

Senate F&amp;PA Committee

Tabled Document

Inquiry: Budget Estimates 2010-11

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Witness Name: Sen. Ryan.

Organisation: Hertz

# The Australian



## The Hawaiian shirt of rental cars.

## Unions grab \$80m slice of school building funds

- Rick Wallace
- From: The Australian
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**UNIONS have exploited a loophole to have almost all schools stimulus upgrades in Victoria declared "major projects" in order to pocket site allowances estimated to total at least \$80 million.**

The Master Builders Association of Victoria said the allowances - supposed to account for harsh conditions on large buildings - were an "abomination" and should never have applied to most education revolution projects. "We have a regime where the unions exploited the building education revolution to maximise wages for construction workers," executive director Brian Welch said. "It's just another add-on, and because the employers don't have the capacity to take it away from the unions, it stays and it grows."

The main building union, the Construction Forestry Mining and Energy Union, won the right to site allowances of between \$2.40 and \$4.60 per worker per hour through a series of cases at the Victorian Building Industry Disputes Panel.

The CFMEU confirmed it had since spread the allowances across almost all school jobs and said workers would use the extra cash for dinner or a film.

In Victoria, a "major project" is defined as anything above \$2.4m. Once that threshold is reached, the sliding scale of allowances applies. Many schools stimulus projects fell short of the \$2.4m mark, so the CFMEU sought to "bundle" together all projects undertaken by individual builders to get over the threshold.

The Weekend Australian has obtained two judgments from panel chairman Bob Merriman in which he green-lights the union's bid. "In considering all aspects of this matter, I am convinced the union's claim in this matter is justifiable and meets the requirements of the principles outlined above," Mr Merriman ruled.

Mr Welch said the MBAV supported the \$16.2 billion Building the Education Revolution stimulus, but the exploitation of the site allowance had hurt profits.

"The costs escalated and not only applied to the workers for the construction company but all the subcontractors who walked on to the site," he said.

"It didn't aid employment, it just put more money in the pockets of building workers."

CFMEU state secretary Bill Oliver made no apologies for securing the allowance, saying unions were used to builders artificially breaking up projects to minimise site allowance.

"A site allowance is extra money in the pocket of workers, which will be spent on taking their families out to dinner, or to see a movie, or to buy a new pair of socks - all of which helps the economy and serves the ultimate purpose of the stimulus funding," Mr Oliver said.

The MBAV wants the panel to be abolished or an appeals mechanism created. "There is a flaw in the system, which we pointed out to the (state) government; they didn't do a great deal about it so the industry is now paying \$2.40 for every school no matter what," he said.

"Why haven't they done anything about it? Because I think they are as intimidated by the unions as much as anyone else."

Labour costs usually make up about 50 per cent of a construction project's cost. The site allowances add 6 per cent to the wages bill, and 3 per cent to overall cost. Applied across Victoria's \$2.64bn share of the last two rounds of the stimulus, it amounts to \$80m.

Mr Welch said employers would be powerless to strip the allowances out of future agreements. "The unions are going to be out of the cage," he said.

"The Australian Building and Construction Commission is waning, the ability to control and temper their conduct is diminishing and the feral elements want to exert their influence."