



AUSTRALIAN STEEL INSTITUTE

Hon. Simon O'Brien MLC
Member for South Metropolitan Region
Chair, Standing Committee on Environment and Public Affairs
Monday, October 13, 2014

Dear Mr. O'Brien,

I write in reference to the petition presented by the Hon. Kate Doust on Wednesday, 10 September 2014 (Hansard ref p5919b-5919b) concerning a proposed enquiry by the Legislative Council's Environment and Public Affairs Committee into whether Chevron and its contractors have not complied with Section 15 of the Gorgon Gas Processing and Infrastructure Project Agreement.

The ASI would like to express support for an enquiry into the amount of work performed in Western Australia in the manufacture of machines and structures for the Chevron Gorgon Project. We hope that the enquiry would consider, in fine detail, the value of work performed overseas compared to that done in WA, with particular attention paid to the long term benefit to Western Australia and in terms of skills development and innovation & technology transfer.

The ASI supports the concept of developing Centres of Excellence in WA and considers it important to gather sufficient high level data so analysis can be performed with a view to finding new ways to increase high value-add opportunities for businesses based here, especially SMEs.

The current reports generated by Government agencies fail to clearly draw a distinction between work actually performed locally by its nature and trade exposed work won by local firms against overseas competition. Also the distinction between headline contract value and actual hours worked in WA, rather than sub-contracted overseas, is not defined. Information of this nature would be useful to Western Australian business in order to make realistic investment decisions.

From Section 15 of the Gorgon Gas Processing and Infrastructure Project Agreement:

Section 15 (1):

1. (c) during design and when preparing specifications, calling for tenders and letting contracts for works materials plant equipment and supplies (which shall at all times, except where it is impracticable so to do, use or be based upon Australian Standards and Codes) ensure that suitably qualified Western Australian and Australian suppliers manufacturers and contractors are given fair and reasonable opportunity to tender or quote;
4. (d) give proper consideration and where possible preference to Western Australian suppliers manufacturers and contractors when letting contracts or placing orders for works, materials, plant, equipment and supplies where price quality delivery and service are equal to or better than that obtainable elsewhere or, subject to the foregoing, give that consideration and where possible preference to other Australian suppliers manufacturers and contractors; and

5. (e) if notwithstanding the foregoing provisions of this subclause a contract is to be let or an order is to be placed with other than a Western Australian or Australian supplier, manufacturer or contractor, give proper consideration and where possible preference to tenders arrangements or proposals that include Australian participation where price, quality, delivery and service are otherwise equal or better.

The wording of State Agreement Acts is of particular concern, being too easily mis-interpreted. Particularly the term 'Where price, quality...etc.' By insisting that local prices be equal the State Agreement Act ignores the compliance costs borne by local firms for safety, environment and social responsibilities and non-tariff anti-competition measures used by overseas Government such as the manipulation of currencies and Thailand's Board of Investment section 5.2 'Export Privileges' which offers tax rebates and drawbacks to exporters.

The inclusion of several other ambiguous terms is problematic, for instance, the term "suitably qualified" has had the effect of causing local firms to constantly have to pre-qualify. There is too much room for interpretation of the phrase "full, fair and reasonable" and the inclusion of "where possible" allows far too much scope for overseas supply chains to dominate supply by 'designing out' local supply.

The increasing use of global supply chains has seen a flood of non-compliant product reach Australia, despite their best efforts most projects face compliance issues so it would be a worthwhile exercise to quantify the amount of non-compliance in the Gorgon Project with a view to identifying root causes and preventing re-occurrence.

The ASI hopes that the Committee is able to enquire into the working of the Act in question, the ASI is keen to provide evidence in person and assist in gathering data.

Yours faithfully,

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