

MODULAR FABRICATION STUDY

Statement by Minister for Commerce

HON SIMON O'BRIEN (South Metropolitan — Minister for Commerce) [3.06 pm]: The Department of Commerce and the Industry Capability Network Western Australia commissioned a study into modular fabrication in the resources sector in mid-2010. The study was initiated because of concerns about reductions in the level of supply by steel fabricators to some resource projects. The study was undertaken by Associate Professor Martin West from the Curtin Business School at Curtin University. Associate Professor West is a recognised expert on supply chain management and regulatory economics. The study found that a primary factor in falling levels of local steel fabrication for resource projects was the increasing use of large modules for offshore energy projects. The study concluded that modular construction is generally cheaper than traditional stick-build methods. A significant number of Asian steel fabrication yards have geared up to produce modules of increasing size and complexity, and enjoy huge economies of scale advantages. Given this, modular construction will dominate the market into the future. Western Australian steel fabricators face serious competitive disadvantages for the supply of modules in terms of price, physical capacity and perceived capability, especially in the context of a strong Australian dollar. The steel fabrication industry acknowledges that pricing in particular represents a large handicap. The report found that costs to fabricate certain modules in Australia could be 40 to 60 per cent higher than in other countries. The study confirms the challenges this changing market presents for local fabricators. This change is of a long-term nature.

Government, project proponents and the fabrication industry now need to work together to identify market areas in which local suppliers have a competitive advantage. Our industry must be innovative. This government will continue to work to support it. An example of this is the industry facilitation and support program which offers dollar-for-dollar financial assistance for small and medium enterprises in the manufacturing and service sectors to innovate and improve competitiveness and productivity, and help them compete for contracts. The information that this study provides, although confronting for some local fabricators, is tabled in the interests of transparency and with the intent of using this information to work with local industry to address these issues and identify new opportunities. I now table the report.

[See paper 4123.]

Consideration of the statement made an order of the day for the next sitting, on motion by **Hon Ed Dermer**.