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## Executive Summary

Thank you for the opportunity to respond to the NSW Productivity Commission's report "Continuing the Productivity Conversation". We are pleased to participate in this important conversation about driving up the productivity of the New South Wales (NSW) economy.

**The key point we are seeking to convey is that perceived efficiency improvements from reducing or truncating trades training need to be balanced against the risks associated with a poorly trained workforce; and the long term safety and related community and economic benefits which accrue from having a properly trained and skilled workforce, capable of taking advantage of emerging technologies which deliver long term productivity gains.**

The fire protection apprenticeship has a 90% completion rate and it is fundamental that a fire protection profession gains a comprehensive understanding of the whole fire protection system not just a single component. Indeed, a fire protection system is a series of interdependent interlocked components. It is not possible to train this knowledge as a skill set and doing so presents a real risk to our community.

As the Commission's Paper appropriately recognises, maintaining and increasing the productivity of the NSW economy, particularly in the context of the COVID related economic shock, requires action and change in a wide range of sectors of the economy. As the Commission notes, there is no one area of the economy that will drive up productivity, but many, working in unison.

We agree with the Commission's view that the scope to drive up productivity exists in secondary and post-secondary education, in the energy and water sectors, in housing and infrastructure and so on. And we agree with the Commission that this multi-faceted approach to productivity improvements should include a discussion about the way the existing regulatory and taxation frameworks are functioning, and the extent to which they are creating the right outcomes and incentives.

The NFIA is an Australia-wide community of commercial fire protection contractors, suppliers and industry stakeholders. We have a strong interest in ensuring the industry has sufficient skilled workers available to it to meet the housing and infrastructure needs of the community, and to keep the community safe.

In the following pages we provide some context about the role of the NFIA and the contribution its members make to the safety and amenity of the built environment. Our submission includes discussion of several areas of the economy which directly impact our members.

Central to achieving that outcome is a strong and capable skills development and training sector. In this context, the primary focus of our comments over the following pages relate to Chapter 3 which deals with the need to improve efficiencies in the VET sector.

We also offer our perspective on other issues which are important to our members relating to the Chapters 4 – 7 which relate respectively to regulation, energy, infrastructure and jobs.

## Introduction

Besides the human risk, there is also a substantial financial cost to the community due to building fires. Fire costs Australian business millions of dollars due to property damage, fines, compensation, and insurance premiums. Many businesses find that they are not able to recover from the effects of a fire.

### The Australian Fire Protection Industry

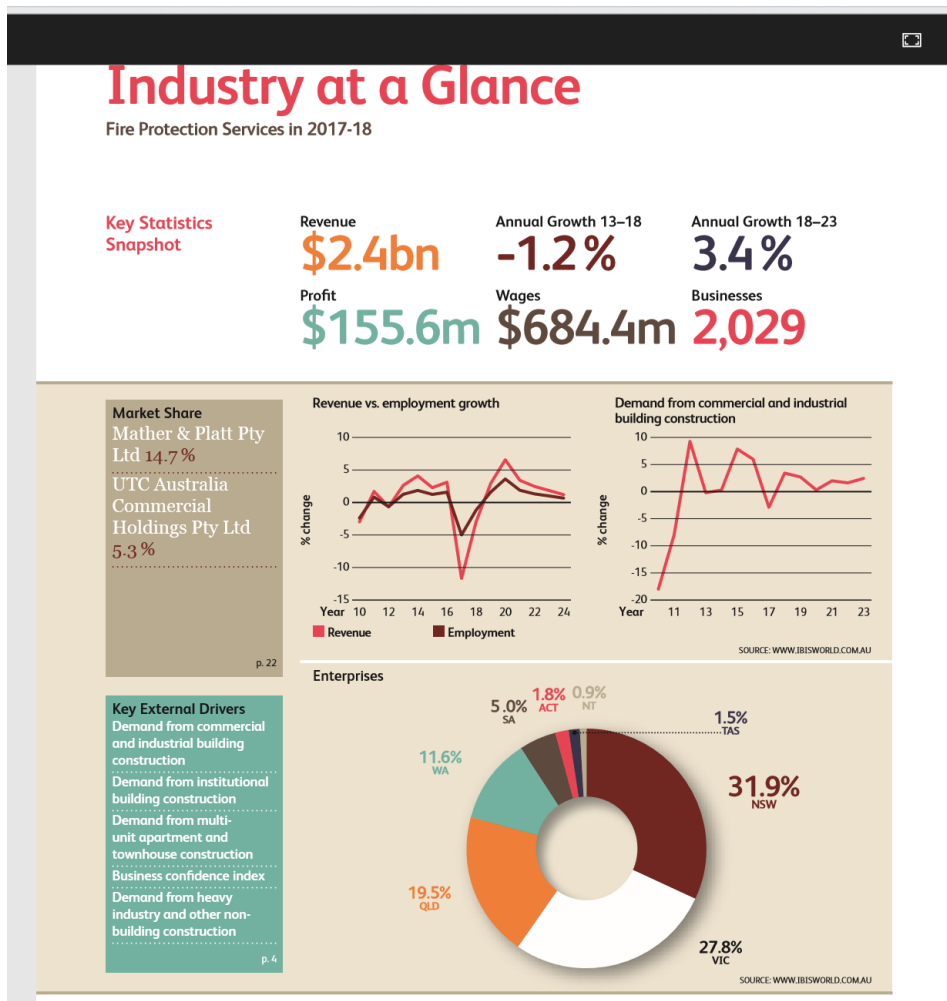
Fire protection in Australia is typically achieved via three means:

- Active fire protection (fire sprinklers, fire hydrants and fire alarm systems);
- Passive fire protection (fire rated walls, floors and ceilings and fire sealing); and
- Education.

The Fire Protection Services industry contributes over \$2.4 billion to the Australian economy every year. Over 2000 businesses pay nearly \$700 million in wages each year and industry revenue is projected to increase at a compound annual growth rate of 3.4% over the five years through 2022-23, to reach \$2.8 billion.

The IBISWorld Industry Report OD5424 Fire Protection Services in Australia (February 2018), claims that despite the presence of vertically integrated multinational giants, the industry has a low level of market share concentration as the top four players are estimated to account for about 27.4% of industry revenue. The two major companies have a combined market share of only 20% and are both part of large multinational companies operating globally across several related industries. Twenty years ago, the two major companies are estimated to have had 80% of the market.

There are now a large number of State, regional and local players that construct, install and service fire protection systems to small, medium and major buildings across the full scope of class 2 to 9 buildings as well as higher risk facilities such as fuel depots, harbours and similar developments. Over half the industry enterprises employ between one and 19 people (53.1% in 2014-15) and a further 44.4% have no directly employed labour. As the minor players have increased their share of the total market, the industry has become more diverse, while also growing substantially.



Where twenty years ago, the two major companies offered a form of institutionalised but limited “industry” training to their people, it could be argued that the industry was less in need of regulation. However, as the industry has grown substantially and its make-up evolved it is now predominately made up of many more, smaller independent contracting companies. That market growth and diversification has provided customers with better contractor choices, better outcomes and better pricing but, at the same time, raised the need for more over-arching regulation.

### The National Fire Industry Association (NFIA)

The National Fire Industry Association (NFIA) is an Australia-wide community of commercial fire protection contractors, their people, suppliers and industry stakeholders representing a wide and varied membership from the smallest sub-contractor through to large Australia-wide construction and service businesses. Our members work at the frontline of fire protection with an estimated 80 per cent of the commercial fire protection work undertaken in Australia is completed by members of NFIA.

NFIA members carry out almost 100% of work in Tier 1 commercial buildings which anecdotally do not have the types of non-compliance issues which have plagued the apartment sector. This work is mostly carried out by the smaller tier 2 and 3 contractors.

NFIA partners with and utilises the resources of other Australian and International industry organisations and associations.

NFIA is committed to the delivery of quality fire protection practitioners across all aspects of fire protection safety. To this end, NFIA has sponsored and supported the growth of the world leading fire industry Registered Training Organisation, Fire Industry Training, which now delivers fire industry required training for all of Australia at its campuses in Brisbane, Melbourne and Sydney.

NFIA believes that an appropriate regulatory framework should be one that protects the safety of the community and property, provides adequate consumer protection, recognises and accommodates industry practice and standards, requires registration of practitioners and is linked to the national training package framework.

## Submission

When it comes to protecting the community and personal and community assets from fire, the skills of the fire protection workforce are key. Without a suitably trained and skilled workforce of fire protection professionals, the buildings we all inhabit would be at risk of fire. It is fire protection professionals who install, test, and maintain the systems we all rely on to work when we need them to. Automatic Water based fire protection systems (sprinklers) are a buildings first line of active defence. Fire protection systems not only allow people to safely exit buildings in the case of a fire or related emergency, crucially, they allow first responders to safely enter.

As we have seen evidenced over recent years, such as at the Lacrosse Building in Melbourne's Docklands precinct in 2014, major infernos can take hold in high rise developments, especially when inappropriate building materials are involved (cladding). In the case of the Lacrosse fire, were it not for a well-functioning fire protection system – one which had been installed and maintained by a thoroughly trained, trade qualified, Sprinkler Fitter - it would likely have been a Grenfell scale tragedy.

The point here is that there is a clear link between high quality training and community safety, and this consideration should be front of mind when considering any changes to the current VET sector training arrangements. In particular, we are concerned that the Commission's focus, with respect to VET reforms, is exclusively on quantity rather than quality. In the case of fire protection. The community requires both.

### VET Sector

Chapter 3 of the paper acknowledges challenges faced by the trades training component of the VET sector. The paper also questions how effective the existing pathways are in the VET sector and suggests, at page 76, that apprenticeships are rigid and too long.

There may be opportunities to streamline qualifications both within and outside the construction industry as the paper suggests. Indeed, the Covid-19 pandemic has forced a number of adaptations to course delivery and the way training is undertaken which will continue to be part of evolutions of training moving forward.

For apprenticeships to be effective there must be a three-way agreement between the employer, apprentice, and the Registered Training Organisation (RTO). The RTO provides National Recognised Training appropriate to the Australian Qualifications Framework which underpins the apprenticeship while the employer has a vital role to reinforce that learning in the workplace. The current model works well in NSW in fire protection. As such we can see no justification or value in making changes to the existing three-year apprenticeship model for fire protection for all the reasons below:



- Firstly, and vitally, safety. A comprehensive three-year qualification as the entry requirement to the industry is based on that being the minimum time that industry believes is necessary. Over decades the industry has worked together to determine the units of competency necessary to be considered a safe and competent professional. The Fire Protection Certificate III course does not include any units that could be considered unnecessary. The paper suggests the current formula is due to historical reasons, or to maintain a “closed shop” between select companies and apprentices, which in the case of fire protection in NSW is simply not the case.
- Working safely in fire protection requires both top quality training and supervised practical experience. Both are necessary to reach an appropriate and safe level of practitioner competence and neither is effective without the other. A fire protection qualification involves face to face classroom and technical training as well significant hours of on the job learning.
- The current training model utilises an established community of practice to delivers such thorough training. This provides the opportunity for all theoretical learning to be reinforced by placing the apprentice into a community of practice. The significant value in a community of practice is that community members create opportunities for interactions and participation to the benefit of all. A community of practice’s long-term perspective, shared history, meaningful relationships, knowledge, values, and beliefs provides an ideal situation to introduce an apprentice into. An apprentice receives access to the interactions, practices, and knowledge of the community and the opportunity to participate in a valuable way. Newcomers may initially lack the necessary knowledge and skills but learn through observation, interaction and collaboration with members of that community.
- An apprenticeship is an advantageous solution to all. It enables workers to develop their skillset and experience while receiving an income, it facilitates employers saving money on employee costs while simultaneously training the skilled workers of they need in the future to the nuances of the communities of practice. This cannot be replicated outside of the apprenticeship pathway. Any other training pathway would not provide the work-readiness which comes through the current structure and employer involvement.
- The fire protection qualification is not a set of individual skills but the development of layers of cognisance, knowledge, and application. The fire protection industry is but one part of the sophisticated and complex modern building services systems and must utilise, intersect, and interact with the other elements. Heating, ventilation, gas, water, waste extraction and fire services are all part of an increasingly complex web of connections and cross connections unseen behind the walls and under the floors of our buildings. These systems, of which the sprinkler system is a key part, deal with extremely hazardous materials and volatile substances. As such a measured build-up of

system wide knowledge is necessary to work effectively and safely in the modern sector. Certificate III trades training is a proven way of ensuring that trades people working on the fire protection system are safe to do so.

Another area which we believe should be a key part of the discussion around training as it relates to productivity, is the role of industry-based training. In the plumbing and fire protection industry, industry RTOs, which are industry owned and operate on a not for profit bases, play a very significant role in delivering the quality of training the industry needs, and the connectivity between industry and training which drives productivity.

In this model, training is designed and delivered by the industry for the industry. It ensures that any gaps between training being delivered and industry requirements (which could potentially inhibit productivity) can be addressed immediately. In the Australian fire protection industry (and the broader plumbing industry), industry RTOs deliver world class, industry designed and tailored training in facilities which are state of the art, and significantly more advanced than those available in the public TAFE or private RTO sector.

The industry training partnership model, of which the NFIA and its training entity Fire Industry Training (FiT) are a key part, is one which could be replicated in other sectors, adding significantly to productivity. Aside from the 90 per cent completion rate, the key benefit is the connection between the employer end of the industry and the training side. Employer and employee representatives are equal partners in the delivery of training, ensuring that training is directly relevant to industry needs. In a sector like fire protection and related services, where advances are being made all the time and ever more advanced and sophisticated systems are being developed all the time, currency of training is very important. Employees who have not been trained in the latest systems are not only less valuable to employers, they are less safe.

We have real concerns about the lack of focus in the paper on the downside risks of fragmenting trades based apprenticeships into smaller one-off skill set based qualifications. We have outlined above how complex the modern building industry is and why we believe this requires a measured learning approach with layers of understanding. Any perceived efficiencies from breaking up an apprenticeship to different skills are likely to be greatly outweighed by the costs associated with an untrained or undertrained workforce.

The Australian building industry finds itself in something of a construction quality crisis. Several major reports (Shergold Weir) and inquiries are being undertaken into the root cause of widespread building failures and the NSW Government appointed David Chandler OAM as Building Commissioner in 2019 to improve the quality of construction. As such we believe that not only is rushing trades training in the name of efficiency 'a false economy' but entirely contrary to the other substantive steps

forward the NSW Government is looking to take at this time in regards to building quality.

### Regulation

Chapter 4 of the Green Paper calls for regulation to be relevant, effective, necessary and efficient, a view with which we and the businesses we represent are inclined to agree. However, unnecessarily burdensome “red tape” is not an issue in the fire industry. Indeed, the contrary could be justifiably argued for (as highlighted by the appointment of the building commissioner and put forward above). The applicable regulations exist to protect community safety and facilitate quality outcomes. The regulations are developed and reviewed according to strict net public benefit assessments as well as being subject to review to ensure that they do not unnecessarily impinge market conduct beyond what is necessary to achieve the requisite consumer protection, community safety, or public health. Whether those regulations relate to occupational licensing, quality, or compliance (all of which are referred to in the Green Paper), as an industry we are broadly satisfied that they are appropriately efficient and effective.

We would again caution that removing regulations to improving productivity must be approached with appropriate regard to the ensuing risk. This Paper makes a number of observations about the value or otherwise of regulated CPD programs. However, in industries like fire protection, where new products and technologies are emerging all the time, ongoing skills development is integral to competence and safe practice. As technology continues to develop and the energy mix continues to diversify, it is vitally important for fire protection professionals to know how to function with an increasingly complex range of systems and interconnections. Removing opportunities to remain current, or any other existing regulation, because on its face the regulation appears unnecessary, would be hasty and dangerous.

The Green Paper focusses on the potential benefits of the free flow of skills across state borders via mutual recognition of skills. We agree and believe that in theory a national licensing recognition framework could drive productivity and efficiency increases. Currently however, the requisite level of like for like training does not apply in fire protection. This is due to the different requirements for licensing and registration across Australia’s different jurisdictions. We would be pleased to engage in any future work to address those challenges.

### Water & Energy

Chapters 5 and 6 are noted with great interest with regards to operationalising new energy sources and water scarcity. For NSW and Australia to take best advantage of new technologies, be it in new energy such as Hydrogen or in water capture, storage,

use and re-use, it is vital that thorough, high level training be in place. Otherwise there is no way to ensure the skills exist in the community to allow adaptation to new technologies. Skills are the key to being able to take economic, social and environmental advantage of new technologies, and high-quality training is a prerequisite to being able to do so and maintain public and community safety.

As such, and consistent with our points regarding Chapter 3, we believe that the fragmentation and undermining of trades-based training would be counter intuitive

### Infrastructure & Housing

We support the recommendations in the Green Paper relating to the need for infrastructure and housing investment. These investments require a sufficient number of skilled, trained and qualified trades people available to do the work. As such we support any and all NSW government initiatives to stimulating activity in these key sectors.

The NFIA agrees that the 2020-21 Budget will be required to support industry and its labour force following the COVID-19 pandemic. It is imperative that there is a substantial stimulus package in the 2020-21 Budget to support the NSW economy. In turn this will allow apprentices to stay in work and training and maintain the supply of skilled workers to the market over the next 5 years.

The current COVID-19 pandemic has seen a dramatic economic contraction. The private sector project pipeline has decreased dramatically to the point of disappearing in some areas. As a sector we have experienced this on a smaller scale before during the GFC. This was addressed by Government via an unprecedented stimulus spend which was successful in supporting the Australian economy. We can achieve this outcome again.

Shovel ready projects must be prioritised, and public construction and infrastructure works brought forward. A clear example of the success of this strategy can be seen from the actions of the Queensland Government after the GFC. In 2009 the Queensland Government supported the largest capital works program in Australia. This was underpinned by a \$17 billion infrastructure program protecting and creating hundreds of thousands of jobs. This spend set up the Queensland economy for the period of growth it experienced coming out of the GFC.

The prioritisation of work in the health sector is particularly critical. Expanding the capacity of our health and hospital network is work that will achieve the goals of helping future-proof Australia against secondary outbreaks or indeed future health events, while creating Australian jobs. Achieving these dual goals will leave Australia well placed going into the future.

The ongoing service and maintenance of the Government's building assets is a notable portion of work in the 'service' section of our industry. This work is budgeted, scheduled, and occurs at regular intervals. Pulling forward this work will provide instant

stimulus during these difficult times. For example, a legislatively required annual inspection and test of a fire protection system scheduled for November can be performed in October and so on. This work in the private sector has also dramatically reduced in the short-term. Once this work is back 'online' then it will replace the future gap created by the Government pull-forward.

**Prepared by:**

[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]

Authorised by:

[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]