ECONOMICS AND INDUSTRY STANDING COMMITTEE

INQUIRY INTO THE ECONOMIC IMPLICATIONS OF FLOATING LIQUEFIED NATURAL GAS OPERATIONS

Please note: this transcript of evidence has been made available by the Committee for the purpose of assisting those who might be in the process of preparing a submission in aid of the Committee's inquiry into the economic implications of floating liquefied natural gas operations.

TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
FRIDAY, 28 JUNE 2013

SESSION THREE
CLOSED SESSION

Members

Mr I.C. Blayney(Chair)
Mr F.M. Logan (Deputy Chair)
Mr P.C. Tinley
Mr J. Norberger
Mr V.A. Catania

Hearing commenced at 11.00 am

McCARTNEY, MR STEVEN JAMES
State Secretary, Australian Manufacturing Workers Union, examined:

The CHAIR: On behalf of the Economics and Industry Standing Committee, I would like to thank you for your attendance this morning. The purpose of today's session is for the committee to receive a briefing in aid of its inquiry into the implications of floating liquefied natural gas operations from Mr Steven McCartney of the Australian Manufacturing Workers' Union. I take this opportunity to introduce myself; I am Ian Blayney, member for Geraldton and chair of the committee. The other members of the committee present today are Jan Norberger, member for Joondalup; Fran Logan, member for Cockburn; and Peter Tinley, member for Willagee.

The Economics and Industry Standing Committee is a committee of the Parliament of Western Australia. This hearing is a formal proceeding of the Parliament, and therefore commands the same respect given to proceedings in the houses themselves. This is a closed briefing, and Hansard will be making a transcript of the proceedings. If you refer to any document during your evidence, it would assist Hansard if you could provide the full title for the record. Before we begin, I need to ask you a series of preliminary questions. Have you completed the "Details of Witness" form?

Mr McCartney: Yes.

The CHAIR: Do you understand the notes at the bottom of the form about giving evidence to a parliamentary committee?

Mr McCartney: Yes, I do.

The CHAIR: Did you receive and read the "Information for Witnesses" briefing sheet provided in advance of today's hearing?

Mr McCartney: Yes, I have.

The CHAIR: Do you have any questions in relation to being a witness at today's hearing?

Mr McCartney: No, I do not.

The CHAIR: Would you please state your full name and the capacity in which you appear before the committee today?

Mr McCartney: Steven James McCartney; I am the state secretary of the Australian Manufacturing Workers' Union. I represent a large quantity of people who will be working in this industry—our membership—and I have also worked in the industry myself for quite some time before I became an organiser in the AMWU.

The CHAIR: Thank you. I invite you to begin your briefing.

Mr McCartney: Thank you.

I just want to say to start by saying I am glad this briefing is going ahead because it is a very serious issue for my members and also the communities we deal with. We have a longstanding agreement with Indigenous communities in the north west, and we have been working very closely with the Kimberley Land Council for about three and a half to four years, supporting them with issues like numeracy and literacy, understanding their rights at work et cetera. They approached us around the James Price Point issue, for instance, with the Browse process to see if we could help them with working with agreements to try to give more Indigenous people opportunities inside this space with ongoing training and real jobs. We have been discussing and working with that group for around about two and a half years, looking for the best way to use the flexibility clause in the EBA to

ensure that Indigenous people can pursue the cultural pursuits, which is really important to most Indigenous people in Western Australia but I think you will find that the Kimberley group is very culturally driven and it is one of the big things in their culture. They do not want to lose their culture, but they do want to progress as far as real jobs and getting into the industry and industry development for a few reasons. I know this is a bit of a preamble, but I think it is important for a few reasons. Because of the low participation rate inside of schools in the area and because of the lack of opportunity at the other end of school, they believe that getting a process where we could have real jobs and real training with real outcomes would encourage other young Indigenous people, and local people, inside and around those regional areas to attend school because there is a real dividend at the other end of going to that school. Also, giving opportunity and hope for real jobs might in some way reduce the suicide rate in the area, which is another really bad problem they have that they are trying to address internally. We have been supporting them with that cause for quite a while now, and we are 150 per cent committed to supporting them on those issues. We also believe that giving real jobs, real opportunity and real training to those people would be an absolute dividend for them, and for their progression and for their ultimate goal, which is self-determination. I really wanted to say that first, so that you understood the preliminary role we played there and how we got engaged in that, and why the James Price Point development per se is a really important project for us and it is important to try to make sure that that development stays on the post.

The other reason for that, of course, is that all the local subcontractors and small businesses in that area could potentially feed off the outcomes of a land-based operation for liquefied gas. If it was offshore in an FLNG situation, that would be vastly reduced; and, of course, when that gets vastly reduced, so do the opportunities for training, development and skills development et cetera for the town and for the 39 communities in that area. We believe that not coming to the shore, especially in this case, will have a real impact on those groups, but also the local towns in that area as well. It would make sense, especially in a situation we have now where we are flying people in and out and having 457 workers to top up skills development, and it would be a smart thing for us as a country to build a skills base right in the middle of the area where oil and gas is. The way we look at that is if you look at Gove, down to, really, Exmouth, is the area we are talking about, and they are right in the middle of it. One of our ambitions for the future is to have a ready workforce who live in the area and like being in the area and who actually feel like they are tied to that part of the country with the skill and expertise to work inside the oil and gas industry. I think we will have a readymade workforce who lives in the area regionally, and also an opportunity for ongoing training. When I get into the next part of my discussion, you will see that that means quite a few jobs, especially when we are talking about land-based liquefied gas.

I suppose where I would like to start as far as the jobs are concerned is the potential manufacturing jobs. We are the manufacturing union, so we deal with a lot of the heavy engineering et cetera. Can I just use the example of Gorgon because they are the most recent figures of manufacturing? There are 700 000 tonnes of manufacturing inside of our land-based gas liquefaction train and the surrounding works around it. That also includes the civil engineering—sorry, I will get to that; I am ahead of myself. That is all about the module-based work that is done in manufacturing, and also the up and down stuff. We call it the up and downstream manufacturing for the project, which is everything from the pipe lay and the subsea pumping stuff, which would be severely reduced, right through to the land-based—we call it downstream—where you have the pipe racks, piping, valves et cetera, which is all able to be manufactured in Western Australia or in Australia, and which adds up to thousands of tonnes of manufacturing that will be going off shore because none of the FLNG components will be manufactured in Australia. They will be owned and purpose-built by South Korea, and the ties with Shell. Shell has a very strong tie in all of this. They have developed the technology and that is all getting built, and the expertise and the design et cetera is getting built in Korea, all that design. I suppose when you talk about engineering and design in these projects, if we are part of the engineering and design of the projects, we also become part of the innovation in

those projects in the future to try to streamline them and make them more efficient et cetera. All these projects are under constant review and scrutiny, and there is always design projects et cetera that are getting added on to, to make sure these things are more efficient. So all that manufacturing goes away.

[11.10 am]

We will be supplying the details in our written submission, but the rule of thumb is about one apprentice in every 10 tradesmen's jobs, and every 1 000 tonnes of work creates around about 400 jobs for manufacturers. So we are talking thousands of potential jobs. But, more importantly, hundreds and thousands of potential skills development; not only apprenticeships skills and development, but also rigging, scaffolding and all those other things—crane drivers et cetera—that are the spin-offs to the manufacturing of these particular components. Them being modularly based components does put pressure on us as far as winning that manufacturing work, but we think we have taken some steps forward with the Australian industry participation plans that have been put out federally that will drive some of that work back into our workshops, if we get the opportunity to do this work at all. So there are quite a few jobs when you think about it.

If I can refer to my history; I was the convener on a Sunrise project, and a very small part of the Sunrise project employed 1 000 workers and trained, I think, about 120 apprentices during the manufacturing stage of those components in 1999. They were done on an ad hoc basis—I do not know if you are familiar with Fremantle wharf—on the 11 and 12 berth of Fremantle wharf. Now, of course, we have the AMC, and that is a purpose-built facility exactly for this area, with all the components around it. If you understand manufacturing, we have first and second-tier manufacturers, and we call them the big bits technology. They are the guys who do the big lumps of work. The work they cannot handle filters down to the third and fourth-tier manufacturers. When we are talking about and third and fourth-tier manufacturers, we are talking about companies with around about 60 to 80 workers in their sheds, and the fourth-tier manufacturers are the guys at around about 20 to 25 people in there. So it supports small business, right up until second tier. We look at Civmec, which is a company on the AMC which has about 550 workers inside that building, as a second tier or first-tier employer. So, the work that filters out of those first and second-tier manufacturing jobs spills over into the third tier and fourth-tier jobs. A lot of our apprentices get an opportunity, especially—I do not know the best way to put this—I suppose the kids who have less of a chance of getting into the big shops to get an apprenticeship because they pick the top 10 or 20 or whatever. It gives those other kids an opportunity in those third and fourth-tier operations to build skills and get skills development et cetera to go forward to be a tradesman. A lot of apprentices get trained in those third and fourth-tier shops. You might have 100 apprentices in, say, Civmec, and that is one company, but that company might feed into seven or eight other companies that have 10, 20, five or 10 apprentices in each one of those jobs. Without that manufacturing, those shops do not exist, and of course the opportunities for young people do not exist either.

I think that is the manufacturing picture. I suppose that is just my view from the AMWU, which is all the metals components. You also have the prefabricated concrete components, all the stuff that makes the jetties, which is the basis for those jetties. You also have, of course, a vast amount of electrical work. So you have the ETU quite heavily involved in making sure it is right, because everything works off the back of electricity, as you can imagine, and it steps up to the high-end stuff, where you have the computer tech stuff involved as well, which makes those patterns. So it is an opportunity to really, in my view, accommodate the place where we want to be as a country. We are talking about we need to be in the high-end manufacturing, we need to be at the forefront of innovation to make sure we get better and maintain our spot in the world market as far as manufacturing is concerned, and taking this away actually takes that opportunity away for skills development in those other areas as well. I cannot speak with any great authority on how much electrical work and that high-tech end—what that means in real jobs—but I can say that in the job I did work on, when there were about 1 000 metalworkers on that job, there were about around about

200 electricians and apprentice electricians on that job as well. Then you go to blasting and painting, which is another component of this whole thing, where we have people who blast down the steel, and of course coat that steel—anti-corrosive steel et cetera—to make sure we get some longevity out of the place. Salt water and steel do not get on very well without a coat of paint.

The manufacturing component means thousands of jobs to us, but I think as important as those jobs is that it gives us an opportunity to lift our sights and build the skills development we do need to get to those high-end manufacturing jobs. If you want to think about after the facility is built—we will get back to that later—what that does do, if we do have the design and innovation here, is gives us the opportunity to innovate on those projects. When we innovate on those projects and streamline and help develop those projects further, of course what that does is starts putting us in that end of the market where we need to be. Because if we develop the technology in Australia, then we can sell it to the rest of the world; if we are not in the design phase and the engineering phase then we do not get to that point where we break into that market, and it is a very hard market to break into. Without that leg-up, with that opportunity, it makes it a lot harder for the manufacturing to survive in Western Australia.

I can guarantee you that our submission will have all the detailed work related inside that manufacturing and the potential for skills development and the amount of people who will be working in that particular industry. I do not know—I am not 100 per cent sure—so I will ask a question of the committee about how much detail you need about that. Does it drill down to how many first and second-tier, and third and fourth-tier manufacturers would be involved? If you want us to go down that path, we can probably get you, as close as we could, the impact on those other particular shops if it does not go ahead. I am not sure what you need.

The CHAIR: You can be as detailed as you like, but at the same time we do not want to tie up your resources for a long time, but the other thing is, of course, we have to read it and read it thoroughly.

Mr McCartney: Unless you want me to leave you a phone book, or 100 pages.

The CHAIR: Quite honestly, 100 pages would be very good, and I have no doubt that 100 pages, properly done, would be more than enough.

Mr McCartney: Okay; I understand where you are coming from; I just needed some guidance so that when we did our submission it would not be something that was too onerous.

Mr J. NORBERGER: The bottom line is that the sort of data you are referring to goes to the very heart of one of our criteria that we are looking at, which is that, if it were to go ahead on land, these are the type of employment figures that we could expect; if it goes to FLNG we are not going to realise that.

Mr McCartney: I think the important thing to note with that is that because we will not be in the design phase, that actually eliminates us from the innovation stuff later on, which locks us out of that, and that is really important.

Mr F.M. LOGAN: Steve, you mentioned the Sunrise project, and I know that project pretty well. Do you want to describe to the committee what that was? There are similarities to an FLNG.

Mr McCartney: We had four 1 300-tonne topside modules built at Fremantle. It was done on time and on budget and we did not have the rate of repairs that we deal with now with some of the work that comes in from offshore. But the important part of that was that it kept 1 000 people working for 18 months, and I could not tell you how many engineers and design people were involved; that would be something that I am sure the Australian Steel Institute could help us with. We have a very good relationship with them. The important factor about that was the amount of skills development on that particular project—the number of apprentices that got a real opportunity to learn their trade and build the skills that we are using now.

The CHAIR: Could we have some background to Sunrise? Is it a gas project?

Mr F.M. LOGAN: It is an FPSO.

Mr McCartney: It is an FPSO, which is a floating platform that goes through the first stage of separation.

The CHAIR: This is for oil?

Mr F.M. LOGAN: It is for oil, yes; not for gas, and they separate a whole series of different types of oils out. It is based on the Timor Gap. It is operated by —

Mr J. NORBERGER: It is Conoco, is it not?

Mr F.M. LOGAN: Yes, I think it is Conoco. We can talk to Conoco in Darwin about it, but it was a very, very big project.

Mr J. NORBERGER: I used to support them from the Timor side.

Mr P.C. TINLEY: Do not forget that the North West Shelf was all constructed topside.

The CHAIR: One of the accommodation modules for, I think, North Rankin was actually built in Geraldton.

Mr F.M. LOGAN: I was going to ask you about Geraldton, because Geraldton has been a base for oil and gas as well, which has just died, but it has the capacity.

Mr McCartney: Absolutely, in a town like Geraldton, but you could pick any major regional area along there and you can understand how many jobs that would create in the local area and how much development, how many small businesses probably started off the back of that work, and are still running around now. I suppose in those third and fourth-tier businesses that spin off the back of us, they end up in places out the back of the goldfields there in mine services because of the skills that are built up off the back of that. I do not just mean the tradesmen skills, I mean the company and industry skills. Because when small businessmen are working with a major company, you learn to run a business better because you have to run your business better. It is actually business development as well, and people coming out the other end of those processes usually survive longer and better because of the experience. Of course, having experience of small business out in the mining industry does not hurt production outcomes for them, either.

Mr P.C. TINLEY: Steve, in your submission it would be great to see whether you have any more detailed knowledge about rework. You made the commentary about live maintenance, and I understand anecdotally about stuff that comes into the AMC, particularly some of those engineering firms down there in Naval Base, are doing a substantial amount of rework to make it up to grade.

Mr McCartney: There is, and there is a lot of protection around the —

Mr P.C. TINLEY: The truth of the matter?

Mr McCartney: I am trying to think of the best way to put this. When the repairs are done, for a lot of the companies that are the running off the back of offshoring work, there is a lot of pressure on those companies not to publicise those repairs. I think you can go to a company that we—I will have to check with our people first before I put that in a submission, if I mention any names of a company—but one particular company that I have knowledge of, it was made very clear to them that they were not to comment about the rework; the workers got hold of us. We did not know about, of course, their obligations to the client. We publicised it and that company does not exist anymore, so the people who are trying to drive this bus are very careful to maintain that to a minimum.

Mr P.C. TINLEY: It is probably worth mentioning to you now that—Mr Chair, you might want to explain the capacity of in-camera hearings?

Mr McCartney: I understand that, but I also want to be on solid ground about the way I put that to you.

The CHAIR: You would just talk the committee staff about that sort of thing, so they can make very clear the rules that sit around that.

Mr McCartney: I think that is a bit of a side thing to the main game, in my view. The rework that is done is plentiful; there is lots of it. There is the flare tower for Woodside—it is quite open; it has been in the paper—had to be rebuilt.

Mr J. NORBERGER: No doubt you want to go into more detail in your submission. All I am doing is speaking to the elephant in the room, which is that we know that one of their key arguments or the lines that the proponents of floating liquefied natural gas are giving to us is the cost. They have not given us a breakdown of costs, so they have not given us wage components. They have mentioned a raft. But there are obviously veiled references to higher labour costs and what not. What is the view of yourself and your members in relation to the validity or otherwise of that argument? Would there be, from your perspective, flexibility?

Mr McCartney: I have been hearing a lot and reading a lot in the paper. I think it is quite interesting, because being the state secretary of the union and knowing the contracts that get done, I think if you look at the history of construction—I can say this with some strength—from 2000 when I started as an organiser for the AMWU, and I was a delegate/activist with the AMWU for years before that, I know, because I was the one getting paid at the other end of it, that every one of those jobs went up by five per cent a year, so that is the massive wage blowout that has been going on. It has been going up by 5 per cent every year, which is consistent with the rest of the country. The big wages blowout that is happening over mining, oil and gas, if you look at all of those contracts—and I will give you every one of those contracts—the wages component goes up by five per cent a year. That is all it has done.

Mr P.C. TINLEY: You only just beat CPI?

Mr McCartney: No, I think if you look at the last few years, you guys probably know CPI better than me, back to front, but it is around about 3.5, and inflation was around about 4.2; then we look at power and other incidental costs that spike, that 0.8 per cent is to deal with those spikes. We are trying to make sure that, if you do get a pay increase, it covers CPI, it is better than inflation, and it can support those spikes. I do not think you will see an agreement off the coast, either offshore or onshore that has been over five per cent. There has only been one agreement to my knowledge.

Mr F.M. LOGAN: It is an interesting issue, because it goes to the heart of the justification for companies arguing for FLNG. Just to take an hourly rate for a coded welder on the Gorgon project as opposed to working in fabrication, what would be the difference?

Mr McCartney: Okay, on the Gorgon project a boilermaker would be approximately between $42 and $45 an hour; I can give you the accurate figures, and it would be around $34 in the AMC. The AMC is around about two dollars an hour higher than the fab shops, so we are not talking about an obscene amount of money. I know that some companies are trying to break away and pay a larger rate to try to break down our agreements, but we think they only add to the problem. I know that we have a relationship with the companies that we deal with in this space, because we know how competitive it is, to the point where recently, as you know, there has been quite a downturn in work. We went and had a meeting with 550 of our members and they wanted to get five per cent. They said that they had had five per cent since 2000 and that they could not go backwards, and they have agreed to go backwards. They have picked up a deal that says four per cent, because they want to ensure that they have work into the future, because they understand the industry and can see how much pressure the companies are under. The guys themselves have voted that agreement up.

Mr J. NORBERGER: This may be common knowledge, and if it is, I was not aware, but obviously Woodside was the lead contractor in relation to Browse and got to a point where it was looking at the investment decision and what it was likely to do, which obviously led to an

announcement. Prior to that, did they engage with the likes of yourselves or what not to even look at what could be done?

[11.30 am]

Mr McCartney: There was no consultation in any way at all. But I think when we look at FLNG versus a land-based operation—and I have said this publicly—we have to look are two roles. Do not think for one second that I am trying to tell a butcher how to cut meat, but from my position, we have two roles when we develop the resources of our state. Yes, we have to get revenue off the back, but if we do not create real jobs and skills development and opportunities for small business off the back of those, all we are getting is revenue, and if you weigh revenue up against the government incentives to support building that revenue, and the tax concessions around supporting that revenue, we lose out big time in this state. Yes, the multinational company wins; they make more money; they do not have to support those other industries; they do not have to support local training; they do not have to support local skills development; and they do not have to support local towns. All they really need to do is have 170 guys working on that facility and 30 guys on the supply base. That is it; those are the jobs they create. So, the people who collect the rubbish, who do the extra mail, who sort out the cleaning of the rooms and the support around the cleaning of the rooms, who supply the products to the facility; the small businesses that do the day-to-day repairs on the electronics, the computer systems et cetera; the 170 project fitters, boilermakers, TAs, riggers, scaffolders and crane drivers that work around those areas, that go from anywhere from 200 to 800 on shutdowns—you will have about 170 contract workers on that job, doing constant repair, project development work on those jobs, and then they have a shutdown of the facility. The shutdown of the facility employs about 600 to 800 people for nine to twelve weeks. We found on FPSOs, which is the oil version of these things, that they get disconnected, carted away and rebuilt, and then they come back and do not see Western Australia at all. The last one, I think, was the Griffin venture, and it was done in Port Hedland after that; no more were done here.

Mr J. NORBERGER: Singapore has been mentioned.

Mr McCartney: Singapore is now in direct competition with Thailand and pretty soon it will be in direct competition with Bhutan. We envisage that the FLNG will be carted off to Batam or, depending on how strong their links are with South Korea, considering it was designed and built in South Korea, we dare say that it will go there. But they might exploit the cheap labour in Batam to get it done, so that work disappears. If I may, there will be a series of shutdowns in Karratha and then the guys will work in Gove and, hopefully, will work at Browse one day. That just keeps those guys employed while those shutdowns are happening. Some of that is continual improvement and they just have to do that at a certain time anyway. Continual improvement is part of the innovation, and if we do not have that innovation, we are not in the game; we become filter changers.

The CHAIR: A company in Geraldton called SRS does shutdowns all over Australia and all over the world now.

Mr McCartney: Yesterday, I was talking to a federally based committee that I am a part of about getting the best out of our resources. There was some discussion around building expertise and the service industry to these mining and oil and gas projects—some of the things we are exporting from Australia. We would hate to be in a situation where we get out of that innovation so that we do not build those skills and get out of that market, because we would be buying ourselves out of a job.

Mr F.M. LOGAN: Steve, I asked the question about those wage rates and I am glad that you told us because we will be looking at other countries as well. We should ask them what their base hourly rate is so that we know.

Mr J. NORBERGER: Maybe we can pick a sample of occupations, such as a boilermaker, for example. As you said, it comes back to, where possible, the companies showing what component is wages overall, because there are all those other areas they have mentioned.

Mr McCartney: As a suggestion, our agreements have all the classification skills of the workers. We could make that part of our submission and you could quite easily pick from them an average.

Mr F.M. LOGAN: If you could provide an average —

Mr McCartney: I can give you a construction average and also a manufacturing average.

Mr F.M. LOGAN: If you could provide that to the committee staff for both sets of skills before you give your submission, at least we could take that with us.

Mr McCartney: I could do that by Tuesday.

Mr F.M. LOGAN: There is no rush.

The CHAIR: There is a pretty good chance that we will have all the submissions before we go anywhere.

Mr P.C. TINLEY: I looked at the global cost index, which has dollar sensitivities in terms of trade sensitivities, and we are level pegging with Germany in the cost of manufacturing, yet Germany seems to be able to sustain a substantial piece of the global manufacturing market. I think we need to calibrate and normalise a whole bunch of stuff from a global perspective, because there is a lot missing.

Mr McCartney: Another thing I would like to discuss in the time I have here today is the 4 000 construction jobs. I have only talked about the manufacturing jobs so far. If you want to look at something outside of what I will be submitting, there is the Pluto construction and the number of people who worked on that. Pluto might not be a good example because its costs blew out because of the poor workmanship that came over from Thailand. At one stage they had to employ 400 Irish laggers to pull the pipework off and put it back on. Part of the reason it went billions of dollars over budget was because of the rework that had to be done to the flare tower and everything else that was done on the job. I am not complaining, because it gave our members more work to do, but they would really like to be involved in developing the high-end stuff in the first place.

The CHAIR: Gorgon's workforce is 6 000.

Mr McCartney: Yes, it is. I would love to say it was 6 000 construction people, but I do not think that would be fair. You would be looking at around 4 500 jobs in construction. There are 6 000 jobs in Gorgon because of the unusual nature of the way it is built because of the environmental stuff. There are a whole heap of jobs for caretaking components for six or nine months before they are allowed on the island.

The CHAIR: They have to wrap them up.

Mr McCartney: Yes, they have to wrap them up. They wash them down, cover them up and store them for nine months. They do that in the sand as well. That is why the project went backwards by nearly a year. They had to raise the pad 800 mill and they imported all the sand and then they had to sit the sand on the beach for six months to prove that it did not have bugs in it.

The CHAIR: They had to heat treat the sand as well.

Mr McCartney: Yes. They put the sand on the island and then a cyclone blew it all away. They had to get more sand and put it in boxes and keep it for six more months. They have had those setbacks. Of course, there was a nine-month delay for steel around the world, which did not help the project much either. If you are going to be fair, I do not think you can pick on Gorgon; it is picked on enough.

Mr P.C. TINLEY: That said, Steve—this might be a bit sensitive, but we need to look at all sides to this—quite often the cost movement, which is the underpinning rationale for FLNG anyway, is the increase in the cost of doing business generally. Typically, that relates to wages and other worker-related issues. Can you comment on the quality of the project management teams and their capacity to deliver on time and on budget, because there are two sides to it, are there not?

[11.40 am]

Mr McCartney: I think we have to look at a couple of things if we are going to look at that. We have to look at how many projects in Australia are happening at once and then you have to look at the rapid expansion of the number of people on those jobs. The guys who used to be leading hands are now supervisors. Where most of these projects are failing—it is no secret that management is saying this as well—is the disconnect between where the CEO or project manager wants to take it and where the next line of managers are, as far as their expertise goes. Everyone seems to be picking on middle management not having enough expertise to carry out the job. Some of it is the middle management role and some is through a genuine lack of training because of the rapid expansion of the work. You have all those iron ore projects and Pluto and Gorgon et cetera. That puts a lot of pressure on the manning levels, which brings in 457 labour. We support 457 labour around proper market testing and skills development. We do not have a problem with 457 labour as long as we know that Australians have the first opportunity to work and they are also linked through proper market testing and with skills development. I think that changes the dialogue around 457s, when you think about it. If someone helps get a project off the ground and gives your kids an opportunity to be trained, that takes out of it the prejudice and rubbish about taking Australian jobs. But because they do not have that proper market testing beforehand, that has created animosity. I think some of it has been pumped up by outside sources, which is finding the inner-redneck and they get a little bit prejudiced about, "Oh, this guy comes into my country and steals my money", blah, blah, blah. We do not hold that view.

The CHAIR: Steve, how are you going for time? I know you were up against the clock.

Mr McCartney: I have all my national secretaries giving me a hard time at the moment—I would appreciate it if that was not put down! They are auditing our union at the moment, so I do have time restraints through that.

I would like to make these points before you throw me out. I would like to say a couple of things up-front. The number of construction jobs is plentiful but the skills developed off the back of them will disappear if we do not have them. The skills that are developed off the back of those jobs end up being the skills that are used in the projects and upgrades and innovation work in the future. Because they are involved in that, it raises their skill level another peg higher. I think that is where we should be aiming for as a country. These projects have to be looked at through a different glass than just profit and loss. I know the proponents want to make sure they maximise their profit and minimise their outlay, but I think that as a state, we need to ask ourselves what the social cost to this is and what is the cost to the country in the long term if there is a lack of skills development and a lack of expertise in the industry that is not there because of these outcomes. They are the points I really wanted to make. Also, I talked earlier about giving the Indigenous people a real opportunity and a reason to go to school and, more importantly, a reason not to kill themselves.

Mr F.M. LOGAN: Steve, the committee will be visiting the AMC and Civmec at some stage. Just for the sake of the committee, can you briefly highlight how that agreement covering the AMC works compared with other agreements? I think it is a great big construction site. Can you just explain how it works compared with other construction sites?

Mr McCartney: We pushed for the Australian Marine Complex 15 or so years ago, and we were supported by the National Party. Fran Logan also pushed really hard to get it built. The AMC is a purpose-built facility and it is our future. Because it is our future, we wanted to make it cost effective so that we would get the work. Chicago Bridge and Iron is the main contractor down there. They were working for $2 more than the manufacturing rate in the workshops. There is a $2.65 jump in the site rate because of the nature of the work being done there. If you ask the guys down there, they are all whingeing to me because they believe they are on a construction site because they are not in a shed; they are outside building these projects. But we have consistently kept the rates where they are so that we can be competitive. I will make this part of my submission so that you

can see it quite clearly. The manufacturing rate at Civmec, which is on one side of the fence, is $2.65 less than when they go through the gate and work on the AMC, where it is $2.65 more an hour. But if you compare that to construction rates, the guys are $10, $12, $15 or so less per hour than what they would be getting for construction. We did that deliberately to make sure that we do win the work there because we understand that we need to develop those expert skills. This is real important to us and I appreciate that you are looking into this for us. I am totally available any time you want to talk to me about any of this at all.

The CHAIR: Thank you for your attendance before the committee today. A transcript of this briefing will be forwarded to you for the correction of minor errors. Any such corrections must be made and the transcript returned within 10 days from the date of the letter attached to the transcript. If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be added via these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points, please include a supplementary submission for the committee's consideration when you return your corrected transcript of evidence.

Hearing concluded at 11.47 am