

HANSARD 7 SEPTEMBER 2010

RAILWAY (ROY HILL INFRASTRUCTURE PTY LTD) AGREEMENT BILL 2010

Second Reading

DR M.D. NAHAN (Riverton) [8.40 pm]: I will make a few comments and will try to bring this debate back to reality. Many members have spoken in the second reading debate. I think everyone supports the general intent of the project and the bill, which is to promote the development of another large iron ore mine in the Pilbara. I add that this is not a foreign-owned mine. Although it has some Korean investment, it is largely owned by a Western Australian firm and will employ a large number of people. We also have to put this project in the context of the Western Australia of today and not the Western Australia of 10, 20 or 30 years ago.

This is a period of large expansion in not just iron ore. Western Australia is experiencing the largest expansion in iron ore mining in its history, and probably in the world, and this is mirrored by a large expansion in liquefied natural gas and in almost any other type of mine. We are in not a boom period but a major expansion period.

One of the key aspects of this expansion, as it has been for some time, is the significant shortage of people of all skill bases, from blue-collar workers to high-quality engineers, logistics people, personnel and draftsmen. Even though Western Australia was hit by the global financial crisis, our unemployment rate was down to 4.4 per cent last month, which is about as close to full employment as it can get. Unemployment is significantly lower in the very skilled areas.

One of the issues before us today is whether we should put a local content requirement in a single bill for a single firm or project. Why do it to one? Why not have it for all? Why put it in the context of a single project? Why have one project that has to meet certain local content rules in a state in which we do not have enough people to go around across the board? We should not. We should think about local content but we should not impose this requirement on a single firm in a single agreement act and require it to meet unspecified targets.

Members opposite have given the impression that there is mass unemployment in Western Australia and that all the jobs for these large developments in the north west and other places go overseas. Tens of thousands of people are employed in Karratha, Port Hedland and all around the north west. In fact, we are building high-rise apartments to finally get housing up there, which has restricted them significantly. Our mining industry is going through a major expansion phase and is doing well. Members opposite also had a lot to say about looking overseas to places like Angola and Indonesia. Nigeria might also have been mentioned.

One reason Western Australia went through the boom in 2005 to about 2008 when Nigeria, Angola and Indonesia did not is that we had our systems right. We welcomed foreign investment, we kept government ownership and control to a minimum, we allowed people to come in from overseas to work in areas in which there were skills shortages and we allowed the free flow of investments.

I look at what we do and at the north west of Western Australia and can say, without argument, that we have the best and most successful system for resources development in the world. It is easy to judge that by looking at the scope of development in Western Australia relative to any other place in the world, except perhaps Canada.

Another thing we have heard from members opposite is that skilled blue-collar workers are missing out on these developments as all the jobs are going overseas. The reality is that the major beneficiaries of this growth phase from 2005 to today in terms of employment and wage increases has been the skilled blue-collar workers. What have been the wage increases for electricians and boilermakers over the past five or six years? They have been phenomenal.

Mr M.P. Murray: You're out of touch.

Dr M.D. NAHAN: I am not out of touch.

Mr M.P. Murray: Get your nose out of the book and look at the real world.

The ACTING SPEAKER (Mrs L.M. Harvey): Member for Collie–Preston!

Dr M.D. NAHAN: The major beneficiaries of this growth phase have been skilled blue-collar workers of all sorts. All we need do is look at the wage rates being paid on the Burrup and other developments. The member for Collie–Preston said that he has a young mate who gets \$1 000 a day as a rigger on the oil rigs. There are very few of those. But in the Burrup, thousands of blue-collar workers fly in and out on a week on, week off basis, which they prefer, and are being paid a minimum of \$150 000 to \$200 000 a year. That is good. If we asked them to go back to the wage rates and local conditions of 10 years ago, there would be a riot. My point is that we are doing well. One of our major shortages —

Mr M.P. Murray: Why are there 2 000 people on a work site down in Bunbury waiting for jobs in the construction industry?

Dr M.D. NAHAN: There is a range of possible reasons. People move around a bit.

Mr M.P. Murray: Why has the unemployment rate in the south west gone up?

Dr M.D. NAHAN: It is low. This bill is not about the south west. I thought we were talking about somewhere maybe 1 500 kilometres away.

Mr M.P. Murray: I am saying that we should put in some clauses on local content. They are not in there.

Dr M.D. NAHAN: No, this is a specific bill relating to a specific mine. Members opposite decided unilaterally to put a local content requirement on a single project. This bill has nothing to do with the south west, unless people are pulled from there. Does this bill need to impose a local content requirement on the Roy Hill project, which is run by a Western Australian–owned firm, and not on anybody else?

Mr M.P. Murray: We have to start somewhere. If we use your argument, we won't get a start.

Dr M.D. NAHAN: Yes, we do. We have to focus on whether there are impediments.

Mr R.H. Cook: It is not a regulation; it is simply asking for some support.

Dr M.D. NAHAN: We have to look at whether there are impediments. There are weaknesses in the local content requirement. Skilled blue-collar workers have been major beneficiaries of this growth phase with the growth in their wages and the demand for them. They are scarce. We pay them well, which we should continue to do. They receive a high level of services, but that makes us uncompetitive in the fabrication area. It is a statement of fact. Because of internationalisation, which we benefit from, Western Australian fabrication is increasingly open to competition from Indonesia, Thailand, China and everywhere else. That is how the world works.

The construction area is less competitive; a lot of work has to be done locally. We pay our people well and hire them in large numbers. That allows projects to get up, become competitive, export and expand. When we go to the idea of having a local content requirement, particularly in the context of an extreme shortage of people generally, there are pockets of problems. Members opposite have to be careful about saying that they want local content and want to impose that requirement on a specific firm when that firm might not be able to do meet that local content requirement.

The Roy Hill project would have to compete with the BHP Billiton and Rio Tinto expansions and the growth of Gorgon, Pluto and other projects. That is what it has to compete with.

Mr M.P. Murray: Do you know who supplies most tradesmen? It is small business. They put them on and then they are pinched because of the higher wages and we cause a problem down the end because we are not forcing the big companies to take on apprentices.

Dr M.D. NAHAN: There is no doubt that the major employer in Western Australia is small business, and it always will be. The growth in wages, particularly for people who work in the construction and manufacturing sector in the large projects in the north is putting extreme cost pressures on small businesses because they must compete. There is no doubt about that. However, that is not what we are dealing with now. It is an issue, but we are dealing with the Roy Hill project and whether we should include an amendment to impose a local content provision on a specific Western Australian firm.

There has been some confusion between LNG projects and iron ore projects. I have not seen any data on this or had any presented to me, but, to my knowledge, Western Australia is highly competitive in the field of high-level design and project management for iron ore and mineral projects. In fact, Western Australia has steadily become the world's centre for high-level engineering and the management of mining projects. We export our services around the world, including throughout South-East Asia and Africa. To some extent, in the mining sector, Africa is becoming a colony of Western Australia.

That shows that even though we face competitive pressures from overseas, we are competitive overseas in certain areas. We are exporting around the world project management, investment management and design management in the mining sector. That is relevant because ProjectConnect, which is run by the Chamber of Commerce and Industry of Western Australia and is funded by the Western Australian government, lists the contracts of the recent major resource projects. Of the major mining sector investments, most of the major contracts for engineering design and project procurement and others have been undertaken by and given to Western Australian firms.

In other words, I do not think that Western Australia has a problem in the field of engineering design and planning; we are highly competitive domestically and overseas.

Mr M.P. Murray: There are a limited amount of jobs in that area.

Dr M.D. NAHAN: There are a lot of jobs in those areas.

Mr M.P. Murray: Not in comparison with what I am talking about, which is the trades and the semi-skilled and unskilled areas.

Dr M.D. NAHAN: In LNG, and the high-level design —

The ACTING SPEAKER (Mrs L.M. Harvey): Member for Collie–Preston, please stop interjecting. I have given the call to the member for Riverton.

Dr M.D. NAHAN: It is a different story for the LNG sector and the high-level design for the trains. That issue was raised earlier. Those jobs have tended to go overseas. There is a connection between local procurement and the success of the LNG train, but that does not apply to the mining sector.

Another issue in the member for Cockburn's electorate, which I accept, is that there are areas of significant unemployment around Kwinana. The state government has made a significant contribution to develop the marine complex there with the idea of providing work from the growing modularisation of the construction industry in the north west and in the oil and gas sector. That initiative has not been as successful as we would like, which is unfortunate. A reason for that is the large scale of the developments for individual projects and the amount of work available. Also, the simple fact is that developments in the north west have led to significant increases in wages for welders, boilermakers and other people who are employed in Kwinana.

In the Burrup, the wages are in the vicinity of \$150 000 to \$200 000 a year. The employers in Kwinana have to come close to that. The growth and potential for modularisation means that the companies in Kwinana are less competitive with those in Indonesia and Thailand where wages are in the vicinity of \$25 an hour. In other words, our success in getting projects established up north, particularly in the construction phase and others, is absorbing the amount of blue-collar skilled workers that are available. Their wages are increased, which makes it difficult for people outside the north west to rely on those workers to stay.

Mr M.P. Murray: Why don't we have a training feed-in system?

Dr M.D. NAHAN: In the run-up to the last election, the then Labor government boasted that it had not only put a large amount of money into apprenticeships and training, but put in a record level.

Mr M.P. Murray: We doubled the number of apprentices in four years, and that number has now decreased.

Dr M.D. NAHAN: No. Training is a commonwealth and a state function. This Liberal–National government and the former Rudd–Gillard government put additional moneys into training apprenticeships to target those shortages. Admittedly, not many of the large firms undertake training because many of the projects are in the construction phase. However, there is the problem of getting people to complete a traineeship.

Trainees who attend a TAFE, most probably in the metropolitan area, and who earn between \$50 000 and \$80 000 are lured by the \$150 000 salaries paid up north and are likely to not complete their traineeship. They will take the big money and go north. Many of the firms who have an apprenticeship program have said that that is a problem.

Mr M.P. Murray: At the TAFE awards in Bunbury over the past five years, a number of mature-age people have won awards because they have seen the opportunities. We are not opening up enough gaps for those people to fit in.

Dr M.D. NAHAN: I agree with the member. There is a problem with getting mature-age people back into the trades. People who did an arts degree at university should maybe consider learning a trade. That is a good program and would require a bit of a change. I have been to a number of schools. I am not sure whether it is the lure of the money or the excitement of the industry, but a large number of boys and girls no longer want to be merchant bankers and lawyers; they want to be engineers, boilermakers and welders. They can see that that is where the Western Australian economy is growing.

Mr J.M. Francis interjected.

Dr M.D. NAHAN: And fitters and turners too!

The member for Cannington asked whether we are getting enough out of our mining sector. When we look around, we can see that we are getting a lot out of it. We are seeing a major expansion at historic levels that will go on for decades. Western Australia will never be as populous as New South Wales, but it will grow. Those projects will provide work for additional construction and maintenance for the Western Australian economy for a long time.

The mining sector also has provided huge benefits for people with low to medium skills. As I said earlier, they are the largest beneficiaries. The main challenge we have is that there are pockets of problems. There are people who no longer want to work up north because they want to live close to their family. There are location issues. One of the major challenges we face is continuing the growth phase so that we can continue to pay boilermakers, welders and electricians \$100 000 to \$150 000 a year.

Anything that undermines the beginning or the growth of projects threatens those people's wages, futures and livelihoods. I do not think members opposite had any malice at all regarding this amendment on local content, and I understand their arguments. However, putting local content rules on a Western Australian firm that will hire Western Australian firms to design, build and organise the projects by itself could be counterproductive and be an impediment to the future growth of that project and future projects.