

Cosy deals are not so

PAUL
MURRAY



Sweetheart deals are great if you are among those sharing the love. Mike Nahan is feeling left out. News this week that the militant construction union is successfully pushing builders nationwide into a new round of enterprise bargaining agreements — by strike action in two States — infuriated the WA Treasurer.

The problem for Nahan is that he has no say in the deals and the higher costs they will impose on construction projects but he will have to pick up the extra tab on behalf of WA taxpayers.

A new construction industry code which the Barnett Government will bring into force before Christmas makes all such agreements transparent to a compliance unit in the WA Department of Commerce.

But for now, Nahan only knows what he has read in the national media.

That's enough for him to start waving a stick at the big builders, warning them they will be cut out of government work if their agreements contravene the new code, and referring the union to the Australian Competition and Consumer Commission on what he says is evidence of collusive behaviour.

Reports say that one agreement struck by Lendlease for its operations in WA has set pay increases at 3.125 per cent a year over four years.

But Nahan doesn't know if other builders in WA will be coerced into accepting the same rates, significantly below the CFMEU's South Australian agreements which seek annual increases of 5 per cent, or be treated differently under a so-called "tiered approach".

And he is aware that the devil is likely to be in the detail not on show. In particular, he believes the CFMEU is seeking a very high hourly site increase

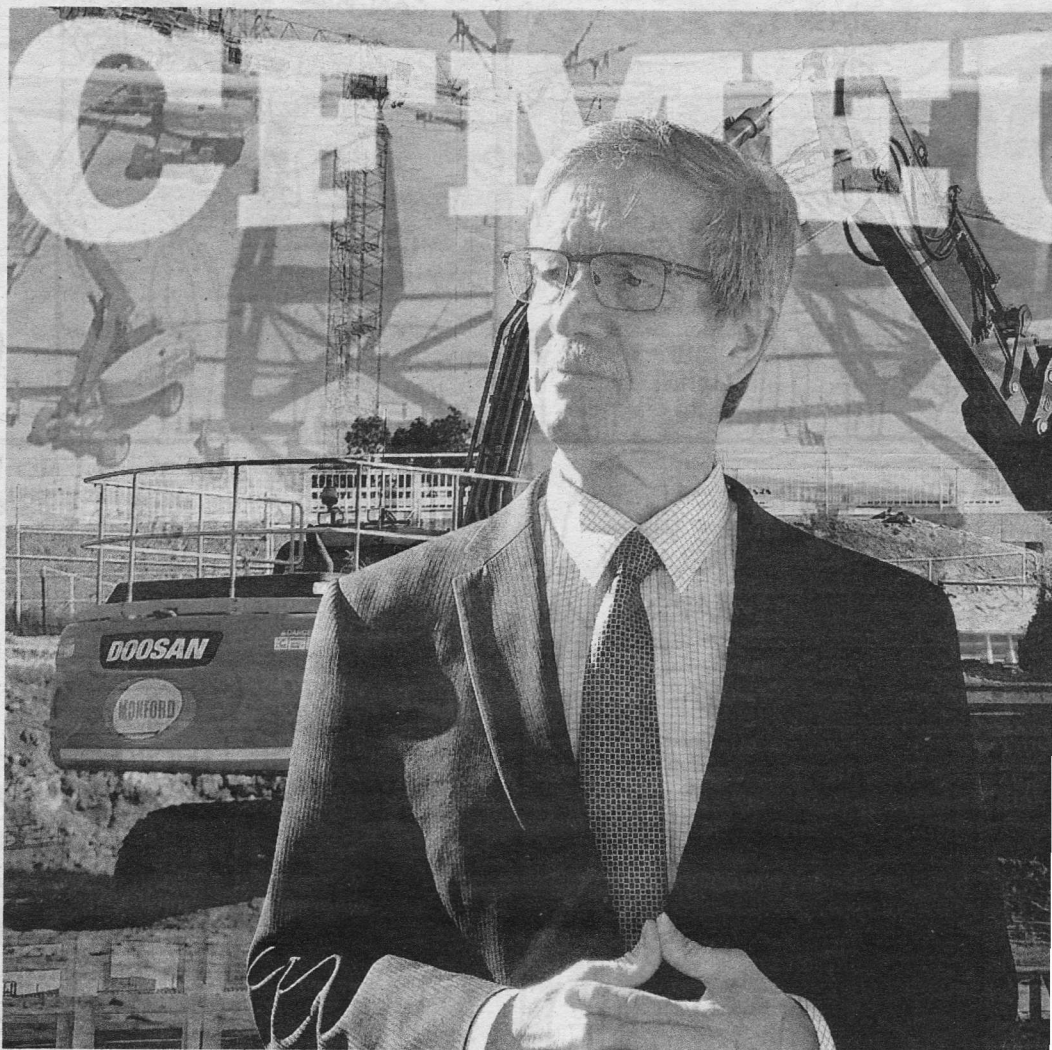


Illustration: Don Lindsay



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Nahan says that building costs have fallen by between 15 per cent and 20 per cent since the WA economy came off the boil. He wants to take advantage of those lower costs for a new round of infrastructure projects to be financed from the proceeds of the sale of Western Power.

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cream to be skimmed off and transferred to CFMEU workers and big construction company shareholders rather than go to the benefit of WA taxpayers.

A letter sent by CFMEU WA secretary Mick Buchan on September 8 said that in the previous four weeks the union had struck agreements with four big builders.

"The CFMEU acknowledges that the building and construction industry has a different capacity to pay at

different levels of the industry," the Buchan says. "The fundamental principles and cost of the new enterprise agreements have been developed through consultation with subcontractors working at different levels of the industry."

"The tiered approach to enterprise agreements that subcontractors have to compete on a level field at each level of industry."

However, Nahan says CFMEU has no right to set rates for subcontractors through agreements with contractors. He says this is anti-competitive and his reference to the 4

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"The tiered approach to this enterprise agreement ensures that subcontractors will be able to compete on a level playing field at each level of the industry."

However, Nahan says the CFMEU has no right to try to set rates for subcontractors through agreements with head contractors. He says that is anti-competitive and is part of his reference to the ACCC.

"The CFMEU letter could arguably be construed as an invitation to you and other WA

construction firms to join in arrangements that might contravene the Competition and Consumer Act," Nahan says in a letter obtained by *The Weekend West*.

"I advise you that I have referred the CFMEU letter to the ACCC, asking them to investigate whether WA construction firms are potentially involved in conduct contrary to the Act."

Nahan's letter tells the firms that a fair, open and competitive construction market in WA is vital.

"The CFMEU letter suggests that this is at risk, threatening the viability of WA Government projects," it says.

When I asked Nahan about the letters yesterday, he said they were designed to "stiffen the backs" of the contractors to stand up to the CFMEU.

"The Western Power sale will mean a high infrastructure spend and lots of jobs," Nahan said. "The last thing I want is to fritter it away through collusion between big companies and the CFMEU."

Nahan says the national consumer laws require enterprise agreements to comply with national and State codes. The construction companies and the union had known all year that the Government was finalising its industry code.

And Nahan's written warning to cut big builders out of government contracts if they do collusive deals with the CFMEU is not an idle threat.

WA's Civil Contractors Federation has released a report stressing the importance of government spending to keep the industry alive.

"Domestic demand has shrunk 8.9 per cent since September 2013 and is projected to fall a further 8.5 per cent over the next two years, bringing the total decline to 17 per cent — having enormous implications for State incomes, employment and the standard of living," said report author Adrian Hart, BIS Shrapnel's senior economist.

Cuddling up to the CFMEU might come at a heavy cost.