be extended until 30 June 2011.
- 1.4 The House further resolved on 22 June 2011 that the reporting date be extended until 30 September 2011.
- 1.5 The House further resolved on 29 September 2011 that the reporting date be extended until 31 March 2012.
- 1.6 On 22 November 2011, the Committee tabled an interim report which relevantly stated as follows:

That agreement be reached with the Tasmanian plumbing industry on a fee which reflects the cost of maintaining a register of plumbing practitioners.¹

¹ Select Committee on the Costs of Housing, Building and Construction, Interim Report dated 22 November 2011, p13

2 CONDUCT OF THE INQUIRY

- 2.1 Since the Committee's first Interim Report, the Committee has met on 4 occasions and has heard evidence from a number of witnesses in relation to this issue.
- 2.2 The 'default' position for the Committee hearing evidence is to examine witnesses in public. The Committee has not resolved to hear any evidence *in camera* to date.
- 2.3 The Minutes of the meetings of the Committee held to 28 March 2012 appear in Appendix 'A.'
- 2.4 The documents ordered by the Committee to be printed with this report appear in Appendix 'B.'

3 BACKGROUND

- 3.1 On 8 March 2011, the Occupational Licensing (Plumbing Work) Regulations 2010 (Statutory Rule 2010, No. 130) was laid on the Table of the House.
- 3.2 Schedule 1 of the Regulations sought to increase the licensing fee payable by plumbers from \$54 to \$462, plus costs for other endorsements (totalling around \$750 for most single contractors).
- 3.3 On 18 May 2011, Schedule 1 was disallowed by the House of Assembly in accordance with section 47 of the Acts Interpretation Act 1931,² and it was noted that the matter would be taken up by the Committee for consideration.³

² House of Assembly Votes and Proceedings, 18 May 2011

³ House of Assembly Hansard, 18 May 2011

- 3.4 It was the attempt to significantly increase fees payable by plumbers that resulted in the matter being referred to the Committee.

4 THE CURRENT PROPOSED FEE STRUCTURE

- 4.1 A Proposed New Fee Schedule for Electrical, Plumbing and Gasfitting was tabled at the Committee's meeting on 23 February 2012. A copy of the document setting out the proposed fee structure is published with this report at Appendix B.
- 4.2 The proposed fees were further explained by Workplace Standards Tasmania in the following extract:

Mr ORMEROD – *The amount is actually a sliding scale. Firstly, for a plumber over the age of 65 working alone as a contractor the annual fee will be \$98 and over three years it will be \$260. Previously it was \$462 so there is a significant discount for those plumbers in the older age group because there was a level of concern for those in the industry as they felt that the new fee structure would be sufficient to actually push them out of the industry too early because they weren't doing many jobs.*

Mr BOOTH – *The original fee was \$54 wasn't it?*

MR ORMEROD – *Under the old Act the fee was \$54, that is correct. Under the previous regulation it was \$462.*

Mr BOOTH – *But that has been disallowed?*

Mr ORMEROD – *That is correct.*

CHAIR - *That is over 65 and I have to say that is a pleasing trend to set because this committee has*

looked at all levels of the building industry and the structure appeared very much for young fit contractors and not to the older ,more experienced people who are still in the business.

Mr ORMEROD – Exactly. From the point of view of shared cost of administering the scheme, those plumbers are the ones less likely to attract attention from the point of view of issues around compliance, conduct et cetera. Once again it is reasonable they don't need to be required to contribute to that side of the cost of running a scheme as well.

For a contractor with a licence with one operative, that operative could be the contractor himself, the cost is \$390 for one year. Under the disallowed regulations it was \$462. The cost for three years is \$1,100, so slightly discounted again if they choose to go for three years. For a contractor with between two and four operatives, the cost will be \$500. For those it is an increase from \$462 to \$500. A contractor licensed with five to nine operatives, it goes to \$750, discounted to \$2,200 over three years. A contractor licensed with 10 or more operatives , it is \$1,000 per year and \$2,950 over three years. That is the change there. The idea being that those larger companies will be paying a share of the cost, which is probably equal to the size of the industry.

CHAIR – Would it be accurate to say that the majority of contractors in Tasmania would fit into that \$390?

Mr ORMEROD – That would be correct.⁴

⁴ Ormerod, Hansard, 23 February 2012, p1-2

- 4.3 The Committee notes that the quantum of the fee was not supported by United Plumbers of Tasmania, who stated as follows:

Please note that the UPT fee proposal is 100 percent more than the previous registration/licence fee at \$110 per plumber per annum. We are quite prepared to pay this amount and feel it is adequate to maintain a licence register. In turn, we may ask how many industries are there that would be happy to pay 100 percent more to have, say, their heavy rigid drivers licence or their union card.⁵

5 BASIS AND PURPOSE OF FEES

- 5.1 The Committee sought information from Workplace Standards Tasmania in relation to the purpose and basis of the fees. The following information was provided:

Mr BOOTH – with regard to the reason for the fees, I understand it was because in the National Occupational Licensing Act there is a requirement to pay so much per practitioner. Could you remind the Committee of the details of the proposal to go to NOLS?

Mr ORMEROD – Firstly, I should remind the member that these regulations are attached to a State Act, the Occupational Licensing Act, which was passed by Parliament in 2005. For plumbers it only came into effect a little more than 12 months ago. The fee structure fundamentally was based upon the cost of

⁵ Foley, Hansard, 23 February 2012, p32

administering the Occupational Licensing Act. However, Mr Booth is correct, there is a component there to take account of the cost of NOLS given that it is likely to be implemented some time this year. The fee structure under the National Occupational Licensing Act will ultimately attach itself to a different regulation, to a different Act, so therefore you have to look at it from a different point of view in that regard. In the meantime, there is a cost the State has to contribute towards the cost of setting up the NOLS structure and there are already costs occurring. Given it is all around occupational licensing in particular, the four to start with are real estate agents, plumbers, electricians and gasfitters. The idea was to actually incorporate a fee into the fee structure to allow for that contribution to be shared across those occupations.⁶

- 5.2 The Committee further sought information regarding whether or not the fees were based on cost recovery. The following exchange occurred:

CHAIR – Are you working on a policy basis that you are looking at cost recovery –

Mr ORMEROD – Correct.

CHAIR – Or are you setting fees so that you can backfill the services up to those fees? In other words, are you setting a fee to say we will have money to do all sorts of things? Could you make a case now, for instance, on the \$390 of what you will be expending on behalf of those contractors?

⁶ Ormerod, Hansard, 23 February 2012, p3

Mr ORMEROD – Firstly, you must remember that the whole idea of licensing is really about two aspects: consumer protection and consumer safety. When you regulate an occupation sometimes those in the occupation ask the question, 'What am I going to get out of this?' Apart from a good, well-regulated industry which ensures that only the people trading are those who are properly qualified and up to a certain standard of conduct, that is as far as we can offer as a service to the contractor or to the occupation itself. But from the point of view of the consumer it grants a level of confidence, knowing that they can go and deal with a plumber, in this instance, and know that the plumber is licensed in Tasmania, licensed to a certain standard and knows that if there is a problem in relation to the outcome then they have a place to go.....It is cost neutral; that I can state being the person responsible for administering this.⁷

- 5.3 The Committee sought further information from Workplace Standards Tasmania to demonstrate that the operation of the model was cost-neutral and based on a cost recovery model. The evidence indicated that the cost estimates for administering the Occupational Licensing Act 2005 is \$1,006,658⁸, whereas the total expected revenue under the same Act is \$996,529.⁹

⁷ Ormerod, Hansard, 23 February 2012, p4

⁸ Letter from Workplace Standards Tasmania dated 24 February 2012

⁹ Letter from Workplace Standards Tasmania dated 15 March 2012

6 PORTION OF FEES CALCULATED ON BASIS OF NATIONAL OCCUPATIONAL LICENSING SCHEME (NOLS)

- 6.1 The Committee noted that part of the proposed fee structure is based on the introduction of NOLS.

All states and territories signed an Intergovernmental Agreement to introduce a National Licensing Scheme. The licence fees have been struck to take account of this commitment...Tasmania's contribution is \$200,000 per annum which translates to around \$20 per licence, based upon current members and the reduced contribution from Tasmania from \$350,000 to \$200,000. This cost is shared across all of the three licensed trades.¹⁰

- 6.2 The Committee expressed concern that NOLS may not proceed as planned. This is demonstrated in the following extract:

Mr BOOTH – *I just want to put a couple of things to you, Roy, with regard to the reason that these changes are occurring is to ensure that the Act functions within the design of the national occupational licensing system that was agreed to by COAG...the aim of NOLS is to remove overlapping and inconsistent regulation between jurisdictions in a way that they licence occupational areas, so it is part of this seamless national economy approach?*

Mr ORMEROD – *That is correct.*

¹⁰ Letter from Workplace Standards Tasmania dated 24 February 2012

Mr BOOTH –a number of aspects are likely to impact on the commencement of a national system and uncertainty regarding some jurisdictions' participation in the national system and legislative variations, and raises the risk that the reform may not be achieved. To underpin that, Western Australia has not enacted the national licensing legislation and the ACT has continued to reserve the right not to implement the reforms....So you basically have a system that you are imposing in Tasmania that looks set to collapse and unlikely to be achieved at a national level given the ACT has effectively dealt itself out of it. Western Australia has not enacted the legislation and I understand Victoria is having similar problems. What is going to happen if in fact it doesn't become a national system and we have put in place all these regulations and additional charges without, it seems to me, even achieving a reasonable regulatory regime?

Mr ORMEROD – Firstly, this is the 2005 National Occupational Licensing Act that we are talking about, and therefore it is all about standardising qualifications for those occupation groupings and setting up a level of rigour around those licensing models. The part relating to NOLS is a COAG initiative and we are fulfilling our obligations under COAG to do what we are expected to do in relation to that. That has resulted in costs that the State has had to pay in relation to this matter.....the obvious scenario is that if at the end of the day it all falls over then the licence fee structure will

have to drop because we would no longer be paying into NOLS and there is no expectation for these occupation groupings to pay.¹¹

7 USE OF REVENUE DERIVED FROM FEES

7.1 The Committee received evidence that the funds will be used to administer the Occupational Licensing Act (2005), in particular establish a unit employing audit and compliance officers who have the following functions:

1. *Conduct performance audits of practitioners and contractors and investigate complaints, allegations and other matters as directed by the Administrator of Occupational Licensing.*
2. *Undertake interviews, take statements, prepare briefs of evidence, reports and recommendations in relation to investigations and performance audits in a timely manner.*
3. *Initiate infringement notice processes and provide evidence in court actions.*
4. *Promote practitioner and contractor compliance with the Occupational Licensing Act 2005, and provide compliance advice to practitioners and contractors.¹²*

7.2 The Committee identified a number of concerns in relation to the functions and powers of this unit.

¹¹ Ormerod, Hansard, 23 February 2012, p17-18

¹² Letter from Workplace Standards Tasmania dated 15 March 2012

- 7.3 Firstly, the Committee received evidence that although audit and compliance officers are able to deal with misconduct issues, they do not have power to require plumbers to rectify work that is not of an appropriate standard. The Committee received the following evidence from Workplace Standards Tasmania in relation to this issue:

While we can provide assistance to consumers with complaints against plumbers, we have no legislative authority to direct a plumber to carry out rectification work.

The Administrator of Licensing can take action against a licensed plumber relating to misconduct issues. This means that complaints against plumbers can result in disciplinary action.¹³

- 7.4 In addition, the Committee heard evidence from a number of plumbing practitioners who expressed concern that audit and compliance officers are not required to have a plumbing background or qualifications. The Committee heard evidence from United Plumbers Tasmania who stated as follows:

Do we need compliance officers when we have existing plumbing inspectors in place? Compliance officers as defined by the OLA of 2005 do not and will not have trade backgrounds or experience.¹⁴

- 7.5 Further, the Committee heard evidence from the Master Plumbers Association of Tasmania, who stated as follows in relation to audit and compliance officers employed by Workplace Standards Tasmania:

¹³ Letter from Workplace Standards Tasmania dated 24 February 2012

¹⁴ Foley, Hansard, 23 February 2012

That includes the compliance officers they have employed to date. They have no plumbing ability, skills or knowledge and that is something that we believe ought to happen.....I am not having a shot at Fiona Wood here. Fiona Wood is a very competent lady, don't get me wrong, and what she has done she has done correctly. At least she is checking to see whether they have licenses. The point I am trying to make is that it would be better if somebody within our industry was doing it.¹⁵

- 7.6 Finally, the Committee identified that the audit and compliance staff for plumbing may be particularly busy at the present time due to a backlog of work arising from a time prior to the introduction of this model. The Committee received the following evidence in relation to this issue:

Mr ORMEROD – The compliance officer we have employed is required to investigate issues surrounding all three groups but she has taken a significant amount of time in relation to plumbers....

CHAIR – Is there a case to say that there is a tail to be dealt with here.

Mr ORMEROD – A big tail, that is correct.

CHAIR – Because once you work the tail through, in a year's time surely the maintenance of a register –

Mr ORMEROD – Good question. Then you go to the next level and this is what we found with building practitioners. If you start with the process of getting people up to a certain standard then you find yourself

¹⁵ Hill, Hansard, 23 February 2012, p23 and 27

*doing audit work, ensuring they maintain that standard and getting involved in complaints around conduct. At the moment there is no way our compliance officer is able to do all the work that is thrown her way. A lot of it is just falling off her desk not being done because we do not have the capacity to do everything.*¹⁶

8 FINDINGS

8.1 The Committee was not convinced on the evidence presented to it that the structure of the new unit administering the Occupational Licensing Act 2005 or functions of its officers are appropriate to achieve the functions stated. However, the Committee notes that:

8.1.1 The establishment of this unit flows from legislation passed by the House in 2005.

8.1.2 The Committee agrees that there is a need for some form of occupational licensing for plumbers in Tasmania.

8.1.3 The Committee investigated the figures provided by Workplace Standards Tasmania and is satisfied that the scheme is cost-neutral and is calculated on a cost recovery basis.

8.1.4 The majority of the Committee did not identify any way in which the costs under the proposed model could be reduced.

8.1.5 Mr Booth dissented from the finding in paragraph 8.1.4 and provided the following statement:

¹⁶ Ormerod, Hansard, 23 February 2012, p5

- The current structure is unnecessary and does not achieve compliance nor consumer protection beyond that currently provided by Plumbing Inspectors.
- The cost of the unit could have been reduced to the price of producing a plastic ID card and maintaining a register.

8.2 The majority of the Committee finds that the evidence demonstrated that there is currently a great deal of work for the audit and compliance officer associated with plumbers, however that some of this may be as a result of a backlog of issues relating a time prior to when this scheme existed. If this work decreases in the future, this may result in reduced costs in administering the scheme.

8.3 Mr Booth dissented from the finding in paragraph 8.2 and provided the following statement:

- Although the audit and compliance functions appear to be creating a great deal of work, the functions were found to be unnecessary and simply created a make work scheme paid for by practitioners who received little or no benefit. Workplace standards were unable to provide evidence of enhanced consumer protection.

8.4 The Committee expressed concern that there is a component of the proposed fee which is calculated on the basis of the costs associated with NOLS, however there is no guarantee that the NOLS scheme will proceed.

8.5 The majority of the Committee found that the latest round of negotiations with the plumbing industry have resulted in a

number of positive developments, including the reduction in the proposed license fee from around \$750 for a single contractor (with gasfitters endorsement) to a total of \$390 for most practitioners, along with the introduction of a single licence fee, the removal of compulsory CPD requirements and a reduced fee for plumbers over the age of 65.

8.6 Mr *Booth* dissented from the finding in paragraph 8.5 and provided the following statement:

- There is no justification for a fee of \$390. A fee of \$110 (over 100% increase) was found to be acceptable to the United Plumbers Tasmania and on that basis should form the maximum fee payable.

9 RECOMMENDATIONS

- 9.1 The majority of the Committee recommends that the proposed new fee schedule be passed by the House. Mr *Booth* dissented from this recommendation.
- 9.2 The Committee recommends that, should the proposed NOLS system not proceed, a new licensing fee for plumbers should be determined, reflecting the \$200,000 in reduced costs as a result of NOLS not proceeding.
- 9.3 The Committee strongly recommends that the model be reviewed in two years time to assess the ongoing justification for the model continuing into the future and to ensure that the operation of the model remains cost-neutral.

Parliament House

HOBART

28 March 2012

Rene Hidding M.P.

CHAIR

10 APPENDIX "A"

23 February 2012

The Committee met at 11:05 am at Parliament House.

Members

Mr *Best*
Mr *Booth*
Mr *Hidding* (Chair)
Ms *White*.

Witness

The following witness was recalled and was examined by the Committee in public:-

Roy Ormerod, General Manager, Workplace Standards Tasmania.

Ms *Archer* took her seat

Papers

The witness tabled the following papers:-

- Proposed New Fee Schedule for Electrical, Plumbing and Gasfitting.
- Compliance, Audit and Investigation Statistics 2011-2012.

The witness withdrew.

Witnesses

The following witnesses appeared, made the Statutory Declaration and were examined by the Committee in public:-

Adrian Cowie, Executive Officer and Frank Hill
- Master Plumbers Association of Tasmania.

The witnesses withdrew.

Witnesses

The following witness appeared, made the Statutory Declaration and was examined by the Committee in public:-

Tim Watson – United Plumbers of Tasmania.

The following witnesses were recalled and were examined by the Committee in public:-

Andrew Foley, John Oldenhof, Dwayne Griffin and Alan Atkins – United Plumbers of Tasmania.

Papers

The witnesses tabled the following papers:-

- Letter from United Plumbers of Tasmania to the Minister for Workplace Relations dated 11 February 2010.
- Overview of Presentation.

The witnesses withdrew.

Adjournment

At 2:00pm the Committee adjourned until a time and date to be fixed.

2 March 2012

The Committee met at 9:00am by telephone.

Members

Ms *Archer*
Mr *Booth*
Mr *Hidding* (Chair)
Ms *White*.

Apologies

An apology was received from Mr *Best*.

Minutes

Resolved that the Minutes of the meetings held on 22 November 2011 and 23 February 2012, having previously been circulated, were read and confirmed as a true and accurate record (Mr *Hidding*).

Correspondence

Resolved that the following documents be received and taken into evidence:

- Letter from Minister for Education and Skills dated 11 January 2012.
- Letter from Elizabeth and Simon Dudley dated 12 January 2012.
- Letter from TasBuild dated 20 January 2012.
- Letter from Roy Ormerod, General Manager, Workplace Standards Tasmania dated 24 February 2012 (Ms *Archer*).

Documents

Resolved that the following documents, tabled by witnesses at the hearing on 23 February 2012, be received and taken into evidence:

- Proposed New Fee Schedule for Electrical, Plumbing and Gasfitting.
- Compliance, Audit and Investigation Statistics 2011-2012.
- Letter from United Plumbers of Tasmania to Minister for Workplace Relations dated 11 February 2010.
- United Plumbers of Tasmania – Overview of Presentation (*Ms Archer*).

Occupational Licensing for Plumbers

The Committee deliberated in relation to occupational licensing for plumbers and it was decided that the Committee would further consider this at its next meeting.

Advertisement – Dispute Resolution

The draft advertisement circulated by the Secretary was taken into consideration by the Committee.

Resolved that 20 April 2012 be the closing date for submissions (*Ms Archer*)

The Committee deliberated further.

Resolved, that the advertisement as amended be adopted and placed in the three major newspapers on Saturday 10 March 2012 (*Ms Archer*).

Reporting Date

Resolved that the Committee seek an extension of the reporting date until 21 August 2012 (*Mr Hidding*).

Adjournment

At 9:35am the Committee adjourned until a time and date to be fixed.

26 March 2012

The Committee met at 12:52pm in Committee Room 1, Parliament House

Members

Ms Archer
Mr Booth
Mr Hidding (Chair).

Apologies

An apology was received from *Ms White*.

Interim Report No. 2

The Committee deliberated in relation to the issues to be covered in the Committee's Interim Report No. 2 regarding occupational licensing for plumbers.

Minutes

Resolved that the Minutes of the meetings held on 2 March 2012, having previously been circulated, were read and confirmed as a true and accurate record (*Ms Archer*).

Correspondence

Resolved that the following document be received and taken into evidence:

- Letter from Roy Ormerod, General Manager - Workplace Standards Tasmania, dated 15 March 2012 (*Ms Archer*).

Dispute Resolution

Ordered, that the Secretary write to the Housing Industry Association and Master Builders Association inviting them to put in a submission to the Committee's inquiry into dispute resolution in the building industry (*Mr Hidding*).

Adjournment

At 1:30pm the Committee adjourned until Wednesday 28 March at 9:00am at Parliament House.

28 March 2012

The Committee met at 9:10am at Parliament House.

Members

Ms Archer
Mr Booth

Mr Hidding (Chair).

Interim Report No. 2

The Chair brought up a draft Interim Report which was taken into consideration by the Committee.

Paragraphs 1 to 7 read and agreed to with minor amendments.

Paragraph 8.1, 8.1.1, 8.1.2 and 8.1.3 read and agreed to.

Motion made and Question proposed – That paragraph 8.1.4 be agreed to, which reads as follows:

8.1.4 The Committee did not identify any way in which the costs under the proposed model could be reduced.

The Committee deliberated.

Question put;

The Committee divided.

Ayes
Ms Archer
Mr Hidding

Noes
Mr Booth

It was resolved in the Affirmative.

The Committee continued to consider the draft Interim Report.

Motion made and Question proposed – That paragraph 8.2 be agreed to, which reads as follows:

8.2 The Committee finds that the evidence demonstrated that there is currently a great deal of work for the audit and compliance officer associated with plumbers, however some of this may be as a result of a backlog of issues

relating to a time prior to when this scheme existed. If this work decreases in the future, this may result in reduced costs in administering the scheme.

The Committee deliberated.

Question put;

The Committee divided.

Ayes
Ms Archer
Mr Hidding

Noes
Mr Booth

It was resolved in the Affirmative.

The Committee continued to consider the draft Interim Report.

Paragraph 8.3 read and agreed to.

The Committee continued to consider the draft Interim Report.

Motion made and Question proposed – That paragraph 8.4 as amended be agreed to, which reads as follows:

8.4 The Committee found that the latest round of negotiations with the plumbing industry have resulted in a number of positive developments, including the reduction of the proposed license fee from around \$750 for a single contractor (with a gasfitter endorsement) to a total of \$390 for most practitioners, along with the introduction of a single licence fee, the removal of compulsory CPD requirements and a reduced fee for plumbers over the age of 65.

The Committee deliberated.

Question put;

The Committee divided.

Ayes

Ms Archer
Mr Hidding

Noes

Mr Booth

It was resolved in the Affirmative.

The Committee continued to consider the draft Interim Report.

Motion made and Question proposed – That paragraph 9.1 be agreed to, which reads as follows:

9.1 The Committee recommends that the proposed new fee schedule be passed by the House.

The Committee deliberated.

Question put;

The Committee divided.

Ayes

Ms Archer
Mr Hidding

Noes

Mr Booth

It was resolved in the Affirmative.

The Committee continued to consider the Interim Report.

Paragraphs 9.2 and 9.3 read and agreed to.

Resolved, That the draft report (as amended) be the report of the Committee (Mr Hidding)

Dissenting Statement

Mr Booth provided a dissenting statement for paragraphs 8.14, 8.2 and 8.4.

Ordered, That the dissenting statement be included in the body of the report at the relevant paragraphs (Mr Hidding).

Documents

Ordered, that the following documents be published with the Interim Report:

- Proposed New Fee Schedule for Electrical, Plumbing and Gasfitting.
- Letter from Roy Ormerod, General Manager, Workplace Standards Tasmania dated 24 February 2012.
- Letter from Roy Ormerod, General Manager - Workplace Standards Tasmania, dated 15 March 2012 (Ms Archer)

Minutes

Resolved that the Minutes of the meetings held on 26 March 2012, having previously been circulated, were read and confirmed as a true and accurate record (Ms Hidding).

Adjournment

At 9:30am the Committee adjourned until a time and date to be fixed.

12 APPENDIX “B”

- 1 Proposed New Fee Schedule
for Electrical, Plumbing and
Gasfitting.
- 2 Letter from Roy Ormerod,
General Manager,
Workplace Standards
Tasmania dated 24 February
2012.
- 3 Letter from Roy Ormerod,
General Manager -
Workplace Standards
Tasmania, dated 15 March
2012.

tabled by Roy Ormerod 23/2/12

Proposed New Fee Schedule for Electrical, Plumbing and Gasfitting

Tasmania

Type of application	Proposed 1 yr	Proposed 3 yr	Current OLA Fees		
Contractor licence – with one operative (age 65 years and over)					
Grant and renewal of licence	98	260		462 (1 Year)	
Restoration of licence	98	260		462 (1Year)	
Variation to licence category	35	35		35	
Replacement licence	35	35		35	
Contractor licence – with one operative *					
Grant and renewal of licence	390	1100		462 (1 Year)	
Restoration of licence	390	1100		462 (1 Year)	
Variation to licence category	35	35		35	
Replacement licence	35	35		35	
Contractor licence – with 2 – 4 operatives					
Grant and renewal of licence	500	1450		462 (1 Year)	
Restoration of licence	500	1450		462 (1 Year)	
Variation to licence category	35	35		35	
Replacement licence	35	35		35	
Contractor Licence – with 5 – 9 operatives					
Grant and Renewal of licence	750	2200		462 (1 Year)	
Restoration of licence	750	2200		462 (1 Year)	
Replacement licence	35	35		35	
Variation to licence category	35	35		35	
Contractor Licence – with 10 or more operatives					
Grant and renewal of licence	1000	2950		462 (1 Year)	
Restoration of licence	1000	2950		462 (1 Year)	
Variation to licence category	35	35		35	
Replacement licence	35	35		35	
Practitioner / Certifier Licence - Electrician, Plumber and Gasfitter					
Grant and renewal of licence	98	260		98	294
Restoration of licence	98	260		98	294
Variation to licence category	35	35		35	
Replacement licence	35	35		35	

* A practitioner fee will not apply where the contractor, nominated manager and the practitioner are the one person and no other practitioners are employees of the contractor.

Mr René Hidding MP
Chair
Select Committee on the Costs of Housing,
Building and Construction

Dear Mr Hidding

Thank you for the opportunity to explain the proposed fee structure for plumbers and our role in the licensing and regulation of plumbers. To help the Committee to better understand how the revenue from fees is to be used, I have provided below information on our cost structure. I have also included information relating to the role of the Compliance and Audit Officer.

I. Cost Estimates for the Occupational Licensing Act 2005

I have listed below the number of licence holders as at today's date, for each of the three broad occupational categories:

Practitioners

Electrical licences	5113
Plumbers	1140
Gas-fitters	440
Auto Gas-fitters	120

Contractors

Electrical licences	925
Plumbing	515
Gas-fitters	195
Auto Gas-fitters	12

As some licence holders hold more than one licence, e.g. a plumber may also hold a gas and/or an electrical licence, the number of licence holders will be less than the number of licences issued. Also, each licence holder may have a number of classes within that licence category, for example a plumber may hold one or more of the following classes: water; sanitary; drainage; and roof. While each endorsement requires proper assessment, under the proposed fee structure, these additional endorsements will be issued without charge.

I will now provide information on staff numbers and on costs required to administer the scheme and how these costs are apportioned to plumbers.

Occupational Licensing Budget Estimate						2011-12 Plumbers' share		
Positions	Classification	2010-11 New Funding Requirement		2011-12	2012-13	Plumbers Practitioners Proportion	Plumbers Contractors Proportion	Total Plumbing Contribution
		FTE	Total Cost	Total Cost	Total Cost			
Manager Licensing	Band 6	1	93,058	96,315	99,686	7,833	16,977	24,810
Education Officer	Band 6	0.5	93,058	48,158	49,843	3,916	8,489	12,409
Audit & Compliance Officer	Band 5	1	83,111	86,020	89,031	6,995	15,162	22,158
Audit & Compliance Officer	Band 5	0.5	83,111	43,010	44,515	3,498	7,581	11,079
Audit & Compliance Officer (Vacant)	Band 5	1	83,111	0	0	0	0	0
Administrative Officer	Band 4	1	70,996	73,481	76,053	5,976	12,952	18,928
Administrative Officer	Band 3	1	56,804	58,792	60,850	4,781	10,363	15,144
Administrative Officer	Band 3	1	56,804	58,792	60,850	4,781	10,363	15,144
Administrative Officer	Band 2	1	50,255	52,014	53,834	4,230	9,168	13,398
Total Salaries		8	670,308	516,581	534,662	42,010	91,056	133,065
Non Salary Costs								
Employee costs (uniforms, training)			5,450	5,450	5,532	443	961	1,404
Materials & Supplies			5,000	5,000	5,075	407	881	1,288
Printing Costs			14,000	29,343	29,783	2,386	5,172	7,558
Communication costs			17,000	17,285	17,514	1,403	3,041	4,445
Travel Costs			50,000	50,000	50,750	4,066	8,813	12,879
Motor Vehicle Costs			10,000	20,000	20,300	1,626	3,525	5,152
IT Costs			4,900	4,974	5,048	404	877	1,281
National Licensing Costs			110,000	200,000	200,000	16,265	35,253	51,518
Insurance Costs			4,000	4,000	4,060	325	705	1,030
Service Tas collection costs			5,000	5,000	5,075	407	881	1,288
Miscellaneous			20,000	20,000	20,300	1,626	3,525	5,152
Overhead (payable to WST for power, rent, records, maintenance, Service Tas etc)			91,000	92,365	93,750	7,511	16,281	23,792
Total Non Salary Costs			336,350	453,386	457,187	36,871	79,916	116,787
Total Cost			1,006,658	969,968	991,849	78,880	170,972	249,852

You will see from these costings that we have listed 2.5 Audit and Compliance Officers, not three. I apologise to the Committee for this error. The original fee structure, disallowed by Parliament, provided for three Audit and Compliance Officers.

When we reviewed the fee schedule we reduced the number of Audit and Compliance Officers to 2.5. However, we will continue to hold one position vacant until a decision a new fee structure is in place. As I mentioned yesterday, the work load exceeds our capacity and is resulting in some compliance issues not being followed through.

I also overlooked the position of education officer. This was originally to be one full time position. We reduced this to .5. The role of this position is to help licence holders keep abreast of new and arising developments.

2. Cost of Licence Identity Card

The identity card is printed by a private contractor at a cost of \$4.65 for practitioners and \$2.26 for contractors. Both prices include GST.

This cost is for printing only. There are other costs associated with producing the card, such as charges by Service Tasmania for receiving the completed application form and taking the photo in relation to contractor licences.

The IT costs charged by Service Tasmania for establishing the licensing structure was approximately \$21,000. This is not necessarily a one off cost. Any variation to the licence system attracts further costs. For instance, once the fee structure is approved another charge may be applied.

3. Cost of NOLS per licence

All states and territories signed an Intergovernmental Agreement to introduce a National Licensing Scheme. The licence fees have been struck to take account of this commitment. As revealed in the spread sheet, Tasmania's contribution is \$200,000 per annum which translates to around \$20 per licence, based upon current numbers and the reduced contribution from Tasmania from \$350,000 to \$200,000.

This cost is shared across all of the three licensed trades.

4. Role of Audit and Compliance Officer

I understand that the Committee had queries about what the Audit & Compliance Officer does. An example of a blocked toilet was used as part of the question.

While we can provide assistance to consumers with complaints against plumbers, we have no legislative authority to direct a plumber to carry out rectification work.

The Administrator of Licensing can take action against a licensed plumber relating to misconduct issues. This means that complaints against plumbers can result in disciplinary action. The skills required of the Audit and Compliance Officer are best explained by the descriptors contained in the Statement of Duties as set out below.

- 1. Conduct performance audits of practitioners and contractors and investigate complaints, allegations and other matters as directed by the Administrator of Occupational Licensing.*

2. *Undertake interviews, take statements, prepare briefs of evidence, reports and recommendations in relation to investigations and performance audits in a timely manner.*
3. *Initiate infringement notice processes and provide evidence in court actions.*
4. *Promote practitioner and contractor compliance with the Occupational Licensing Act 2005, and provide compliance advice to practitioners and contractors.*

Thank you for the opportunity to further respond to questions put to me yesterday. I am more than happy to provide further clarification if required.

Yours sincerely



Roy Ormerod
General Manager

24 February 2012

Department of Justice
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15 March 2012

Mr René Hidding MP
Chairperson
House of Assembly Select Committee on the Costs
of Housing and Construction in Tasmania
Parliament House
HOBART TAS 7000

Dear Mr Hidding

At your request, I am providing further information to clarify the revenue and cost estimates of the Occupational Licensing Unit. The earlier response in February to questions from the Committee really only covered the cost estimates. As you will see, the revenue estimates closely align with the costs of administering the licensing.

Below is an outline of the revenue estimates for the Unit.

Revenue under the new proposed fee schedule for Occupational Licensing is expected to raise approximately \$996,529 per annum.

A great majority of trade business are sole traders, or family partnerships which will mean individual plumbers, electricians and gas-fitters in business will not incur a practitioner licence fee. Individuals will still need to be issued with this licence however. It should also be noted that some sole businesses operate under an incorporated name.

Individuals who hold multiple practitioner licences will only pay one licence fee and not be asked to pay multiple licence fees. Contractors holding multiple contractor licences will also only pay the one fee under the *Occupational Licensing Act 2005*.

When the national licensing system begins, interstate licence holders will not be required to reapply or renew their Tasmanian licence. In addition, interstate licence holders coming to Tasmania will not need to apply and pay for a Tasmanian licence under mutual recognition. It is estimated these licence numbers will reduce the current licence revenue for Tasmania by 12%. There will also be a small cost benefit to the licensing fund by not having to assess and process mutual recognition applications.

Table 1 Licence Statistics and Estimate Cost Recovery

Occupational Licensing Fee Revenue Estimates 2012-2013				
Practitioner Licences	Secondary Licences	Primary Licences	Fee Paying Licences	
Electrical Licences		4743		
Plumbing Licences		1139		
Gas Fitter Licences		114		
Auto gasfitters		117		
All Secondary Licences	1296			0
Total	1296	6113		6113
Contractor Licences				
Electrical		900		
Plumbing Licences		456		
Gas Fitter Licences		18		
Auto gas		14		
All Secondary Licences	156			0
Total	156	1388		1388
Licensed Entities	Number			
Sole Traders	698			
Partnerships	221			
Companies	469			
Fees	Number	Company Estimate	Fee	Annual fee revenue
Practitioners	6113		\$98	\$599,074
Contractor 1	698	174	\$390	\$340,080
Contractor 2-4	221	175	\$500	\$198,000
Contractor 5-9		80	\$750	\$60,000
Contractor 10>		40	\$1,000	\$40,000
Less practitioner fee for one operator contractors	698	174	-\$98	-\$85,456
Less 12% interstate practitioner fee revenue under NOLA	734		-\$98	-\$71,889
Less 12% interstate contractor fee revenue under NOLA*	167		-\$500	-\$83,280
Total Revenue Estimate				\$996,529

* It is not known which contractor entities will cease to renew in Tasmania under the National Occupational Licensing System. The estimate of 167 contractors is based on the 2-4 contractors to avoid an over estimate of practitioner losses associated with sole traders and to also not over-estimate the larger entity losses.

Current licence numbers are constantly changing due to persons / contractors not renewing their existing licence and also the frequency of new licence applications. Licence numbers provided are a snapshot in time of those current licence holders as at 13 March 2012.

Thank you for the opportunity to further respond to queries raised by the Committee. I am more than happy to provide further clarification if required.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Roy Ormerod', written in a cursive style.

Roy Ormerod
General Manager