

**HANSARD 15 MARCH 2011**  
**RESOURCE PROJECTS — LOCAL LABOUR AND LOCAL CONTENT**

*Matter of Public Interest*

**DR M.D. NAHAN (Riverton)** [4.02 pm]: I rise to make a few comments on this issue. First of all, I think we can all agree that this is an extremely vital issue, and has been, indeed, since the major mining and petroleum-based developments started in Western Australia. Indeed, local content has been a focal point of, and purpose behind, most of the developments for years, and we have evolved an approach to local content. I want to make a few comments about how complex an issue it is, and make some comments, also, about what people are actually doing overseas, particularly in the Newfoundland Canadian experiment. I wanted to talk, also, about the need to focus on, initially, engineering design, if we really want to get local content.

The reality is that in the mining sector, whether the mining services side or providing small-scale fabrication, there is a lack of skilled tradesmen. In Canning Vale in my electorate, more than 30 firms are involved in related industries, and we are in the process of surveying them.

The overwhelming response is that they are fully employed, and that they, generally, could not take on any more work if they tried. The real limitation on their ability to take on more work is the lack of skilled workers. They simply cannot get enough skilled tradesmen—metal tradesmen, welders, and associated industry skills—in Western Australia, and they are recruiting heavily overseas from places such as South Africa or, more recently, Ireland, and they are trying to recruit by way of 457 visas.

The people in my electorate run the larger fabrication yards in the strip, and some time ago they told me that they were fully employed until the global financial crisis; when the GFC hit, it slowed up, and now they are on a one-third—sometimes less—up to a 50 per cent utilisation rate on their new facilities. They told me, also, that they invested very, very heavily in new facilities and technology, and mergers, to get ready for the developments in, particularly, the North West Shelf and the mining sector, and they are disappointed. That is the reality.

Firstly, this is a complicated industry, because if, as alluded to by the opposition, we went out and mandated local content with a primary focus on fabrication, where would the fabricators get the workers from? They would be Western Australians from areas such as Canning Vale, or they would be from overseas; the starting point must be to ensure that there is a supply of workers.

Secondly, we need to look at why the fabrication yards are often less than half full. The reasons are many. We need to recognise—as my good friend Martin Ferguson argued recently—that we should not impose blanket local content requirements, and he said he will not allow that. Let us face it; he is the commonwealth government minister who oversees most of the LNG developments, and he said that we would lose projects and work in mining services, and we would reduce the incentive for the fabrication yards to remain competitive.

**Mr F.M. Logan:** Well, he doesn't know what he's talking about!

**Dr M.D. NAHAN:** Oh, does he not?

**Mr F.M. Logan** interjected.

**Dr M.D. NAHAN:** I thought he was a former union boss, like the member for Cockburn!

Several members interjected.

**Dr M.D. NAHAN:** Yes, he does not know! But we have to listen to him because he is the minister in the Gillard government who will call the tune.

**Mr F.M. Logan** interjected.

**Dr M.D. NAHAN:** So we have to look at this and ask what local content is; it is wide. We have to ask, also: how can we, in this very competitive world, ensure that we have not only local content in aggregate, but also that it is also sustainable? It is all right to have requirements that a project has to have so much local content in its development phase, but that might last a year or two; is that good? No. We need to increase our capacity on a sustainable basis and focus on that.

The Leader of the Opposition referred to letter by Mr Arena, a man with whom I have had a lot of contact over the years and for whom I have a great deal of respect. What the Leader of the Opposition, of course, failed to state is that Mr Arena has been saying for going on 10 years that we, in this state, had a major focus on getting the trains designed here for LNG projects.

That was a 20-year plan that started way back in the 1980s. We finally succeeded in getting the fourth train designed here by local firms and we had a team established, and then when it came time to build the fifth train it was a difficult economic time in Western Australia; it was during the transition from slow down to pick up.

It was during the time of a former Labor government, and I think Mr Alan Carpenter was the minister and decision maker at the time. The fifth train was to be identical to the fourth train, but Woodside decided, under Labor's watch, to pull the design of that train from Western Australia over to Reading in England.

Almost immediately thereafter there was a decline in local content, because, as the member for Willagee has quite rightly stated, the best way to have local content is to have the design and procurement done locally. When these facts were put to the Labor ministers of the day, they could not focus on it and they did not put adequate pressure on Woodside to have the fifth train designed in Western Australia.

As a result, almost immediately when the fifth train came, the major fabrication went offshore. The offices for the procurement were in Reading and Houston. Under Labor's watch, despite being informed by the bureaucracy and others that it was absolutely vital to have the fifth train built in WA, Labor let it go offshore.

Members opposite now stand here and say, "What are you going to do about it?" The whole team has been disbanded. It has moved off. It would be very difficult, particularly during this period of skill shortage, to bring it back. I think we should do that, but it will take a long and concerted effort. Members opposite should get off their high horse on this issue. They blew it. They blew it seriously. That has set back the design industry in Western Australia, and that is the root cause for the lack of fabrication on the strip.

**Mr P. Papalia:** First it was the global financial crisis, and now it's all Labor's fault!

**Dr M.D. NAHAN:** Members opposite are telling us that the large LNG industries, such as Chevron, are not adequately using the fabrication yards in this state. The reason is that their government let the procurement and design industries go offshore. Brilliant!

The member for Willagee said also that we should look at what is being done overseas. Great! That is what we should do. One country that he mentioned—he did not emphasise it, I must say—is Nigeria. Okay! I think the member for Willagee should take a trip to Nigeria! Say no more!

The member for Willagee also mentioned Canada. Canada has a vibrant oil and gas industry. Most of that industry is in Alberta in British Columbia. Alberta has no local content requirements—none. It does not need to have local content requirements.

There is a very large local content contribution, and it is a vibrant industry. Another area that has been mentioned is Newfoundland. Newfoundland has been mentioned repeatedly in previous debates on this issue. The history of Newfoundland is very interesting.

Newfoundland could, I guess, be called the Tasmania of Canada. It has suffered from long periods of high unemployment. During the 1980s and 1990s, the unemployment rate was 16 per cent, and it is now about 12.5 per cent, whereas in Alberta it is about five per cent.

Newfoundland has a high rate of unemployment, a flight of people, low levels of development, and virtually no oil and gas industry. Oil and gas had been discovered off the coast of Newfoundland, but the development of that industry was not going to go anywhere, because it was an isolated and rough area.

The Canadian government therefore put \$1 billion into the development of that field. As part of that \$1 billion investment, the Canadian government required a targeted local content contribution; that is, it set up targets for local content, and it enforced them. Members need to understand that the reason it was able to do that was because it had ownership of that field to the tune of \$1 billion. Are members opposite recommending that government should make the investment that has been made in Gorgon, or in Fortescue? I do not think so.

As those fields in Newfoundland were developed, those targeted outcomes were monitored to see how successful they were. For the Hibernia oil and gas project, the local content level is 57 per cent. That is about on par with our local content level, even without those targeted requirements. The Newfoundland government has subsequently changed its policy and it no longer requires measurable targeted outcomes. I will read out to members what that new policy is. It is very interesting, and I support it fully. It states in part —

The proponents are required to undertake, within the province, research and development activities and in education and training, —

That is very good; no problem at all —

with first consideration being given to the residents of the province.

Great. It continues —

In addition, the proponents, in acquiring goods and services for the projects, have to give 'full and fair opportunity' to provincial manufacturers, consultants, contractors and service providers.

Spot on; no problem. It continues —

Furthermore, in satisfying these procurement requirements, the proponents have to ensure that first consideration is given to services provided from within the province to goods manufactured in the province so long as the goods and services are competitive in terms of fair market price, quality and delivery.

That is what we do. We have a person who I guess probably did a google and found out that the Canadians once had targeted and mandatory local content requirements, and he said, "I'll take that". But he failed to look at the detail.

**Mr M. McGowan:** Who has done that?

**Dr M.D. NAHAN:** It was the member for Willagee, and the other members opposite. The reality is that members opposite should, firstly, do their homework. They should also, particularly when they are talking about engineering design, look at their past failures. Secondly, they should look at what the Canadians are doing. The Canadians are doing what we are doing—nothing less. Thirdly, local content is very complex. It is not just about large-scale fabrication.