

Gorgon Project — Local Content — Adjournment Debate

HON JOCK FERGUSON (East Metropolitan) [5.12 pm]: I rise to address the issue of the Gorgon project. I addressed this matter on 22 September in a previous adjournment debate. Some of the issues I raised then related specifically to local content and to how much the Western Australian industry was likely to be involved in the project. During the course of that address, I mentioned that I had consulted with the industry. The major stakeholders were very concerned about how much work local industry, and particularly fabricators, would gain from the Gorgon project. In saying that, I would like to read into *Hansard* a copy of a news article from the *Western Australian Business News* of Thursday 24 September, which was published two days after I made my remarks in the house. It is headlined “Local industry will struggle to compete on big projects” and it states —

Politicians were wrong to claim the \$43 billion Gorgon LNG project alone would keep all the state’s workshops ticking over, leading engineers and contractors have warned.

In reality, most high-end LNG work would continue to be lost overseas due to Australia’s poor record of building the specialist skills base needed by the industry.

“We as an industry in Australia started way too late in developing oil and gas human capital,” Neptune Marine managing director Christian Lange said.

“So where are we going to get experienced people from? They’re going to have to come from overseas.”

Mr Lange was scathing of Premier Colin Barnett’s recent claim that Gorgon would keep Western Australia’s workshops busy for years.

“That is a fictional story, it’s out of the Brothers Grimm, because it’s simply not possible,” he said. “One we don’t have the expertise, two we can’t compete on price, and three all the major (project developers) will automatically default to the big international service companies for certain parts because they are lower risk.”

Most observers believe Gorgon will struggle to achieve better than 50 per cent local content, compared to more than 65 per cent for Woodside’s Train 4 LNG expansion at the North West Shelf.

Steve Jones, chief executive of oil and gas plant specialist Plexal Group, said companies providing services that could not be exported, such as site works or logistics, would clearly be the main beneficiaries of Gorgon.

“If you look at Gorgon, probably 75 per cent of it is going to be done overseas ... in countries which have spent the last 20 years increasing their skills,” he said.

“Certainly if you’re in ... (services) that can’t be exported offshore, you’re going to really enjoy the next 10 years. But if it can be exported offshore, I don’t see a huge amount of benefit coming into WA.”

John Sheridan, managing director of plant fabricator Ausclad Group, agreed that a significant portion of work would have to be performed locally.

“You can’t dig a hole for Gorgon in China,” he said.

But winning higher-end work would depend on LNG proponents’ commitment to award at least some of that work locally.

Ausclad is bidding for a share of the processing module fabrication work on the understanding that price would not be the only factor in the tender process.

“We wouldn’t bid it if we knew the decision was just going to be straight on price,” Mr Sheridan said.

“But there’s been encouragement for us to look at it because of Gorgon’s statements that they want part of it fabricated in Australia.”

All three men said that greater incentives, such as tax breaks, for technology research and trades-based training would help Australia better capitalise on emerging LNG opportunities.

Three industry experts have confirmed some of the things I said on 22 September in the adjournment debate. This government is flip-flopping around. It did not know what it was talking about when it said it would get 70 per cent local content, then it reduced it to 50 per cent. The government is relying completely on the work that must be done here, such as the construction, the man hours that go into construction, the civil works and the earthworks. These things have to be done in Western Australia and cannot be done overseas. Again, this government has no vision in regard to local content. It does not really know what is going on. The thousands of jobs that the government, in particular the Premier, is talking about are jobs that will come naturally from the Gorgon project. They will not be the jobs that we should be pursuing in the fabrication industry, jobs, which

most probably—I hope they will not—will go offshore to the detriment of the industry, the detriment of the economy and the detriment of the Western Australian community.