

## HANSARD 18 MAY 2011

### SKILLED LOCAL JOBS BILL 2011

#### *Second Reading*

**DR M.D. NAHAN (Riverton)** [4.25 pm]: I stand to speak against the Skilled Local Jobs Bill 2011. The bill is not sensible. It is not well-drafted or well-targeted. Indeed, if put in place, it will be counterproductive to the supposed aims of the opposition.

If this bill were passed, as the Premier indicated, there are two possible outcomes: one is that the proponents would put in a very low bid for local content; or they would be induced, forced or otherwise to put in a very large committed bid. This is not just a bid; it is a statement of detailed level of local content required far in advance of the project underway and which is backed up by penalties. If this bill were put in place, it would deter investment in projects in this state. In aggregate, it would destroy local jobs and increase sovereign risk in this state. As the Leader of the Opposition stated on the radio today when I was listening to him, sovereign risk is a very vital thing in this state; in fact, besides our resource-based competitive industries, it is one of our most precious assets.

This bill says a lot about the opposition. Local content is a very important issue. There are many industries that are doing very, very well. There are sections of the local industry that are not doing as well and are struggling, but this bill does not approach that problem. In fact, this bill is political posturing rather than good policy. A weakness in this bill is that it focuses on only a very narrow section of the local content industry, and it does so purposely.

**Mr W.J. Johnston:** Read the bill!

**Dr M.D. NAHAN:** I have.

Several members interjected.

**Dr M.D. NAHAN:** Hang on! Let me go through this!

**Mr P.C. Tinley:** Use your 60 minutes to have a read, mate!

**Mr M.D. NAHAN:** Local content is an issue. In reality, if we look around we will see how well we are doing in the mineral, oil and gas sector. The mineral sector is growing rapidly and has been for seven or eight years. There is an unprecedented level and number of projects on the boil—some of them have not hit yet—and some that are ongoing. Let me put on the record that the level of local content overall is very high; in fact, in certain areas it has come down from the previous level and in general is quite high.

Historically, overall the levels of local content was between 75 and 85 per cent for most projects; it was lower for oil and gas. In the major iron ore projects led by the two majors, BHP Billiton Ltd and Rio Tinto Ltd in recent times, local content has been at that 75 to 80 per cent. I might add that local content is not just Western Australia, but also the eastern states, and given the number of fly in, fly out workers it is hard to disentangle those. With the new iron ore projects, particularly CITIC Pacific Mining and Fortescue Metals Group Ltd, the local content has declined. I agree there are issues with CITIC Pacific, which I will go into a bit later—the local content is down to 71 per cent.

CITIC Pacific, which probably has the lowest amount of local content of all the major iron ore projects, has 71 per cent local content. Historically, liquefied natural gas in particular has had a lower percentage of local content than iron ore production. The local content for the production of train 4 for the North West Shelf was in the vicinity of 70 per cent, which is very good.

Those who have been around for a while know that that did not just happen; it occurred as a result of a 20-year exercise by governments of both political persuasions to help local industry get up to scratch to design and build the trains and much of the infrastructure for the fourth train. We were successful at doing that. As a result, the local content levels in the LNG industry grew dramatically over that time and reached 70 per cent. Later, I will refer to the terms of the previous government, which allowed—it did not fight very hard—the fifth train to be manufactured at Redding, England. As a result, the local content for the fifth train and the Pluto train dropped to 45 per cent.

The local content for projects operating in Western Australia is 80 per cent, which comprises 82 per cent from Western Australia and 12 per cent from the eastern states. I have mentioned BHP Billiton. The Argyle Diamonds underground expansion is 98 per cent WA local content and two per cent local content from the eastern states. That is 100 per cent local content. BHP Iron Ore's RGP4 project is 95 per cent Australian content and its RGP5 project is 94 per cent Australian content. Iluka Resources Ltd is 100 per cent local content and Australasian Resources Ltd is 88 per cent local content. I could go on and on. In other words, in many of our aggregate areas we are doing very well. In fact, the local content of downstream processing industries in Western Australia is a success story; those industries are doing well. The current environment is tough because the dollar is very high and costs are high.

A major focus of the commonwealth budget was that we are running out of people. We have a drastic and growing shortage of skilled people, particularly in the industries that are providing services to the growing resource sector, and the construction sector in particular. The Gillard and Barnett governments are implementing a raft of policies to try to get more people into the sector and to increase the number of apprentices. The reality is that there is a drastic and growing shortage of labour in these areas. The data shows that of all the skilled trades, the greatest shortage of labour is in the metal trades. The shortage of skilled labour in the metal trades, which are relevant to the fabrication and other aspects of this sector, is the largest and most extreme shortage of all the trades in Australia. It is estimated that there is a shortage of 11 300 skilled metal tradesmen Australia-wide, and that number is growing. We have a lot of challenges but, overall, the local content industry is doing very well.

One of the weaknesses of the Skilled Local Jobs Bill is that it focuses on a very narrow aspect. Local content is not just the fabrication, manufacturing, construction and design industries; it includes geophysicists, geologists, drillers, accountants, financiers, lawyers, architects, people who do electromagnetic exploration, project specialists and people who build houses. It is a vast industry that is being developed. Many of those industries are doing well. The Premier mentioned Ausdrill, which is in my electorate of Canning Vale. It is doing very well.

**Mr J.J.M. Bowler:** Your electorate?

**Dr M.D. NAHAN:** Yes.

**Mr J.J.M. Bowler:** It is more like it is in my electorate.

**Dr M.D. NAHAN:** Ausdrill started in Kalgoorlie but the plant is in Canning Vale. Ausdrill is one of the great local content success stories. It started in Kalgoorlie by providing drilling services to the expanding gold mining companies. It has made innovations and built rigs, and it now has a close association with all the major mining firms. As the Premier said, that company is servicing the growth of mining in Africa. This is a success story that we should be championing. We should not be saying, "Woe is me; everything is falling apart and we are not getting our fair share!" The opposition should talk to the workers at Ausdrill.

**Mr P. Papalia** interjected.

**Dr M.D. NAHAN:** The member for Warnbro laughs, but that company employs hundreds of skilled people. There are local content problems in certain sections of some industries, and we have to deal with those effectively and constructively, but this bill does not do that. It is lazy. What does the bill do? Some members have argued that it is modelled on Canadian legislation; it is not. The bill provides that large resource projects of more than \$200 million and associated infrastructure such as electricity generation, for example, must come before government and that a local content agreement must be reached.

That local content agreement must specify certain things and those agreed levels of local content must be met. If they are not met, the company faces a penalty. Is that not a mandate? It is not the same as the mandate introduced by the Nigerian government that stipulates that there must be 40 per cent local content, but it does tell firms that they must agree to a certain level of local content of a specified and restricted nature and that if they do not meet those requirements, the companies will be penalised. That is a mandate. The opposition does not like to use that word, but that is tough luck because that is what it is. The former president of the Australian Council of Trade Unions, the federal Minister for Resources and Energy, said that he does not support the mandates for local content in the opposition's bill.

**Mr P. Papalia:** He is about as across it as you are.

**Dr M.D. NAHAN:** He was referring to the opposition's bill. The real weakness of the bill—I do not think members opposite have thought it through at all—is that when these local content agreements are developed, they must specify the number and type of skilled local work required. In addition, the bill requires the agreement to list the number of person hours required for each type of work. The agreement must also state the number of person hours and what types of work are located in which regions.

The agreement must also specify the type of standard—whether it is an Australian, Japanese or British—under which the infrastructure will be designed. When does all this have to be done? For decades in Western Australia we have operated by entering into an agreement with companies on these types of projects. That agreement covers a range of things, including access to land and native title. Those agreements then come to Parliament to be ratified. That has been the basis for the success of our industry because it assures both sides of their tasks and what they have agreed on, and it reduces sovereign risk. It is an excellent idea. The previous government had a tendency to move away from those types of agreements. I believe that was an error and that we should have more of them.

One of the characteristics of these agreements is that they are often agreed to far in advance of the commitment to the project—often years or even a decade. They are also agreed to before the project is defined in terms of its size and scale and the type of infrastructure required, before Environmental Protection Authority approvals are given and often before financial approval by the corporations. Gorgon is an example.

If I remember correctly, the agreement that underlined the Gorgon project was entered into in 2002–03. It did not get final approval by the joint venture partners until 2008. During that period, the project dimensions changed dramatically. If this bill had applied at that time, it would have required Gorgon and its joint venture partners to enter into a detailed local employment process far in advance of knowing what it was going to do. It would have required the Gorgon project to specify in detail the type of work, the person hours and the regions. It would have been an impossibility.

**Mr P.C. Tinley** interjected.

**The ACTING SPEAKER (Ms L.L. Baker):** Member for Willagee, the member for Riverton has the floor. Please do not yell across the chamber.

**Mr P.C. Tinley** interjected.

**Dr M.D. NAHAN:** It would have required Gorgon to specify the impossible. It would not have had any idea.

*Point of Order*

**Mr W.J. JOHNSTON:** I offer the member a copy of the bill so that he can return to discussing the matter.

**The ACTING SPEAKER:** There is no point of order. Members, there is to be no more interjections like that. Member for Riverton, would you please continue with the debate.

*Debate Resumed*

**Dr M.D. NAHAN:** This bill would have required the joint venture partners of the Gorgon project—which, as we all know, was a tough project to get over the line—to commit to the impossible, and they would not have done so. If this bill had applied to the Gorgon project at that time, the project would not have gone ahead. We could say that they might have just put in a very low bid, and it might have satisfied the government at the time. But the intent of this bill means that there would have been real pressure on the Gorgon project going ahead. That is the essence of the problem with this bill.

There is another weakness in the bill. Gorgon and the joint venture partners do not do the contracted work themselves. They have feed programs. They contract out to major contractors such as United, Clough or WorleyParsons, which in turn contract out that work. They have no capacity or desire, and nor should they, to go to Clough or WorleyParsons and dictate to them what technology they will use or, more importantly, how many people with what types of skills they will use or whether the structure will be built in Geraldton or Kalgoorlie. That is what this bill would do. It is ridiculous. It would be funny if it were not serious, because this bill is threatening the future of this state. It is not just Gorgon. It would have affected Pluto, Wheatstone, Fortescue Metals Group's expansion, CITIC Pacific and Rio Tinto. These guys opposite know it, and they know it because they were in government when all these projects got the go-ahead. What did they do?

**Mr F.M. Logan:** Our workshops were full.

**Dr M.D. NAHAN:** I will get to the workshops in a moment. Members opposite did little. They certainly did not do this. In fact, if we look at their record, we find that they watered down local content. I will give two examples—train 5 of the North West Shelf and CITIC Pacific. Members opposite cannot run away from these things. As I indicated earlier, the local content level on train 4 was 70 per cent. That was only the outcome of decades of work. Train 4 of the North West Shelf by the Clough-led joint venture was produced a little above cost but on time. Train 5 was identical except that it was stick built.

I believe that Clive Brown was the Minister for State Development at the time. It was a lineball issue. It was debatable whether a locally built project was more costly than it being done overseas. The fight was about whether we should stand up for local design for train 5. There were a couple of reasons for doing that. Not only did it generate a lot of high-value local content design work, but also it was recognised at the time that if the project were designed and procured here, it would be more likely that there would be downstream fabrication work here. That was the key. And the then Labor government let it go.

**Mr F.M. Logan:** Can you tell us how you can keep it here?

**Dr M.D. NAHAN:** Yes. Let me go through the ramifications of it.

**Mr F.M. Logan:** Woodside had already given the contract to them.

**Dr M.D. NAHAN:** No, it had not. The Labor government failed to step up. It succumbed to Gary Gray. Gary Gray, a big man in the Labor Party, was also Woodside's frontman on this issue, and the then Labor government cowered to him. It did not stand up. It did not force the issue. The project should have been done here. It could have been done here and it would have been less costly. We had the team. Several members interjected.

**Mr E.S. Ripper:** If there were more openness and transparency about government local content arrangements, wouldn't that have helped in that circumstance? Shouldn't you support the bill on your own argument?

**Dr M.D. NAHAN:** Not this bill. I will get to openness and transparency in a moment. Let me go through the ramifications of this decision. I know that members opposite are trying to run away from it. The reality is that as soon as they failed to stand up for the fifth train, the whole design team dissipated. Most of the work went off to Reading. As a direct result of that, the fabrication work also went offshore.

I will quote an article from PetroleumNews.net of 18 July 2005, which was shortly after the decision was made to have the design work done in Reading. I do not know this for sure, but I am sure that when the design work was discussed with Voelte, he would have assured people that the local content would have remained as high as it was, particularly for the fabrication work. On this day, he is reported as saying —

... before tenders were called for the fifth train, consultants searched the region to identify fabrication yards capable of doing the work. Two Australian companies were invited to submit tenders—one declined and the other submitted a tender ... and its price was about 250% above ...

A major contract covering the pre-fabricated modules was awarded overseas. Voelte also said that he was setting up procurement offices in London and Houston, Texas. The Labor government did not fight when it needed to. It was not on the line when it was needed.

**Mr E.S. Ripper** interjected.

**Dr M.D. NAHAN:** As a result, all the design work for the subsequent liquefied natural gas plants has gone offshore, and it has greatly diminished the flow of work to the fabrication areas.

Let me go through another example. CITIC Pacific was a big project. It was first negotiated by Mineralogy Pty Ltd, I think. Mr Palmer was there; he negotiated the agreement act with, I believe, the Labor government at the time. It was basically sold to the Chinese firm CITIC Pacific, which is based in Hong Kong but is indirectly owned by the Chinese government.

Anybody around at the time knew that the Chinese had a couple of strategic aims. I remember a newspaper article on this one. Not only did the Chinese want to get into magnetite and develop another orb area in the Mid West and thereby get into magnetite in Western Australia, they also wanted to do it themselves. They wanted a magnetite mine offshore. All these things were positive. They wanted of course to secure resources for the growing steel industry—all fine. But they also had a go-global one-China policy. They wanted to use their activities in mining offshore to develop construction businesses.

They wanted to use those, particularly in Western Australia, to develop the reputation of the construction business so they could go to other developed countries, particularly in North America and Europe, and be the New World's contractors. That is great for them.

I can remember meeting some people from CITIC Pacific early on. They told me they were going to virtually bring the whole workforce in. The Chamber of Commerce and Industry said, "No, it is not going to happen", and it did not. But we knew the game. We should have been aware of this. It is a strategically difficult issue. They are our major trading partners.

We like their investment, we like them purchasing resources, we want them to build the mine, but when they are operating in Western Australia they operate by the rules and they have to be induced to ensure they give local firms fair, open and competitive advantage to compete for their resources or projects. The opposition's proposed agreement does not do that. The opposition has not recognised that challenge either in its detail or its implementation. The Labor Party has put this bill forward, but when in government it watered it down. The Leader of the Opposition asked me what would I do —

**Mr E.S. Ripper:** I asked, "What should a government do?"

**Dr M.D. NAHAN:** We have to be strategic in these issues. We have to know what is crucial. The design of LNG was crucial.

**Mr E.S. Ripper:** How does a government ensure that that happens?

**Dr M.D. NAHAN:** BHP Billiton and Rio Tinto have been here a long time. They have high levels of local content and they are maintaining that. They face challenges. When we get CITIC Pacific, we have to set the rules. We have to have discussions with them.

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

**Dr M.D. NAHAN:** Hopefully it will go ahead. It is not on the go yet.

**Mr F.M. Logan:** What would you do?

**Dr M.D. NAHAN:** First of all I would get the project over the line.

**Mr F.M. Logan:** Oh!

**Dr M.D. NAHAN:** The member asks, "What would you do?" Scarborough was discovered in the 1960s. It is way off there. It has all sorts of problems with the composition of gas. Am I going to develop a local content rule for it now? No, because it is not going. They have not proposed. I go into details on these issues. Let me go through some of the other weaknesses of this bill, because that is what we are debating. This bill quite clearly defines local content as the services provided. "Services" means —

- ... engineering, manufacturing, fabrication or construction services and includes —
- (a) design and drafting services relating to engineering, manufacturing, fabrication or construction;

I do not hear anything about geology, geophysics or drilling. I do not hear anything whatsoever about the vast bulk of local content provided to the resource sector. In other words this bill chooses a small section of the local content industry. Why does it do that? I imagine—I am only guessing here—it has something to do with the fact that the people employed in this restricted range of local content happen to also be associated with the unions who support their campaign; that is, the Australian Manufacturing Workers' Union and the Association of Professional Engineers, Scientists and Managers, Australia.

I do not know that, but I imagine it is. This bill does nothing for a vast number of Western Australians. It does not address; it skips them.

**Mr E.S. Ripper:** So it should be expanded?

**Dr M.D. NAHAN:** No. I am saying that the opposition is defining local content. The Labor Party will go to those firms and say, "Mate, I want you to specify minimum levels of local content but only for my mates."

**Mr E.S. Ripper:** They are your mates as well, if you like.

**Dr M.D. NAHAN:** Only for engineering, manufacturing and fabrication services. What about the vast array of other services that are provided? God forbid if the Labor Party came in and enacted this—which it would not do—but if it had control over it, it would say, "We're giving local content preferences to this restricted number of industries. We don't care if you do it to the others. We do not give a damn about the others." This bill focuses on a restricted number. They do not have all the work. The Labor Party has not followed it up. There are challenges here; all of them are facing a high dollar. The Labor Party defines local content extremely narrowly. It has a chance to drive a wedge and discriminate against a type of local content. There are some challenges out there but this bill does not address them.

The fabrication industry is struggling in certain areas. Not all fabrication yards are struggling. Some of the major ones are struggling; some are getting work. As the Premier said, if members talk to these people, they designed many expansions particularly for the Gorgon project coming on stream and some of the expansions in iron ore. Those were delayed for a couple of reasons; namely, the global financial crisis and Gorgon got off to a slower start. Work is starting to flow. It will flow to fabrication yards just as long as they are competitive and can do the work. Is the opposition complaining about that?

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

**Dr M.D. NAHAN:** One of the problems is that some of the fabrication yards are having trouble getting work. The member for Cockburn puts up the white flag. He is saying Western Australians are incapable of competing. They can compete. They can, they have and they will.

**Mr F.M. Logan:** \$1.60 an hour!

**Dr M.D. NAHAN:** How do the Germans make most of the machine tools in the world? How do Koreans continue to be competitive when —

**Mr F.M. Logan:** Their governments whack them up; that's what they do. Their governments subsidise.

**Dr M.D. NAHAN:** They pay as high, or higher, wages. I want to recognise the success of local content in Western Australia. I want to recognise the areas that are struggling, recognise why they are struggling and try to help them where we can. I want to ensure work gets to them. I also want to tell them if they need to adjust productivity that they must do so. We do not have the people resources in Western Australia to go out and say, if a firm is struggling for whatever reason—high prices, lower levels of competitiveness or underproductivity—"Please give them a 10, 20, or 200-million-dollar subsidy." That is what the opposition wants. We have a burgeoning local content industry. It is a success story, not a failure. Western Australians can compete, have competed, and will. They are facing some challenges.

We have to recognise these and recognise that by throwing money to one section of the industry comes at the cost of another. One of the greatest challenges here is most of the fabricators get their steel from the Australian producer OneSteel. It has been pretty good. OneSteel is a struggling firm. It is facing a high dollar. It recently increased its price of steel by 25 per cent. As fabricators are relying on this steel, they have to pass on the cost. It has gone up relative to Chinese, Korean and Japanese steel. It is also facing a lot of headwind in terms of policy. OneSteel produces its steel through a magnetite process. It is not a big company by world standards but it will face the mining tax soon, which China and Japan will not. It will also face the carbon tax, which China, Japan and Korea will not.

It has been a very vocal critic of both those measures and has made it quite clear that if the commonwealth government commits to its carbon tax and its mining tax, its steel operations are under threat. If it goes under, it is going to affect our steel fabrication. Right now OneSteel is buying its steel from Australian producers. Since a month or so ago it has had to wear a 25 per cent increase in price, and that has made it very difficult to continue to do that. There are some real headwinds, but the way to support companies in our fabrication industry is not by mandating that, no matter what their cost or their competitiveness is, they should get the work.

**Mr E.S. Ripper:** Is there an alternative government program? If you don't support this bill, will you say what the government should do?

**Dr M.D. NAHAN:** We have a bill that the opposition has put before us. It is using private members' time to debate it and is asking us to respond to it. The opposition said that it is well drafted and well thought out, and it is nothing of the sort. The opposition has not done its work on this issue.

**Mr P.C. Tinley** interjected.

**Dr M.D. NAHAN:** Obviously, I knew a lot more because I would not have come up with a bill like this if I knew as much —  
Several members interjected.

**Dr M.D. NAHAN:** The opposition is not listening, of course. Overall, as I emphasised before, the local content levels are quite high.

**Mr P. Papalia:** So it's all all right then.

**Dr M.D. NAHAN:** No, it is not all right. There are areas of challenge.

**Mr P.C. Tinley** interjected.

**Dr M.D. NAHAN:** Let us go through that; okay. Let us go through how we would address this issue. First of all, I want to start with this bill. It does nothing—nothing. In fact, if I had this bill, it would undermine the ability to do that. To get the train 4 designed here was a 20 to 25-year exercise. When the train 5 went offshore, the problem was that all the design personnel and team went with it, so we have to start from scratch. When that train 5 went offshore, the problem was that all the subsequent trains for Pluto, Wheatstone and others, and now Gorgon and, I think, Inpex, also went offshore. Therefore, the design work is being done offshore.

**Mr F.M. Logan:** They have not gone offshore. They were offshore anyway.

**Dr M.D. NAHAN:** The member is a defeatist. He is saying that we cannot do it; our people cannot compete; we cannot design things here; we are hopeless; put up the white flag and subsidise these people and voilà! Well, I do not accept that. I do not think that Western Australians are incompetent. They have shown, through a track record over decades, that they can provide excellence in engineering design and provide the dominant level of local content to a fast-growing resource sector in iron ore, base minerals and liquefied natural gas.

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

**Dr M.D. NAHAN:** What did he come up with? The guys opposite have gone out there and here is what they have done. They have gone out to the public of Western Australia and have been talking down the local content in industry. They are out there saying, "Woe is us. No-one is getting any work." That is what they are saying. And they are saying that we cannot compete with the Koreans or the Japanese. So what do we do? We look to subsidies. Several members interjected.

**The ACTING SPEAKER (Ms L.L. Baker):** Members! Member for Cockburn, the member for Riverton has the call. Please do not interject across the chamber.

**Dr M.D. NAHAN:** So what should we do? Earlier today, about an hour ago, the Minister for Commerce issued a local content strategy. One of the things that we need to do is make sure that there is adequate and timely information about which projects and contracts are going to be let and their dimensions. However, we need to do that in a manner that can be effectively implemented.

**Mr M.P. Whitely:** What about a website?

**Dr M.D. NAHAN:** I do not know, member, but there has been one for decades. Much of this data is already available. But what we must also do is ensure that we have a strategic approach to these matters and that we focus on the areas that are most relevant. Several members interjected.

**Dr M.D. NAHAN:** I am commenting on the opposition's bill, which distinctly lacks any strategy, but the opposition says, "Help us; we can't compete. So force them." That is the opposition's bill.

**Ms J.M. Freeman** interjected.

**Dr M.D. NAHAN:** We all agree. Local bought content is very high in Western Australia, and this bill does not deal —  
Several members interjected.

**Dr M.D. NAHAN:** This bill deals with only a small portion of the local content in industry.

**Mr F.M. Logan:** What is the strategic approach?

**Dr M.D. NAHAN:** If there is a problem with the manufacturers, I suggest that we should look back to a very famous Labor team in the 1980s: Hawke and Keating. This bill shows that those people opposite have no relationship with the Hawke-Keating years—none whatsoever.

**Mrs C.A. Martin:** Did you say Paul Keating? I'm sorry; I couldn't understand you.

**Dr M.D. NAHAN:** Yes, Keating. Hawke and Keating went out and faced a huge challenge. They were going to reduce tariffs on the manufacturing industry—cars, clothing, textiles and footwear. They said that they were going to remove the protectionist barriers from those industries. As members might know, they came from the Labor Party. They were old-fashioned Labor people. They actually had linkages to the working class. They said, “We cannot sit here and maintain these industries just with protectionist barriers. Just because costs are going up and they’re having a hard time competing, we can’t maintain that through artificial barriers such as mandated local content or tariffs. So we have to go to the industries that are going to be affected, and their workforces, and find out how they can be competitive.” Some companies are already doing that. As the Premier mentioned, Civmec Construction and Engineering Pty Ltd went out and saw the opportunities. Yes, firms around it are struggling for content.

**Mr M.P. Whitely:** Member for Riverton, do you genuinely think it is a level playing field? I have businesses in my —

**Dr M.D. NAHAN:** Civmec went out there and —

**Mr M.P. Whitely** interjected.

**The ACTING SPEAKER (Mr J.M. Francis: ):** Member for Bassendean!

**Dr M.D. NAHAN:** Yes. Well, I am not the member. Civmec went out there —

**Mr M.P. Whitely:** Chinese resource companies specify that they want Chinese suppliers, and they exclude Western Australian businesses.

**The ACTING SPEAKER:** Has the member for Bassendean got it out of his system?

**Mr M.P. Whitely:** Nearly.

**The ACTING SPEAKER:** I note that a number of members of the public are in the gallery. I ask members on both sides to consider why members of Parliament have such a bad reputation for their behaviour in the eyes of some members of the public. I do not want to spend the rest of my time in the chair—the next 55 minutes—coming to my feet all the time and calling for order. Thank you, member for Riverton.

**Dr M.D. NAHAN:** Civmec has gone out there and done the right thing. It has invested —

**Mr M.P. Whitely:** So you’re arguing it’s a level playing field.

**The ACTING SPEAKER:** Now I am hoping that the member for Bassendean has got it out of his system. I am going to call him for the first time.

**Dr M.D. NAHAN:** Civmec has gone out there and done the right thing. It faces a lot of challenges. It faces rising costs of Australian steel, a high value of the Australian dollar, very high wages, a lack of metal trades skills, the need to bring people in from overseas and the small scale of its operations relative to those companies offshore.

They face a lot of competitors, but they have put the money down and are starting to get jobs and compete. That is what they have to do. We can do a range of further things to facilitate it, because I accept the Premier’s argument that fabrication yards have a strategic importance and there are many dimensions to that.

**Mr P.C. Tinley:** It is not his argument. He did not even notice till we told him.

**Dr M.D. NAHAN:** I think he has known about it much longer than the member has, before the member even came to the state. The fabrication yards have a strategic importance to Western Australia. Firstly, the fabrication yards hire a lot of apprentices. Secondly, they are absolutely crucial to the long-term game; the yards are crucial not only to the construction sector but, most importantly, to the operating phase of these projects. That is where most of the long-term sustainable jobs will be. One of the weaknesses of this bill is that it focuses on only the construction phases of projects.

**Mr P.C. Tinley:** No, it doesn't!

**Dr M.D. NAHAN:** It focuses on the construction phase of the project. The real long-term sustainable jobs in local content will be through the operating phase. In the past the operating phase was not large, but we have had such a massive expansion of oil, gas and iron ore operations that we are going to have a large operating repair and maintenance workforce.

**Mr P.C. Tinley:** There is no maintenance to these projects; is that what you are saying?

**Dr M.D. NAHAN:** You live in a dream world, mate. The member for Willagee does not think there is fabrication in repair and maintenance of these facilities! He should go look at a few. That is absolutely ridiculous! The reason fabrication is particularly important in repair and maintenance is that often the jobs are small and existing structures have to be added to and a lot more site-specific and project-specific work is required.

**Mr F.M. Logan:** What are you talking about? They are bringing in handrails from overseas.

**Dr M.D. NAHAN:** In the construction phase.

**Mr F.M. Logan:** Why can't they do it in maintenance if they can do it in construction?

**Dr M.D. NAHAN:** They can do maintenance because the projects are smaller and more targeted.

**Mr F.M. Logan:** If they are as weak as you, they will.

**Dr M.D. NAHAN:** Your record as a minister, particularly in local content, was pathetic.

**Mr F.M. Logan:** We'll compare, shall we?

**Dr M.D. NAHAN:** I can remember when people used to come up to meet the minister and they came out shaking their heads asking, "Is that what this government is made of?" Hopeless!

**Mr F.M. Logan:** No, that was you!

**Dr M.D. NAHAN:** I was not in government, mate.

**The ACTING SPEAKER (Mr J.M. Francis):** Member for Riverton, it would help if you directed your comments through the chair. Members on my left, it is very difficult for Hansard to do its job when two people are speaking over the top of each other. If the member for Riverton is happy to take an interjection, I am happy to allow that to happen. However, at this stage, I want people to consider the job that Hansard has to do. I want to hear one voice at a time.

**Dr M.D. NAHAN:** This bill is not well targeted, it is not well drafted and it is not the right way to do it. The bill requires firms to demand a level of local content. It will, in effect, require firms to demand local content in the formation of the agreement process in a manner that they cannot agree to and meet. They simply do not have the information required to meet those local content agreements. The bill also requires project proponents to mandate detailed levels of work for which they are not directly responsible—the subcontractors are.

The bill focuses strictly on a select group of so-called services—fabrication, engineering and design—and not a wider range of industries. The bill does not in any way focus on the key problems of even the industries that it is supposedly trying to address, such as fabrication. All the bill really says is that some of the fabrication yards are not getting enough work; the yards cannot compete and, therefore, we should make them compete. The bill does not put forward any ideas or suggest ways to improve the competitiveness of the fabrication sector. The bill does not suggest any means of addressing the challenges of the fabrication sector. By choosing only a subsection of the local content industry, the bill overlooks where most of the industries will be developed.

If the bill were put in place and force a large amount of additional work into the fabrication yards, that would not address where the workers would come from. If we go down to the fabrication yards, we can see that a lot of them are highly reliant on 457 visa holders. I have been around and if we talk to the people, we find out that they cannot get enough skilled tradespeople in the sector as a whole. Yes, the fabrication yards have laid people off, but if we take the industry as a whole, there is a drastic shortage of workers. If this bill were enacted, it might shift workers to the fabrication industry, but that would come at the cost of activity in other areas of local content industry, such as Ausdrill. The bill does not address these issues. It does not address the real challenges facing OneSteel, a steel producer producing steel in Australia that will probably go out of business in the next few of years. That is a challenge that this bill cannot really address, but it is a challenge that the industry faces.

The bill does not encourage the industry to get its act into gear and do what Civmec does—that is, combine, improve productivity, invest in new technology, innovate, look to the long term and the operating phase and compete. Basically this bill says to industry, “Put up the white flag. You cannot compete so we will help you.” That is the status quo. As Hawke and Keating realised two decades ago, that does not work. It cannot be done. That is a lie; in this market you cannot stop people from needing to compete. Companies have to be competitive. If someone tries to put up one barrier, people will get around it. Besides, what we want in Western Australia is successful, profitable, high paying, productive and competitive industries, of which we have many.

We also want industries and companies, such as Ausdrill, that will go offshore once this growth phase levels off and compete in Africa and Asia and provide services for not only the mining, oil and gas sectors, but also all sorts of construction sectors. We have many success stories in that area that we should be bragging about and be proud of, but this bill says, “Woe is us. It is all going downhill. All will be ruined.” I can see why. Some of the industry is in opposition members’ areas. Some of it is their former union mates. We need to address the issue, but we must look at the long term. This bill does not do that; it is badly drafted. It undermines its supposed aims and, most importantly, it has no strategy and outlook for the future. If this bill is passed, it will harm the great future of Western Australia.