

The Parliament of the Commonwealth of Australia

A sea of indifference

Australian industry participation in the North West Shelf project

Report by the House of Representatives Standing Committee on
Industry, Science and Technology

March 1998

Terms of reference

38th Parliament

The Committee is asked to investigate and report on:

- the level and nature of participation by Australian industry in the main types of major infrastructure projects;
- the net benefits to Australia of greater Australian industry participation in such projects;
- the capacity and capability of Australian-based companies to participate in major infrastructure projects — domestically, regionally and globally;
- key access points for Australian participation in major infrastructure projects including impediments and constraints to exploiting domestic and overseas opportunities;
- policies and mechanisms that could be adopted by governments to enhance national benefits for participation in major infrastructure projects.

*Received from the Hon John Moore MP
Minister for Industry, Science and Tourism
(20 September 1996)*

An inquiry into Australian industry participation in major projects was commenced in the 37th Parliament; however, when the House was dissolved the inquiry was unfinished. The terms of reference for that inquiry are set out on the next page.

37th Parliament

The Committee was requested to inquire into and report on Australian industry participation in major projects in Australia, including but not limited to:

- oil and gas developments;
- mining and minerals processing;
- metal smelting and refining; and
- major infrastructure projects.

The Minister suggested that the Committee examine several projects as case studies of Australian industry capacity and capability to participate in such major projects. These projects were to include both those that have achieved high Australian content such as recent naval shipbuilding projects, as well as those that have not. In particular, the Committee was requested to examine:

- the capacity and capability of Australian industry to participate in design and construction work associated with major projects;
- the actual level of Australian participation achieved in major projects by different industry areas including design, project management, and equipment supply;
- the potential for export earnings for Australian industry in similar projects overseas;
- the potential to achieve improved innovation, technology transfer and skills development in Australian industry through more effective links with major projects and firms associated with these projects;
- the broader economic impact for Australia of major projects;
- the policies currently adopted in Australia and other countries relating to the establishment and operation of major development projects; and
- the policies and mechanisms that should be adopted by government in Australia to enhance the level of Australian industry participation in major development projects and to maximise the benefits to the Australian people from such projects.

Received from the Hon Peter Cook

Minister for Industry, Science and Technology

(14 June 1995)

Membership of the Committee

38th Parliament

Chair:

The Hon Bruce Reid MP (to 12 September 1996 and from 6 February 1997)

Deputy Chair:

The Hon David Beddall MP

Other Members:

Mrs Fran Bailey MP

Mr Bob Baldwin MP (to 24 September 1997)

Mr Russel Broadbent MP (to 9 October 1996)

The Hon Martyn Evans MP

Mr Richard Evans MP (Chair from 12 September 1996 to 6 February 1997)

Mr John Forrest MP (to 28 January 1998)

Ms Teresa Gambaro MP

Mr Harry Jenkins MP

Mrs Ricky Johnston MP (from 9 October 1996)

Miss Jackie Kelly (from 24 September 1997)

Mr Paul Marek (from 28 January 1998)

Mr Allan Morris MP

Mr Peter Nugent MP

Mr Gavan O'Connor MP

Mr Paul Zammit MP

Secretariat:

Mr Paul McMahon	Secretary
Ms Lexia Bain	Inquiry Secretary
Ms Frances Wilson	Administrative Officer

37th Parliament

Chair:

Mr Arch Bevis MP (to 10 May 1994)

The Hon Alan Griffiths MP (from 10 May 1994)

Deputy Chair:

The Hon Bruce Reid MP

Other Members:

Mr Bob Charles MP

Mr Phil Cleary MP

Mr Michael Cobb MP

Mr Barry Cunningham MP

Mrs Mary Easson MP

The Hon Martyn Evans MP (from 22 September 1994)

Mr Laurie Ferguson MP

Mr Bob Horne MP (to 22 September 1994)

The Hon Lou Lieberman MP

Mr Allan Morris MP

Mr Gavan O'Connor MP

Foreword

The House of Representatives Standing Committee on Industry, Science and Technology commenced an inquiry into Australian industry participation in major projects during the 37th Parliament. The Committee decided to take a case study approach to the inquiry, commencing with the North West Shelf gas project, as a follow up to a 1989 report of the Standing Committee on this matter.

At the dissolution of the House of Representatives in 1996, the Committee had not completed its inquiry. After the commencement of the new Parliament, the Committee sought the re-referral of the terms of reference so that the case study on the North West Shelf could be completed. The Minister for Industry, Science and Tourism, the Hon John Moore, agreed to the Committee's request to reactivate the inquiry, but with revised terms of reference. The terms of reference for the two inquiries leading to the current report are listed at pages iv and v.

The North West Shelf gas project has been described as the biggest resource project ever undertaken in Australia, with an estimated investment of \$12 billion. The Committee found that significant factors affecting participation in the project by local industry included technological changes in petroleum extraction, the trend towards alliances and the way in which the Federal and State bureaucracies performed their roles and interacted with industry.

The Committee regrets that the Federal bureaucracies still do not appear to play a significant role in promoting and fostering local industry content in major projects. Indeed the Committee believes they are indifferent to the real opportunities for domestic industry growth which continue to be presented by the vast potential of fields to the north and west of Australia.

The Committee has proposed changes to ensure industry practices and government policies assist Australia to benefit to the greatest extent possible in the supply of goods and services to the industries participating in the development of this natural resource.

I wish to thank all those who gave their time and effort to contribute to the inquiry. Woodside Offshore Petroleum Pty Ltd very kindly allowed the Committee access to its facilities, and this greatly assisted members of the Committee in their inquiries.

The Hon Bruce Reid MP

Chair

March 1998

Abbreviations, glossary and conversions

condensate	light crude oil often found with gas deposits
CCI	Chamber of Commerce and Industry of Western Australia
Domgas	domestic gas phase (= phase I of the North West Shelf gas project)
DIST	Department of Industry, Science and Tourism (formerly the Department of Industry, Science and Technology)
DITAC	Department of Industry, Technology and Commerce
DPIE	Department of Primary Industries and Energy
DRD	(WA) Department of Resource Development
EPCM	engineering/ procurement/ construction/ management
FPSO	floating production storage and offloading facility (or vessel)
HDI/ DRI	hot briquetted iron/ direct reduced iron
ISO, ISONET	Industrial Supplies Office (network)
LNG	liquefied natural gas, mostly methane
LPG	liquefied petroleum gas, mostly propane and butane
NLG	National Liaison Group
NWS	North West Shelf (gas project)
OGCG	Oil and Gas Consultative Group on Local Content
PRRT	petroleum resource rent — levied at the rate of 40 % of the resource rent generated by a project
topside(s)	part of an oil or gas extraction platform which contains the accommodation and product processing modules
train	onshore plant and equipment used to purify gas and liquefy it for transport
WAPET	Western Australian Petroleum P/L joint venture

1 cubic metre of natural gas = 35.31 cubic feet of natural gas

1 billion cubic metres of natural gas at 0°C = 750 000 tonnes of LNG

1 tonne of LNG = 1 333 cubic metres of natural gas at 0°C

Selected field details¹

Name of field	Potential size of field ²	Distance from shore
Carnarvon Basin³		
Goodwyn	210.772 Mbbl 93.913 Bcm	145km NW of Dampier
North Rankin	80.405 Mbbl 104.323 Bcm	135 km NNW of Dampier
Perseus	0.302 Mbbl 2.087 Bcm	135 km NNW of Dampier
Angel	50.949 Mbbl 27.467 Bcm	130 km north of Dampier
Lynx*	(not available)	115 km north of Dampier
Wanaea/ Cossack	136.493 Mbbl 4.467 Bcm	130 km north of Dampier
Lambert/ Hermes*	27 Mbbl	140 km north of Dampier
Yodel/ Echo*	6.513 Bcm	145km NW of Dampier
Barrow Island	49.703 Mbbl 0.482 Bcm	88 km north of Onslow
Gorgon/ West Tryal/ Spar/ Chrysaor	21.26 Mbbl 425 – 708 Bcm	120-160 km NW to NNW of Onslow
Griffin/ Chinook/ Scindian	33.871 Mbbl 0.324 Bcm	96 km NE of Exmouth 68 km NW of Onslow
Harriet	9.252 Mbbl 0.112 Bcm	110 km west of Dampier
Roller/ Skate	10.008 Mbbl	20 km NW of Onslow

¹ *Western Australian Oil and Gas Review*, Department of Resources Development, June 1997, (DRD 1997); APPEA, *Review of potential future petroleum developments*, draft dated April 1997, (exhibit 50), p 10

² Information on the size of fields is approximate only. Bcm = billion cubic metres of gas. Mbbl = million barrels of oil or condensate

* Not shown on maps in this report

³ Also called the North West Shelf Petroleum Province

Name of field	Potential size of field²	Distance from shore
	0.224 Bcm	
Saladin/ Cowle/ Yammaderry	8.410 Mbbl 0.560 Bcm	25-30 km N to NW of Onslow
Scarborough	226.5 Bcm	270 km NW Onslow
Wandoo	32.727 Mbbl 0.106 Bcm	75 km NW of Karratha
Browse Basin		
Bayu/ Udan	250 Mbbl 93.5 Bcm	450 km NW of Darwin
Challis/ Cassini	50 Mbbl	650 km west of Darwin
Cornea	500 – 2665 Mbbl	400km north of Derby
Elang/ Kakatua	17 Bcm	520 km NW of Darwin
Gwydion*	(not available)	760 km SW of Darwin
Jabiru	100 Mbbl	659 km west of Darwin
Laminaria/ Corallina	130 – 250 Mbbl	550 km west of Darwin
Scott Reef/ Brecknock	558 Bcm	435 km north of Broome
Skua	(depleted)	650 km west of Darwin
Bonaparte Basin		
Tern/ Petrel	56 – 85 Bcm	250 km west of Darwin
Sunrise/ Troubadour/ Loxton Shoals and Evans Shoal*	140 Bcm	430 km NW of Darwin 300 km NNW of Darwin

Maps

Note: Maps showing oil and gas resources in north western Australia are not reproduced in this version.