ECONOMICS AND INDUSTRY STANDING COMMITTEE

INQUIRY INTO THE ECONOMIC IMPLICATIONS OF FLOATING LIQUEFIED NATURAL GAS OPERATIONS

Please note: this transcript of evidence has been made available by the Committee for the purpose of assisting those who might be in the process of preparing a submission in aid of the Committee's inquiry into the economic implications of floating liquefied natural gas operations.

TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
WEDNESDAY, 26 JUNE 2013

SESSION TWO
CLOSED SESSION

Members

Mr I.C. Blayney(Chair)
Mr F.M. Logan (Deputy Chair)
Mr P.C. Tinley
Mr J. Norberger
Mr V.A. Catania

Hearing commenced at 10.15 am

ROOCKE, MS NICOLE
Director, Chamber of Minerals and Energy, examined:

HAMMER, MR BENJAMIN
Policy Advisor, Chamber of Minerals and Energy, examined:

The CHAIR: On behalf of the Economics and Industry Standing Committee, I would like to thank you for your attendance this morning. The purpose of today's session is for the committee to receive a briefing in aid of its inquiry into the economic implications of FLNG operations from the representatives of the CME. I will take this opportunity to introduce myself, Ian Blayney, and other members of the committee present today: Jan Norberger, Peter Tinley and Vince Catania.

The Economics and Industry Standing Committee is a committee of the Parliament of Western Australia. This hearing is a formal proceeding of the Parliament and therefore commands the same respect given to proceedings in the houses themselves. This is a closed briefing and Hansard will be making a transcript of the proceedings. If you refer to any document during your evidence, it would assist Hansard if you could provide the full title for the record.

Before we begin, I need to ask you a series of preliminary questions. Have you completed the "Details of Witness" form?

The Witnesses: Yes.

The CHAIR: Do you understand the notes at the bottom of the form about giving evidence to a parliamentary committee?

The Witnesses: Yes.

The CHAIR: Did you receive and understand the information for witness briefing sheet provided in advance of today's hearing?

The Witnesses: Yes.

The CHAIR: Do you have any questions in relation to being a witness at today's hearing?

The Witnesses: No.

The CHAIR: I now invite you to give us your briefing.

Ms Roocke: Thanks for that, and thank you for the opportunity to present to the standing committee today. Our understanding of today's presentation, I guess, is to help inform and scope the issues that the government's inquiry into the economic implications of floating liquefied natural gas operations will be looking at. I know there are fixed terms of reference, but I guess it is to kind of help start forming the views around the various elements. As mentioned, I am a director at the Chamber of Minerals and Energy. On Friday it will be my 10-year anniversary of being at CME, and over that time we have certainly seen some changes in the sector and in Western Australia. I guess some of those issues are certainly relevant to today.

The approach that we will be taking today is that I will give you a very brief snapshot of CME. I know that some of you are more than aware of who we are as an organisation; I am not sure how familiar others are, but we will just provide a short overview. We will touch on the broader West Australian resources sector generally, but not go into it in much detail. Then what we will be seeking to do is just to canvass what we see as being some of the issues for the standing committee to consider in the inquiry; you can see the dot points of those up on the screen. We are looking at

the global context, looking at policy approaches, supply and demand of gas, the cost of doing business, local content and innovation issues, and some of the safety and environment issues as well.

Just quickly, with regard to CME, we are the peak resources sector representative body here in Western Australia. We currently have 213 members which, when you look at the value of production that comes out of this state, account for about 95 per cent of the value of that production. We were formed in 1901 and that was essentially driven by the discoveries in the goldfields. Over the years our membership has grown, certainly due to the boom times of the 1960s when key minerals such as iron ore, bauxite and nickel came online. As Western Australia expanded into oil and gas, so too did CME, with our membership spanning the 50 different commodities in this state including uranium, rare earths, oil and gas. Our advocacy efforts—I guess that is aligned to the key areas that we will be presenting on today—are managed through six key portfolio areas: infrastructure, environment, land access, people strategies, occupational safety and health, and economics and tax. We also have regional portfolios as well.

The committee may well have already been presented some of this information; as I understand it, you have already heard from a number of government departments. Certainly, when we look at the resources sector, it is a major driver of both the Western Australian and Australian economies. I will not dwell on the headline figures, but I am sure you have already had them presented to you. When you look at the vast numbers that are provided in the presentation, the export value of the sector was put at $106 billion in sales which, put in context, represents nearly half of Australia's merchandise export income, and over 90 per cent of the state's merchandise export income as well.

I think what is interesting to note in there is that iron ore accounts for more than half of this figure, but then the other significant contributions come from the oil and gas and gold sectors, with nickel and alumina, while still reasonably large and important commodities, account for a much smaller proportion of the output for the state.

In 2011–12 the industry provided state royalties in the order of $5.3 billion and employed 110 500 people, although when we look at more recent figures, what we see is that our employment numbers have declined in recent times. The chamber did a piece of work that was launched at the end of last year on our state growth outlook, which I will canvass in a bit more detail later on, but essentially, when we looked at the people numbers, it was identified that it was likely that a peak in employment numbers would occur next year, in 2014, but I think given the various projects that have either been deferred or scaled back, we have actually seen the peak of employment numbers, and the most recently released ABS data demonstrates that those numbers are now declining, or have declined since this peak.

Moving on to one of the first issues that we wanted to canvass with you, as I have already mentioned, the petroleum industry is certainly a significant driver of both the Western Australian and Australian economies. Western Australia accounts for around 56 per cent of the nation's natural gas production. Petroleum products including natural gas, LNG, LPG, crude oil and condensate were worth approximately $24.4 billion to the state in 2012. Almost half of that value was attributable to LNG, which was $11.3 billion, making it, as I have already indicated, the state's second most valuable industry behind iron ore.

Australia currently has three operating LNG projects, making it the third largest global LNG producer, with 9.2 per cent of the world's production in 2012, behind Qatar, which accounts for 34.3 per cent, and Malaysia, which accounts for 10.4 per cent, as members can see from the chart. Australia's LNG sales are certainly expected to rise dramatically with the new developments coming online in 2014, in response to an estimated doubling of LNG demand in the Asian region between 2010 and 2025.

Seven new LNG projects are currently under construction in Australia, with three of those in Western Australia, which could position the nation to become the world's largest LNG producer

within that time frame. When you look at the role that floating LNG will play in that, it is expected to comprise a small part of this growth, with only around three to five committed or proposed trains potentially employing floating LNG facilities, and around 20 committed or proposed trains using onshore processing.

While there are certainly substantial opportunities for Western Australia's LNG industry, global competition in LNG production is intensifying. The United States government is currently considering its LNG export options, primarily driven by the shale gas boom experienced over the last decade, and competitors are emerging in African and South American nations.

[10.15 am]

Recently, Australia has unfortunately become a high-cost LNG producer, making it more difficult for us to be able to remain competitive, which is an issue I will address in more detail when I get to the slide on the cost of doing business.

I will now turn to some of the state and federal government policy approaches overlying the state's energy sector. In November 2012, the federal government released the "Energy White Paper". That white paper was critical of market interventions such as reservation policies to force price or supply outcomes, because these interventions are more likely to impede rather than promote supply. The white paper set out a vision for Australia's energy future, which was comprised of developing a national approach to energy markets, for Australia becoming the number one investment destination for resource development and for developing Australia's natural gas reserves to become one of the largest LNG exporters while effectively servicing the domestic market. It also set out the vision that Australia transition to cleaner forms of energy over time in a way that does not impede economic competitiveness. Last month, the Minister for Resources and Energy, Hon Gary Gray, announced that the federal government would undertake a domestic gas market study to provide better information on gas demand and supply. While the study will be primarily focused on the eastern states, it will also consider Western Australian and international markets and may provide a valuable context for future policy development. That study is expected to be completed by the end of this year. More generally, the federal government has commented on its support for the development of floating LNG and considers that it will help position Australia to be at the cutting edge of LNG technology as well as being able to broaden Australia's expertise and diversify the economy. While we have some indication of what the current federal opposition's view is, the impact of a possible change of government following the September election is currently not clear, and that causes some potential ambiguity in understanding the federal policy space.

At the state level, the government's domestic gas reservation position began in the 1980s with the state agreement for the North West Shelf project containing provisions to secure a share of the gas reserves for domestic use. This position was most recently reinforced in August 2012 through the "Strategic Energy Initiative" specifying that 15 per cent of domestic gas reservation is required from all state gas projects. The reservation is applied flexibly, considering the project's commercial viability on a case-by-case basis. The "Strategic Energy Initiative", which we were certainly supportive of releasing, committed to reviewing the policy in 2014–15. Western Australia is currently the only Australian jurisdiction with an active domestic gas reservation policy. It will certainly be interesting to see what comes out of the federal review in that regard. More broadly, the "Strategic Energy Initiative" also sets out five pathways to address the challenges faced by the energy industry. The challenges are: a diverse and secure energy supply, proactive energy planning, effective and efficient energy delivery, informed and responsible energy use, and capacity building. We certainly believe that natural gas can play an important role in addressing these challenges and delivering affordable, secure, reliable and clean energy, as outlined in the "Strategic Energy Initiative".

We have been actively involved in the formation of the Independent Market Operator. That is near to launching its gas bulletin board and the publication of its first gas statement of opportunities. The

bulletin board will consist of a website to publish information on short and near-term natural gas supply, demand and transmission, and will also provide an emergency management function to assist in managing supply disruptions. We understand that the statement of opportunities will be an annual planning document, providing assessments of medium and long-term gas supply and demand, and transmission and storage capacity in the state. Our understanding is that both these facilities are aimed at improving transparency in supply and demand information. Although we are very supportive of that transparency, we have expressed some concern about the equity of the cost-recovery model that is to apply under the IMO and the overall cost associated with the bulletin board, and consider that it should be reviewed by an independent third party after 12 months to determine whether the proposed benefits that were originally understood or stated to occur are being realised. In that context, there are significant variations in the policy perspectives across state and federal government levels. From an industry point of view, for us that adds an element of uncertainty in the cost of and the risk involved in project developments.

If I now look to the economic perspective of natural gas, I mentioned before the Chamber of Minerals and Energy's "State Growth Outlook 2013", which was prepared in conjunction with PricewaterhouseCoopers and is the third iteration of what is now a biennial report for us. I am sorry, we did not bring any of those along. We should have done, but we can arrange for those to be provided to the committee. The 2013 "State Growth Outlook" identifies the implications for Western Australia's international competitiveness, investment planning and liveability through to 2023 by assessing the demand for the key economic enablers of energy, people, water, roads, rail, ports and airports. From the energy perspective, the information that was provided by the resource sectors that participated in the project demonstrated that electricity consumption in Western Australia is forecast to increase by approximately 52 per cent on the 2012 levels by 2018. This is driven primarily by the resources sector projects, mainly in the Pilbara and midwest regions. We have seen some recent announcements that will impact on the data of the midwest region, but I think it is fair to say that the largest portion of that growth was in the Pilbara area. Given the disparate nature of operations and the lack of a fully interconnected system in the state's north west, the majority of new generation capacity to power these projects is expected to be met through self-generation, which is in the order of about 95 per cent, and of that, 94 per cent will be fuelled by natural gas. It certainly is a significant increase in demand. Unsurprisingly, this will put substantial demand pressures on natural gas in Western Australia. The "State Growth Outlook" forecasts an increase in demand for natural gas of around 63 per cent on 2012 levels by 2023. That is from an estimated 430 petajoules in 2012 to 700 petajoules in 2023. Resource sector demand for gas is forecast to increase by around 47 per cent on currently estimated consumption over this period, predominantly to fuel electricity generation for projects in the Pilbara region. The Department of Mines and Petroleum estimates that domestic gas supply could be tight in its low-supply case, which is shown in the dark blue bars on the graph on the PowerPoint, when compared with the forecast gas demand, which is shown by the black line. That is modelled from data provided by the CME in developing the "State Growth Outlook". This worst-case scenario assumed that a number of projects would not come online, with the high-supply case shown in the light blue bars. With the state moving from three to six domestic gas producers with the Macedon, Gorgon and Wheatstone projects anticipated to soon come online, in addition to the existing North West Shelf, Varanus Island and Devil Creek operations, the capacity from these developments is expected to play a role in meeting the demand growth that we have just recently highlighted.

We also see that there is potential for the state's shale and tight gas reserves to play a role in addressing demand growth, as well as diversifying the state's energy future. Western Australia ranked fifth in the world's estimated shale gas reserves, according to the United States Energy Information Administration. Its research in 2011 indicated that Western Australia has a shale gas resource of around 288 trillion cubic feet, which is approximately double the volume of the state's offshore gas reserves. However, I think it is important to acknowledge that the shale gas activities in

Western Australia are currently at the exploration and appraisal phase, with large reserves of gas identified in the Perth, Canning and Carnarvon Basins. The Perth Basin in particular is of interest for energy security due to the proximity of the resource to generation assets in the south west interconnected system. However, I think the development of the shale and tight gas industry in Western Australia still has a significant way to go and will require long lead times and significant capital investment, so we do not see that as necessarily being the short to medium-term answer to the increased demand gas requirements.

I want to move on to the cost of doing business in Western Australia. The Chamber of Minerals and Energy has undertaken some work this year that looks at the cost of doing business in the state in the three key commodities of LNG, gold and iron ore. Unfortunately, that research has identified that the cost of doing business in Western Australia has put us at the wrong end of the cost curve, with us being at the more expensive end. Unfortunately, LNG projects in Western Australia are becoming less competitive in a significant manner, with the costs of building and operating LNG facilities continuing to increase over and above that of our competitors. McKinsey and Company's recent report into the productivity and competitiveness of the Australian LNG sector, which is called "Extending the LNG boom: Improving Australian LNG productivity and competitiveness", indicated that projects were now 20 to 30 per cent more expensive than competitors in the emerging regions, such as North America and East Africa.

[10.30 am]

Western Australia is an isolated market with significant procurement challenges without scale to create a sizeable market for services and construction. Much of the equipment needs to be imported, with these challenges being particularly evident in the LNG sector. A number of factors that have been observed to be contributing to the growing project development costs in Australia include greater distances to infrastructure given the remote locations of projects; higher imposed costs such as taxes, royalties and regulatory costs; higher fuel, transport, logistics and materials costs; delays and failures associated with long and complex approval processes; and the costs of environmental compliance, particularly duplicative state and federal processes that exist. These complexities also lead to costs in factors such as attracting and retaining specific expertise and labour and managing business systems. The historically high terms of trade and the impact of the high Australian dollar have also contributed to growing costs and factors such as labour, although we are seeing downward movement in the exchange rate at this point in time. In addition, population growth to support the resource sector projects has placed increasing pressure on social and community infrastructure in both Perth and regional towns. A subsequent piece of work that the CME is doing at the moment is looking at the reach of the resources sector with regard to the employment and impact of the sector through its growth. We would hope that by the time we would put in a submission to the inquiry, we would also be able to provide you information contained in that report looking at the flow-on effect to the broader community from the resources sector.

Staying on the cost of doing business for a moment, this chart was prepared by Wood Mackenzie and Macquarie Equities Research and submitted by APPEA to the federal Treasury Business Tax Working Group. I guess they have probably already presented this to you today. Just to briefly reinforce the messages in it, it shows the required LNG price in US dollars for projects to achieve a 12 per cent return on investment. As you can see, many of the Western Australian projects, including Wheatstone, Pluto, Browse and Gorgon, are amongst the highest cost projects. Regarding the cost of doing business, Chevron has also recently stated that Australia is currently the most expensive place that Chevron does business in its global portfolio. In the context of these growing costs to do business in Western Australia and the high up-front capital costs required to develop LNG projects, proponents need to consider options to efficiently bring forward revenue streams to be able to make projects viable. Floating LNG facilities certainly allow another development option for Western Australia's LNG sector. This option certainly may be especially useful in the case of challenged, remote or difficult-to-access fields that may not be viable with traditional onshore

processing facilities. I do not think you could expect them to proceed or be developed otherwise. However, floating LNG facilities are extremely capital intensive. I think ultimately the option of whether the proponent proceeds with floating LNG or looks to onshore options will need to be considered on a field-by-field basis and will take into account the nature of how capital intensive each option is.

Moving on to local content and innovation, there continues to be a very high level of local industry participation in spending in the resources sector. CME considers the measures currently in place to support local content are functioning well, and we consider that this is reflected in the Department of Commerce's May 2013 local content report. The report estimates over 108 000 local jobs have been created and $43 billion in resource sector supply contracts have been awarded since July 2011. So this equates to an average of 77 per cent local content on resource projects. It is important to acknowledge that opportunities for local industry participation in gas projects are fundamentally different from mining projects due to the scale and complexity of some of the projects. It is also important to note that there are differences in the ability for local industry participation between the construction and operation of projects. A limited number of companies around the world are able to compete in the market for some components for LNG projects, particularly in terms of scale, schedule and price. As a result, the impacts of globalisation are already widely evident in the LNG sector. Components for the construction of LNG projects are now built all over the globe, particularly in Asia, with only assembly happening here in Western Australia. Floating LNG projects will be no different in this regard. They require specialised and globalised supply chains that will be imperative in making these projects economically viable. I think it is also important to acknowledge the impact and use of the engineering procurement contract management models by resource sector projects whereby they engage an EPCM provider to deliver on projects that are often global companies in and of themselves, which leads into that globalisation issue.

The local content contribution of LNG projects, including floating LNG projects, should be considered over the entire life of the project rather than just focusing solely on the construction stage. Research that CME and APPEA did in 2011 indicated that around 56 per cent of expenditure in the construction stage of LNG projects is local expenditure, whereas in the operation stage around 83 per cent is local expenditure. It is also important to consider the long operational life of LNG projects, including floating LNG projects, which can be 30 to 50 years in duration, and the ongoing local content contributions and royalty stream over this period. Regarding royalties, CME acknowledges that the state bears substantial up-front infrastructure costs for projects and would certainly support the state attempting to negotiate with the federal government for royalty revenues in recognition of this cost. Over the long project life, LNG projects also create significant professional employment opportunities, including research and development positions. The vast majority of the highly technical operations and maintenance staff will be locally based for floating LNG projects, with many of the multinational energy companies now having established their Australian head offices in Perth to be able to support these ongoing workforce requirements.

Speaking of research and development, Western Australia's substantial gas reserves do position us to be at the forefront of innovation for the LNG sector, with significant opportunities for the development of LNG centres of excellence. We see there is opportunity for research and development to have flow-on effects to other sectors, such as the state's education sector, ICT and the other support industries. As an example, Woodside Energy is currently leading a bid for proposed seed funding under the federal government's industry innovation precinct initiative to support the establishment of an oil and gas industry innovation precinct in WA. The precinct is intended to be a collaborative network to research ways of improving the industry and will replicate similar innovation networks operating in Norway and the United Kingdom. I have indicated that one of the key research streams will be in floating LNG innovation. As mentioned, that precinct will be based here in Perth.

CME's LNG members have also reinforced their interest in working with the state and federal governments to explore additional opportunities to enhance the competitiveness of local LNG industry and supporting services. One of the various state government initiatives that I am involved in at the moment is a piece of work by the Technology and Industry Advisory Council looking at the manner and ability of small to medium-sized enterprises in this state to engage with the broader resources sector. That report is currently going through the finalisation stages, but it has canvassed a number of issues and barriers that prevent SMEs from engaging with the resources sector and has tried to identify where some of the barriers and challenges are and to look at how we implement a strategy. I think there is certainly opportunity in that regard. If there is opportunity for you to get a briefing from TIAC on that piece of work, it would also be beneficial.

The last issue that I want to touch base on is the area of safety and environment. Efficient and effective environmental approvals processes are vital to the continued international competitiveness of the resources sector in WA. The most significant ways of maintaining an efficient process are to minimise duplication between state and federal government assessment and approval processes in the sector more broadly—that is also included in the shale and tight gas areas—and also to streamline the handling of approval processes between different agencies at the federal government level for offshore projects. APPEA research into environmental approval processes found significant inconsistencies between key commonwealth acts and duplicative environmental approval requirements between several different federal government agencies. These inconsistencies and inefficiencies add significant uncertainty around approval processes, and it can also have a significant impact on project economics through project delays, production delays and ongoing compliance costs. We see that floating LNG facilities will use a substantially smaller footprint compared with onshore processing, as they will not require the construction of an onshore processing plant or pipelines to shore.

With regard to safety, although the scale of floating LNG facilities is new, the technology behind the facilities is tried and tested in the floating production, storage and off-loading vessels. FPSOs have been operating safely around the world since the 1970s and have been in Australia for many years, with several FPSOs currently operating off the state's coast. More broadly, safety remains the top priority for resource sector companies that operate in accordance with established industry standards of risk management. Feedback from CME members indicates that the introduction in January 2012 of the National Offshore Petroleum Safety and Environmental Management Authority has resulted in the strengthening of safety and environment regimes for offshore operations.

[10.45 am]

I will move into summarising the views. I will just reiterate the key issues that we would consider the committee should investigate in the inquiry, and I guess some views on that. Firstly was LNG in the global context. With LNG being the state's second most valuable sector and energy demand in Asia, that positions Australia to become the world's number one LNG producer. However, competition is intensifying and Australia is a high-cost producer, so that will certainly work against us. Government policy approaches: energy diversity and security is critical for the state. Market-driven policies are required, as interventions are unlikely to promote supply coming onstream. With regards to natural gas supply and demand, Western Australia's gas demand is forecast to grow substantially, and supply and demand might be tight. However, the state is moving from three to six domestic producers, and it has significant shale and tight gas reserves over the longer term.

In the cost of doing business, several factors have resulted in Western Australia becoming increasingly uncompetitive for LNG projects compared with other emerging regions. We see that floating LNG is one of a range of options, especially for challenged, remote or difficult fields that would not otherwise be economically viable. With the 30 to 50-year operational phases for LNG projects, there is opportunity for significant local benefits, including employment opportunities and the potential for Perth to become an LNG innovation leader as well. In addressing the environment

and safety space, giving consideration to minimising duplicative, inconsistent and inefficient environmental approvals process is important for ensuring that the state remains competitive.

I think in all kinds of areas like this there is a need for industry and government to work collaboratively to address issues and to have a greater understanding of the various issues to hand, and to be able to make sure that proposed LNG projects in this province are not priced out of competition in terms of necessary returns on substantial up-front capital investments required to develop the projects. We would certainly like to continue the engagement with the inquiry. We appreciate being recognised as a key stakeholder in the state's resources sector, and look forward to making a formal submission to you by the due date, which I think is 31 August. Thank you for the opportunity.

The CHAIR: Thank you. Does the committee have any questions?

Mr J. NORBERGER: Yes, if I may. Thanks, Nicole, I appreciate that; it was very informative.

Just quickly, in regards to some of the information you provided around the cost of doing business, you mentioned that Australia is finding itself on the wrong side of the cost curve at the moment. On that slide, you gave a number of examples, including the greater distances for infrastructure, the higher taxes, royalties, fuel—a whole range—which was great. Where do you guys get that data from? Is that supplied by the oil and gas companies directly or do you do your own independent research? Is it from governments?

Ms Roocke: We did a piece of work earlier on in the year where we sought information from companies and we sought publicly available information, and basically sought information that was available on overseas jurisdictions by which to make those comparisons. So, we have done work specifically in that space. The feeling very much from the anecdotal information that was being put forward by the sector was indicating that, yes, Western Australia, or Australia more broadly, was an expensive place to do business, and companies within their own projects, or within their own companies, were able to look at projects in Africa versus Australia. So we sought to try to collate that information and look at it in a broader context.

Mr J. NORBERGER: Doing that would be interesting, I suppose, because one of the things I was thinking of is do you have that comparative data in such a way that it can be easily digested? In other words, if you looked at the various countries could you see a breakdown of Australia? I am picturing like a bar graph: if it has cost us this much, how much of that is labour, how much of that is fuel, how much of that is tax. Do you know what I mean?

Ms Roocke: Yes.

Mr J. NORBERGER: That bar graph you gave us showed how expensive projects are if you want to get a 12 per cent return. If we want to give recommendations to the Parliament on what we can do to bring that down, what are some of the biggest factors in costing? You mentioned, for example, duplicity amongst environmental matters, and they might turn around say that duplicity —

Mr P.C. TINLEY: I hope there is no duplicity.

Mr J. NORBERGER: Sorry, I stand corrected; duplication, sorry. That might account for, hypothetically, 20 per cent.

Ms Roocke: Yes.

Mr J. NORBERGER: Whereas we might mention fuel, but fuel might only be five per cent. It would be quite interesting to see that, because otherwise I am sure you would agree that if the data is being provided by the proponents, if you like, one would almost gently argue that it is in their best interests to make it out that—you are never going to put your hand up and say, "Gosh, Australia is cheap," and, "Gee, the taxes are really low"; you would never do that.

Ms Roocke: Well, that is it. Companies do want to be able to do that, because I guess the downside of saying Western Australia or Australia is an expensive place to do business is that it actually acts as an investment disincentive. One of the reasons we have not actually sought to publish a formal report on the cost of doing business in Australia is for that reason. It is because you do not want to deter investment in the jurisdiction by, I guess, broadcasting the extent to which we are the most expensive place to do it.

Mr J. NORBERGER: You might want to deter your competitors.

Ms Roocke: Yes.

Mr J. NORBERGER: As part of your submission later, do you reckon that is the sort of data, to the extent you have it available, that could maybe form part of that submission?

Ms Roocke: We will certainly seek to address that as best we can in the submission. Whether we can go to the level of detail you have asked for, I am not 100 per cent certain. But I think we would be more than happy to take that on notice and address that through our written submission, where we can.

Mr J. NORBERGER: Great; thank you.

Mr P.C. TINLEY: Staying with the cost of doing business, Nicole, has there been any sensitivity testing or work done around movements in terms of trade and the dollar? For example, if we go back to our historical mean of 70-ish cents, what does that do to our graph?

Ms Roocke: Peter, I am not aware of that sensitivity analysis having been done, but again I am more than happy to go back to our members and see what information we can ascertain about that, to be able to provide more clarity.

Mr P.C. TINLEY: By way of context, to pick up where Jan was going, as a percentage of the total cost of doing business, how much is our terms of trade and dollar value?

Ms Roocke: Which I think links back into the other questions as well.

Mr J. NORBERGER: That is right, yes.

Mr P.C. TINLEY: The second point is about local content spend. I have seen reports that get put through to government, but they tend to aggregate the total spend, either by geographic space nationally, or by province—in relation to the north west—particularly in Western Australia. Have you guys or any of your members done any work to separate those out from what we would call grudge buys such as airfares, accommodation and food, and discretionary purchases such as in the supply chain continuum and capital item procurement and that sort of thing? So what we discern as being skilled provision of service and/or goods, and those that are just normal daily things. The only numbers I have seen are aggregated.

Ms Roocke: I am not aware of that information being available across industry. The companies may have access to that information within their internal processes. What was interesting in participating in the TIAC working group that was looking at the SME's engagement with the resources sector was being able to also try to identify what is Western Australian local content and which businesses are owned and operated in this state, as opposed to which businesses are actually national or international businesses but have an office here in this state. Although the investment might go through the Perth office, how do you capture that as local content information or how do you go about it? So it was an interesting process to try to unpick that SME's engagements.

Mr P.C. TINLEY: Did you say that TIAC report was public?

Ms Roocke: It is in the process of being finalised, Peter. Where they are at in terms of the launch, I am not 100 per cent. I know it is not released publicly, but I know the report has gone from the working group to TIAC for finalisation.

Mr V.A. CATANIA: Just with the shale and tight gas, when do you see that coming onstream? There is talk about 2016 and that around Canning Basin that will sort of come in, and it will have a significant impact on oil and gas in this state. Is that when you are seeing it happen when you say you cannot see it in the short to medium term?

Ms Roocke: I would think 2016 would be very optimistic to see something come online. I think all the stars would need to be in alignment for that to occur. I think there is still considerable work needing to be done to prove up resources, but also to then give consideration as to how do you bring it onto the market.

Mr V.A. CATANIA: Are those companies that are doing that your members?

Ms Roocke: They are, yes.

The CHAIR: Thank you very much. I would like to thank you for your attendance before the committee today. I am sorry you did not get to say anything, Ben.

Mr Hammer: That is all right; I prefer Nicole to lead it.

The CHAIR: You were there because you were needed.

A transcript of this briefing will be forwarded to you for correction of minor errors. Any such correction must be made and the transcript returned within 10 days from the date of the letter attached to the transcript. If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be added via these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points, please include a supplementary submission for the committee's consideration when you return your corrected transcript of evidence. Thank you very much.

Hearing concluded at 10.57 am