



Economics and Industry Standing Committee

Annual Report 2014-2015

Report No. 6
September 2015

Legislative Assembly
Parliament of Western Australia

Committee Members

Chair	Mr I.C. Blayney, MLA Member for Geraldton
Deputy Chair	Hon F.M. Logan, MLA Member for Cockburn
Members	Mr R.S. Love, MLA Member for Moore (to 14 May 2015)
	Mr J. Norberger, MLA Member for Joondalup
	Mr P.C. Tinley, AM, MLA Member for Willagee
	Hon T.K. Waldron, MLA Member for Wagin (from 14 May 2015)

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Report No. 6

Presented by

Mr I.C. Blayney, MLA

Laid on the Table of the Legislative Assembly on 24 September 2015

Chair's Foreword

As Chairman of the Economics and Industry Standing Committee (the Committee) of the 39th Parliament, I am pleased to present its third Annual Report.

During the 2014–2015 reporting period, the Committee continued its work on the opportunities that might arise from the development of FLNG facilities off the Western Australian coast. In October 2014, the Committee tabled its report on the management of Western Australia's freight rail network. This report outlines the Committee's concerns in relation to the Public Transport Authority's (PTA's) management of the 49 year lease of the freight rail network, particularly its 'light touch' approach to overseeing the lessee's adherence to the provisions of the lease and subsequent variations and agreements. The Committee was also concerned about the 'care and maintenance' performance standard for Tier 3 lines, PTA's approach to performance standards and its management of stakeholder concerns. The report also outlined the concerns people have in relation to the impact of increased road transport of grain, a major issue for local governments responsible for road maintenance. Overall, the report found that the state had lost control of a major strategic asset, the regulatory regime is largely ineffective in ensuring state development, the return condition of the network is uncertain, and considerable anxiety and mistrust has been generated in the community as a result of the lack of transparency in relation to lease provisions and management.

The Committee also undertook an Inquiry into safety-related matters concerning FLNG facilities that will be operating off the state's coast. This Inquiry clearly demonstrated that the onus is on operators of oil and gas facilities, including FLNG facilities, to ensure that risks have been reduced to as low as reasonably practicable, and that safety cases and environment plans have been submitted to the National Offshore Petroleum Safety and Environmental Authority (NOPSEMA) for acceptance. No offshore petroleum facility, including an FLNG facility, can operate without a NOPSEMA-accepted safety case and environment plan. This, in turn, makes NOPSEMA's role crucial to the safe development of Australia's offshore petroleum resources, something that was emphasised in the Committee's report.

In May 2015, the Committee considered the material it has gathered in relation to its ongoing work on the economic opportunities for Western Australia that might arise from FLNG developments off our coast. The Committee decided to broaden the scope of this work and to develop a discrete inquiry into how technological and service innovation can be encouraged to expand and diversify the state's economy. Rather than limiting the scope of this inquiry to the resources sector, the Committee has decided to focus on the agriculture and food, the mining and energy, and the advanced

manufacturing sectors of the economy. At this time, the Committee has commenced preliminary work on this inquiry, calling for submissions and receiving a number of briefings. I look forward to presenting that report to the House in 2016.

I would like to formally thank the members of the Committee—Hon Fran Logan, MLA, Member for Cockburn, Mr Jan Norberger, MLA, Member for Joondalup, Mr Peter Tinley, AM, MLA, Member for Willagee—for their continued dedication and commitment to the work of the Committee during this parliamentary term. I would also like to thank Mr Shane Love, MLA, Member for Moore, for his excellent contribution to the work of the Committee until his resignation in May 2015. I also welcome Mr Terry Waldron, MLA, Member for Wagin, to the Committee and look forward to working with him.

Finally, I would like to thank the Committee staff, Dr Loraine Abernethie, Principal Research Officer, and Mr Michael Burton, Research Officer.



MR I.C. BLAYNEY, MLA
CHAIR

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Chapter 1

Committee activities

Introduction

1.1 During the course of this reporting period (Table 1.1), the Committee:

- conducted four inquiries;
- held 28 deliberative meetings;
- has taken evidence from/or was briefed by 151 persons;
- undertook investigative travel to Darwin, Broome, the Netherlands, Stavanger, Bergen, Aberdeen and Goeje; and
- attended 3 conferences.

Table 1.1: Summary of the activities of the Committee, 1 July 2014–30 June 2015

Activity	Number
Briefings	41
Deliberative meetings	28
Formal evidence hearings	18
Witnesses appearing	44
Reports tabled	3
Report findings tabled	119
Report recommendations tabled	27

Public hearings

1.2 Pursuant to Assembly Standing Order 264, the Committee has power to send for persons, papers and records. During the period 1 July 2014—30 June 2015, the Committee conducted 18 public hearings, taking evidence from 44 witnesses to assist with its investigations (Table 1.2).

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Table 1.2: Public Hearings of the Committee, 1 July 2014–30 June 2015

Date	Name	Position	Organisation
17 September 2014	Mr Reece Waldock	Director General	Department of Transport
	Ms Susan McCarrey	Deputy Director General	
	Mr Desmond Snook	Executive Director, Road Network Services	Main Roads Western Australia
	Mr Mark Burgess	Managing Director	Public Transport Authority
	Mr David Browne	Executive Director, Safety and Strategic Development	
7 November 2014	Mr Richard Sellers	Director General	Department of Mines and Petroleum
	Mr Simon Ridge	Executive Director, RSD/Chief Dangerous Goods Officer	
	Mr Ross Stidolph	Director, Petroleum Safety	
7 November 2014	Mr Shaun Gregory	Senior Vice President, Sustainability and Technology	Woodside Energy Ltd
	Mr Brian Haggerty	Vice President, Technology	
	Mr Rory O'Connor	Senior Manager, Health	
7 November 2014	Mr Ian Bray	Assistant National Secretary	Maritime Union of Australia
7 November 2014	Mr William Townsend	General Manager, Extern Affairs and Joint Venture	INPEX
	Mr Nigel Wilson	Senior Industry Adviser	
7 November 2014	Mr Stedman Ellis	Chief Operating Officer	APPEA
	Mr Andrew Woodhams	Director, Safety and Environment	

Date	Name	Position	Organisation
10 November 2014	Mr Mark Leigh	Team Leader, Asset Integrity and Process Safety	ConocoPhillips
10 November 2014	Mr Stephen Price	Branch Secretary	Australian Workers' Union
10 November 2014	Mr Luke Musgrave	Vice President, LNG	ExxonMobil
12 November 2014	Mr Stuart Smith	Chief Executive Officer	National Offshore Petroleum Safety and Environmental Management Authority
	Mr Gavin Guyan	General Manager, Safety and Integrity	
	Mr Cameron Grebe	General Manager, Environment	
12 November 2014	Mr Andrew Doherty	General Manager, HSSE	Shell Australia
	Mr Ian Grose	Commercial Manager, Prelude	
	Mr Gerald Dixon	HSSE Manager, Prelude	
19 November 2014	Mr Lloyd Bailey	Deputy Commissioner, Operations Command	Department of Fire and Emergency Services
	Mr Gary Gifford	Assistant Commissioner, Operations Capability	
	Dr Jeffrey Davis	Principal Scientific Officer	
	Mr Peter Jones	Fire Officer	
19 November 2014	Mr Raymond Buchholz	General Manager, Marine Safety	Department of Transport
	Mr Steven Wenban	WA Regional Harbour Master	
26 November 2014	Mr Steven McCartney	State Secretary	Australian Manufacturing Workers' Union
	Mr Glenn McLaren	Union Official	

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Date	Name	Position	Organisation
26 November 2014	Mr Russell Stringer	Acting Regional Director for Western Australia	Bureau of Meteorology
	Mr Andrew Burton	Meteorologist	
	Mr Bradley Santos	Acting Regional Manager, Severe Weather Services	
	Mrs Caroline Crow	Client Relations Manager, Commercial Weather Services	
27 November 2014	Capt Vic Justice	Chief Executive Officer	Kimberley Ports Authority
12 March 2015	Mr Stephen Wood	Director General	Department of State Development
	Ms Nicky Cusworth	Deputy Director General, Strategic Policy	
	Ms Jenness Gardner	Executive Director, Browse	
7 April 2015	Mr Gavin Guyan	Acting CEO and General Manager, Safety and Integrity	National Offshore Petroleum Safety and Environmental Management Authority
	Mr Matthew Smith	Acting Head of Division, Environment	
	Mr Jeremy Dunster	Manager, Assessment and Inspection, Vessel Facilities	

Briefings

1.3

In addition to gathering evidence during the formal hearings, the Committee received a number of informal briefings. The briefings were used to gain information in relation to the Committee's inquiries as well as other matters (Table 1.3).

Table 1.3: Briefings provided to the Committee, 1 July 2014–30 June 2015

Date	Name	Position	Organisation
21 July 2014	Mr Roel van de Lint	Head, Department of Operations / Deputy Inspector General of Mines	State Supervision of Mines, Ministry of Economic Affairs, Agriculture & Innovation, The Hague, the Netherlands
	Ir RPH Van Elsen	Head, Department of Engineering	
	Ing JDR (Hans) Weenink	Deputy Head, Department of Operations	
	JM (Jan) van Herk	Head, Department of Geo-Engineering	
21 July 2014	Mr Jeroen Zanting	Plant Manager	GATE Terminal, Rotterdam, the Netherlands
22 July 2014	Ir Olaf Waals	Manager, Offshore	Maritime Research Institute (MARIN), the Netherlands
	Ir Jos van Doorn	Manager, Nautical Centre MSCN	
	Mr Bruce Steenson	General Manager, Programs & Innovation	Shell
	Mr Gerry Dixon	HSE Manager, Prelude	
	Mr John Dagostino	Government Relations Advisor (Australia)	
	Ms Catherine Aitken	CX PT Business Manager, Projects & Technology (the Netherlands)	
	Winthrop Professor Mike Efthymiou	Shell EMI Chair of Offshore Structures	The University of Western Australia

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Date	Name	Position	Organisation
22 July 2014	Mr Rob Kretzers	Executive Vice President, Projects	Shell
	Mr Bruce Steenson	General Manager, Programs & Innovation	
	Mr Ian Jewitt	FLNG HSSE Team Leader	
	Mr Simon Durkin	Vice President, User Interface Safety, Environment & Social Performance	
	Ms Winda Evers	Manager, Learning Excellence	
	Mr Gerry Dixon	HSE Manager, Prelude	
	Mr John Dagostino	Government Relations Advisor (Australia)	
	Ms Catherine Aitken	CX PT Business Manager, Projects & Technology (the Netherlands)	
	Winthrop Professor Mike Efthymiou	Shell EMI Chair of Offshore Structures	The University of Western Australia
23 July 2014	Mr Johannes Kjøde	Deputy Director General & Director of Strategy, Communication & International Relations	Norwegian Petroleum Directorate
	Mr Arne Holhjem	Director, Technology & Environment	
23 July 2014	Mr Håkon Skretting	Regional Director Arctic, Australia, Azerbaijan, Canada, China, Russia and Kazakhstan	INTSOK

Date	Name	Position	Organisation
23 July 2014	Mr Narve Oma	Principal Engineer, Structural Integrity	Petroleum Safety Authority Norway
	Mr Thor Gunnar Dahle	Principal Engineer & Special Advisor	
	Mr Kjell Marius Auflem	Supervision Coordinator, Statoil Shelf-based activities	
24 July 2014	Mr Tore Jacobson	Key Account Manager	NorSea Group
25 July 2014	Mr Owe Hagesæther	Chief Executive Officer	NCE Subsea
25 July 2014	Mr Are Nordahl	Area Sales Manager, Asia & Pacific	OneSubsea
28 July 2014	Mr Bill Murray	Chief Executive	Offshore Contractors Association
	Mr Alan Johnstone	Managing Director, Brownfield & Asset Management, Europe, AMEC Foster Wheeler	
	Mr Sandy Clark	Director, SRM & Business Development, AMEC Foster Wheeler	
28 July 2014	Mr Liam Smyth	Membership Director	Aberdeen & Grampian Chamber of Commerce
	Mr Julien Massé	International Trade Team Leader	
	Mr James Bream	Research & Policy Director	
	Ms Rachel Elliott	Policy Executive	
28 July 2014	Mr Tony Hetherington	Head of Energy Division, Operations	United Kingdom Health & Safety Executive

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Date	Name	Position	Organisation
	Mr Peter Brown	Head of Major Hazards Policy, Hazardous Installations Directorate	
	Mr Jim Stancliffe	HM Principal Inspector, Energy Division, Gas & Pipelines	
28 July 2014	Mr Stuart Russell	Senior Trade & Investment Manager	Government of Western Australia, London Office
29 July 2014	Mr David Rennie	International Sector Head, Oil & Gas	Scottish Development International
29 July 2014	Mr Robin Watson	Chief Executive Officer, Wood Group PSN	Wood Group
	Mr Steven Wayman	Chief Executive Officer, Wood Group Kenny	
29 July 2014	Cr George Adam	Lord Provost	Aberdeen City Council
	Cr Jenny Liang	Council Leader	
	Cr Willie Young	Convenor, Finance, Policy & Resources	
	Ms Rita Stephen	Economic & Business Development Manager	
	Dr Nicolas Ellison	Senior International Trade & Investment Executive	
29 July 2014	Mr Robert Paterson	Director, Health, Safety & Employment Issues	Oil & Gas UK
	Mr Ken Cruickshank	Operations Manager	

Date	Name	Position	Organisation
26 August 2014	Mr Song-Bay Chung	General Manager, Tongyeong LNG Terminal	KOGAS
27 August 2014	Mr Chris Gunner	President and Country Chair (Republic of Korea)	Shell
	Mr Evangelos Koukoulis	Deputy Project Director, Prelude	
	Mr Charles Saunders	Business Advisor	
	Mr Scott Baker	Prelude Technical HSSE Lead	
	Ms JiWon Oh	Head of Government Relations (Republic of Korea)	
	Mr Huw Jones	Global Construction Manager	
	Mr Gerry Dixon	HSSE Manager, Prelude	
25 February 2015	Mr John Dagostino	Government Relations Advisor (Australia)	Australian Marine Oil Spill Centre (AMOSC)
	Mr Nick Quinn	General Manager	
	Mr Phillip Starkins	Manager of Preparedness	
	Mr Dale Jolly	Senior Technical Officer	
3 March 2015	Mr Nathan Young	Senior Technical Officer	Shell in Australia
	Mr Paul Ryan	Upstream Communications and Government Relations Manager	
	Mr Gerry Dixon	HSSE Manager, Prelude	
	Mr Ian Grose	Commercial Manager, Prelude	

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Date	Name	Position	Organisation
4 March 2015	Mr Terry O'Connor	Chief Executive Officer	Darwin Port Corporation
4 March 2015	Mr Charles Kleiman	Deputy Chief Executive Officer	Kimberley Ports Authority
	Captain Vikas Bangia	Harbourmaster	
5 March 2015	Mr Scott Brawls	A/Operations Manager	Broome Hospital
	Ms Julie Hollingworth	Coordinator of Nursing and Midwifery	
	Dr Sue Phillips	Senior Medical Officer	
	Ms Carmen Morgan	Regional Nurse Director	
	Mr Robert Amm	Clinical Nurse Manager Emergency Department	
5 March 2015	Mr Paul Ryan	Upstream Communications and Government Relations Manager	Shell Development (Australia) Pty Ltd
	Mr Gerry Dixon	HSSE Manager, Prelude	
	Mr Ian Grose	Commercial Manager, Prelude	
	Mr Jamie Mc Alindon	Aviation Supervisor, Upstream International	
	Mr Rob Wilkinson	Broome Operations Supervisor, UIZ Logistics	
	Mr Shane Cyr	Base Manager, Broome	CHC Helicopter Services

Date	Name	Position	Organisation
5 March 2015	Mr Phillip Starkins	Deputy General Manager	Australian Marine Oil Spill Centre (AMOSC)
	Mr Phil Leigh	Emergency Response and Training Coordinator, Shell Australia	
6 March 2015	Mr Tony Proctor	Immediate Past President	Broome Chamber of Commerce
	Ms Veronica Jackson-Smith	Executive Officer	
6 March 2015	Mr Graeme Campbell	Shire President	Shire of Broome
	Mr Ken Donohoe	Chief Executive Officer	
6 March 2015	Mr Timothy Bray	Director, Regional Planning and Projects	Kimberley Development Commission
	Ms Anna Johnson	Manager, Research, Analysis and Economics	
7 March 2015	Ms Elsie Archer	President	Shire of Derby West Kimberley
	Mr Ross Sullivan	Deputy President	
	Mr Stephen Gash	Chief Executive Officer	
7 March 2015	Mr Stuart Milne	President	Derby Chamber of Commerce
	Mr Paul White	Vice President	
13 May 2015	Mr Erich Hofmann	Managing Director	Hofmann Engineering
	Mr Jarrod Hofmann	Product Manager HPGRs	
20 May 2015	Mr John O'Hare	General Manager, Marine and Defence, Oil and Gas, Australian Marine Complex	Department of Commerce
	Mr Stephen Grocott	Consultant	

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Date	Name	Position	Organisation
20 May 2015	Professor Peter Klinken	Chief Scientist of Western Australia	Department of Premier and Cabinet
20 May 2015	Mr Charlie Thorn	Director, Research & Development	Curtin University
26 May 2015	Mr Shane Addis	Managing Director	ERGT Australia
	Mr Ryan Cotterell	Senior Trainer	
26 May 2015	Mr Stuart McLagan	Communications Manager	GE Oil & Gas
26 May 2015	Mr Des Gillen	Managing Director, Kwinana Refinery	BP Australia
	Mr Peter Metcalfe	Director External Affairs – Upstream	

Investigative travel

- 1.4 Throughout this year, the Committee undertook investigative travel to a number of Australian and overseas locations. This travel was in support of its major Inquiry into FLNG safety-related matters and further work the Committee was undertaking on economic opportunities for the state from the development of FLNG facilities off the Western Australian coast.
- 1.5 In July 2014 the Committee undertook investigative travel to the Netherlands, Norway and Scotland. Throughout this travel the Committee received briefings from a wide range of petroleum industry stakeholders, including oil and gas companies, local government, and government agencies, as well as suppliers and contractors, and their respective representative associations. The Committee was also able to undertake site visits to the MARIN testing facility, which is where the testing of the Prelude FLNG facility model was conducted.
- 1.6 In August 2014, Committee travelled to the Republic of Korea (South Korea) to inspect progress in the construction of Shell's Prelude facility in the Samsung Heavy Industries' Goeje Island shipyard. While in South Korea, the Committee took the opportunity to visit the KOGAS LNG Terminal in Tongyeong.
- 1.7 In February and March 2015, the Committee also received a number of briefings and undertook further site visits to organisations in Hamilton Hill, Darwin and Broome. These included visits to Shell's supply base in Darwin, the Darwin Port Corporation, the AMOSC facility in Hamilton Hill and in Broome, the Broome Hospital, and Shell's

Broome helicopter base. The Committee also met with representatives from the Kimberley Port Authority, the Shire of Broome, the Broome Chamber of Commerce, the Kimberley Land Council, the Shire of Derby West Kimberley, the Derby Chamber of Commerce and the Broome Development Commission.

1.8 In May 2015, the Committee undertook site visits to Hofmann Engineering in Bassendean, to ERGT Australia, and GE Oil and Gas Australia in Jandakot, and to BP Australia's Kwinana Refinery. These site visits helped inform the Committee Inquiry into fostering technological and service innovation so as to expand and diversify the Western Australian economy.

1.9 The people the Committee spoke with are listed above in Tables 1.2 and 1.3.

Conferences

1.10 The Committee attended the following conferences and forums:

- Health, Safety and Environment Conference 2014 (as guest of APPEA)
- Australasian Oil and Gas 2015 Conference and Exhibition (as a guest of the Minister for Commerce)
- *In the Zone 15*, University of Western Australia, Perth

Reports tabled

1.11 The Committee tabled 3 reports during the period 1 July 2014–30 June 2015, as follows:

- *The Management of Western Australia's Freight Rail Network* (16 October 2014)
- *Annual Report 2013–2014* (23 October 2014)
- *FLNG Safety Matters* (7 May 2015)

Work in progress

1.12 In tabling its report on the economic impact of FLNG on the Western Australian economy, the Committee stated its intention to continue its work on the potential opportunities that may arise from FLNG facilities operating off the state's coast. Since that time, the Committee has decided to broaden the scope of this work to include opportunities that may be leveraged from the state's experience in the resources industries in general, rather than only FLNG.

Chapter 1

1.13 In line with this decision, the Committee resolved to conduct an inquiry into how technological and service innovation can be encouraged to expand and diversify the Western Australian economy. The Committee will focus on the following sectors of the Western Australian economy: agriculture and food; mining and energy; and advanced manufacturing.

1.14 In particular, the Committee will consider:

- what drives innovation;
- collaboration between government, universities and business;
- how research can lead to the development of new products, services and jobs;
- the challenges associated with financing and commercialising new technologies, products and services; and
- models of development by which technological and service innovation could be encouraged in Western Australia.

1.15 To date, the Committee has called for submissions to the Inquiry and is in the process of arranging briefings and site visits to gather evidence from appropriate stakeholders. The Committee anticipates reporting to the Legislative Assembly in June 2016.

Chapter 2

Financial statement

- 2.1 The Committee does not have its own formal budget and is funded out of the budget of the Legislative Assembly. Approval for major expenditures is required on a case-by-case basis and is entirely at the discretion of the Speaker.
- 2.2 The Committee's expenditure for the financial year 1 July 2014—30 June 2015 (in accordance with Standing Order 276) is detailed below.

Table 2.1: Expenditure items of the Committee 1 July 2014–30 June 2015

Expenditure Item	\$
Advertising	1,900
Conference fees	1,800
Travel	103,400
Staff amenities	1,100
Couriers	100
Printing	6,900
Miscellaneous	< 100
TOTAL	\$115,100

Notes:

- *All figures rounded off to the nearest \$100.*
- *Salaries of committee staff are not included.*
- *Costs of shared administrative expenses, including lease costs for committee accommodation are not included.*



MR I.C. BLAYNEY, MLA
CHAIR

Appendix One

Committee's functions and powers

The functions of the Committee are to review and report to the Assembly on: -

- a) the outcomes and administration of the departments within the Committee's portfolio responsibilities;
- b) annual reports of government departments laid on the Table of the House;
- c) the adequacy of legislation and regulations within its jurisdiction; and
- d) any matters referred to it by the Assembly including a bill, motion, petition, vote or expenditure, other financial matter, report or paper.

At the commencement of each Parliament and as often thereafter as the Speaker considers necessary, the Speaker will determine and table a schedule showing the portfolio responsibilities for each committee. Annual reports of government departments and authorities tabled in the Assembly will stand referred to the relevant committee for any inquiry the committee may make.

Whenever a committee receives or determines for itself fresh or amended terms of reference, the committee will forward them to each standing and select committee of the Assembly and Joint Committee of the Assembly and Council. The Speaker will announce them to the Assembly at the next opportunity and arrange for them to be placed on the notice boards of the Assembly.