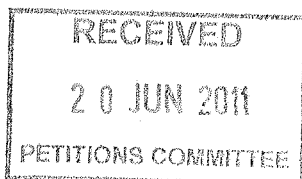




458-766

THE HON MARTIN FERGUSON AM MP
MINISTER FOR RESOURCES AND ENERGY
MINISTER FOR TOURISM

PO BOX 6022
PARLIAMENT HOUSE
CANBERRA ACT 2600



C11/1642

The Hon John Murphy MP
Member for Reid
PO Box 6022
Parliament House
CANBERRA ACT 2600

16 JUN 2011

Dear Mr Murphy

Thank you for your letter of 23 May 2011 in relation to a petition on Australian regulations applicable to manufactured imported hazardous products, and opportunities for local business to supply goods and services to resource projects. I note the concerns raised in the petition and make the following comments.

In relation to hazardous products, the petition may have linked two separate issues by comparing recommendations of the Montara Commission of Inquiry, that are specific to the offshore petroleum industry, with the regulation of hazardous products in Australia.

The control of workplace dangerous goods and hazardous substances is overseen by Safe Work Australia. The hazardous substances regulatory package establishes exposure standards for work sites to reduce risks for people working with hazardous substances. Further information on the regulation of hazardous substances is available on the Safe Work Australia website at www.safeworkaustralia.gov.au.

The Montara Commission of Inquiry considered the regulatory practices specific to the offshore well management practices and operations of the offshore petroleum industry. The Inquiry made numerous recommendations regarding the safety standards applicable to well equipment and blow-out prevention, and the well control practices of the operator and oversight by the regulator. The Inquiry did not consider the regulation of hazardous products.

Importantly, the Inquiry found that the current objective, performance-based regulatory regime provides sufficient powers to the regulator to enable the effective monitoring and enforcement of offshore petroleum-related operations. The inadequacies identified by the Inquiry primarily relate to the implementation of this regime. The Inquiry concluded that, despite the regulator's administrative deficiencies, the Montara incident could have been avoided if the operator had adhered to the well control practices approved by the regulator and its own well construction standards, and recommended the further strengthening of the existing regulatory regime.

Telephone: (02) 6277 7930 Facsimile: (02) 6273 0434

If thought appropriate, I can arrange for my Department to brief the Committee on the regulation of the offshore petroleum industry and the Commonwealth's response to the Montara Commission of Inquiry.

In relation to the supply opportunities for local businesses, the Australian resources sector, as with the Australian economy, operates in a highly competitive global marketplace. Australian resource projects compete with other resource projects around the world for markets, skilled labour and capital investment. Imposing mandated levels of local content on resource projects has the potential to increase project costs such that they are priced out of the global market. Australian industry must be competitive if our resources sector is to sustain the growth of recent years.

For example, according to Chevron Australia, the Gorgon liquefied natural gas project is predicted to generate \$10 billion in contract benefits for Australian industry and create more than 4,000 jobs in Australia. The Gorgon Project has already let contracts to Australian companies totalling in excess of \$7.1 billion. The Australian company Leighton Contractors was awarded an \$800 million contract in September 2010 for various construction activities including site services, piping and electrical and instrumentation cabling for Gorgon, and the Western Australian company Monadelphous has been awarded two contracts worth a total \$145 million for pipeline works and facilities management. Furthermore, the recently announced \$50 million contract with AGC Industries for the supply of steel pipelines to the Gorgon Project shows that small Australian companies can be compete for major contracts. These contracts are examples of Australian companies benefiting from growth in the resources sector.

The Australian Government recognises that it has a responsibility to ensure that industry and the wider Australian community share in the benefits of the current resource project expansion. The Australian Government in conjunction with state and territory governments is working with industry to improve the competitiveness of Australian companies when bidding for resource project contracts so that local communities and economies benefit with new jobs and investment. The Australian Government is active in ensuring that project companies develop local content plans and invest locally where it is reasonable to do so.

In the 2011-12 Federal Budget the Australian Government committed \$34.4 million over four years to encourage better linkages between major projects in the resources sector and capable Australian firms. This includes \$27.6 million to expand the Supplier Advocates and Enterprise Connect Programs; \$4.4 million to expand Australian supplier's access to major projects through positioning an industry capability specialist in the procurement team of some of the major resources sector projects; and \$2.5 million to establish a Resources Sector Supplier Advisory Forum and to employ a Resources Sector Supplier Envoy.

Thank you for bringing the concerns raised in the petition to my attention. I trust this information has been of assistance to you.

Yours sincerely

Martin Ferguson