



# Gas Fields Commission Strategic Plan for the Coal Seam Gas Industry in Queensland

CHAMBER OF COMMERCE AND INDUSTRY QUEENSLAND SUBMISSION

28 NOVEMBER 2012

ON BEHALF OF THE

CCIQ SOUTH WEST QUEENSLAND REGIONAL COUNCIL

## **1.0 Introduction**

- 1.1 As the State's peak business organisation, the Chamber of Commerce and Industry Queensland (CCIQ) welcomes the opportunity to provide input into the development of a strategic plan for future work related to the coal seam gas (CSG) industry in Queensland.
- 1.2 CCIQ is primarily interested in the economic implications of CSG activities. CCIQ acknowledges that this industry is in its infancy and in Queensland, commercial production has been largely confined to the Surat and Bowen basins.
- 1.3 As CSG extraction is relatively new, there is still time to exert a degree of control, in terms of regulation and the management of risk associated with the technology - the two most often cited reasons for abandoning or halting the development of the industry. There exists a unique opportunity to manage these issues, rather than adapt to them incrementally.
- 1.4 Indeed there has been discussion at a national level whether there should be additional Commonwealth regulation to increase the rights of land owners and to protect water security. Queensland continues to have an opportunity to effectively and efficiently manage the Industry without Commonwealth Government interference. The Gas Fields Commission is therefore a welcome advancement and a strategic plan for the industry is vitally important.

## **2.0 CCIQ Support for the CSG Industry**

- 2.1 CSG has the potential to contribute to meeting the future needs of the Queensland energy sector, thereby contributing to the State's energy security as decisions on finding alternatives to coal fired power and the transition to renewable energy sources are made.
- 2.2 The industry has the potential to generate valuable royalties paid from the usage of crown resources, contributing positively to State Government revenues. More importantly in CCIQ's eyes the Industry has the potential to contribute positively to Queensland jobs and economic growth, creating opportunities for many businesses located in Regional Queensland.
- 2.3 With CSG activities based largely in regional Queensland, there is also the potential benefit to those communities through local employment opportunities, and growth in local business throughout the supply chain and logistics markets.
- 2.4 Local infrastructure improvements may also be a tangible benefit of a new industry development in regional Queensland, notably in roads, accommodation, community facilities and airports. This is clearly building capacity for expected longer term growth.

- 2.5 Industry development might not just be confined to CSG and mining technologies. There may also be indirect industry development opportunities including in water desalination and recycling projects and in the transport, manufacturing and service industries which support these large infrastructure developments.

### **3.0 Property rights and access**

- 3.1 There is currently significant exploratory work being undertaken across regional Queensland to assess the existence of economically viable wells. This is leading to many concerns including the depletion of groundwater, loss/contamination of good quality agricultural land and the associated impacts on food production in Queensland. There are concerns that CSG projects are going ahead at the expense of agriculture.
- 3.2 CCIQ is supportive of finding a balance between mining and agricultural activities, with mitigation activities put in place to ensure primary producers continue to have access to good quality agricultural land.
- 3.3 CCIQ believes that energy security, water security and food security are intrinsically linked and access to these assets needs careful management and planning. Appropriate conduct of water pressure, water quality and soil quality should be undertaken by exploration licence holders and verified independently by relevant authorities. This will provide landholders, business owners and their communities with verifiable data to ensure the ongoing viability of agribusiness and its co-existence, where necessary, with mining resource operations.
- 3.4 Landholders have legitimate concerns about the impact of gas exploration and production on their existing land use. For the businesses and communities that support agribusiness activities, their operations and property values and community wellbeing are also important. Industry and landholders should work together to create ongoing mutually beneficial working partnerships. Sensitivity to land use issues such as stock control and movement, prevention of weed spreading and crop integrity are critical issues and must be appropriately managed by exploration licence holders. Negotiations for access to land must be undertaken respectfully, with proper compensation and reparations managed effectively.
- 3.5 Many landholders are still uncertain of the benefit but more importantly their rights in relation to exploration requests. There continues to exist significant opportunity for education and awareness strategies relating to the CSG industry.

#### **4.0 Availability of staff with suitable skills;**

- 4.1 Skills shortages and poor labour mobility between regions and professions are endemic to certain areas of regional and remote Queensland. This has given rise to a degree of competition between the resources sector including the CSG industry and broader business community for the retention and attraction of suitable employees.
- 4.2 In most instances the broader business community has been on the wrong end of this competition and the best case scenario is a business facing significant pressure on their wages in order to retain and attract staff. These wage pressures have inevitably fuelled price inflation in surrounding communities. Additionally some business services have been referenced as fully allocated to the mining sector such as accommodation which has also fuelled price inflation.

*“Cost of living for long term residents and businesses is being driven up through construction workers impact on the region especially around the increase in wages being offered. Local businesses find it difficult to maintain and keep staff when competing against the resource workers’ wages during the exploration and construction phases, this is expected to continue well into the operational stage.”*

*South West Queensland Business Operator*

- 4.3 Whilst nationally the severity of skills shortages has eased over recent years due to the global financial crisis and national economic slowdown, the underlying drivers of skills shortages continues to exist. Accordingly, it is almost certain that skills shortages will remain a significant barrier to business growth in regional Queensland and the competition currently existing between resource projects and the SME community will continue.
- 4.4 At present the Queensland Skills and Training Taskforce has made a number of recommendations for State Government consideration that in CCIQ’s view would significantly contribute to addressing many of these issues. More specifically that:
- there should be a greater focus on workforce planning and reskilling;
  - government funding for VET should be provided to those training providers that meet employers’ needs;
  - decision-making for VET should be decentralised to regional areas; and
  - TAFEs should be required to operate on a competitive basis and its funding should be made on a contestable basis.
- 4.5 Consideration should also be given to introduce other complementary measures: designed at attracting skilled workers to regional and remote areas of Queensland including: working with local government to promote the ‘liveability’ of Queensland’s regions; and establishing better linkages between regional employers, RTOs and communities.

- 4.6 Furthermore many Queensland businesses have cited that they were able to compete against resource companies through offering flexible working arrangements. CCIQ believes that the Fair Work Act must be amended to reintroduce meaningful provisions that enable flexible working conditions.

*'Skilled and semi skilled workers (2nd and 3rd year apprentices included in this area) are being enticed and encouraged to move from one company to another and one industry to another. The harmful side effect of this is that employees become less loyal and more inclined to move on if there is a better offer or a challenge within their current work environment rather than staying with a company for a longer period of time and reaping the rewards of being part of the business success, promotion and other benefits like long service entitlements etc.*

*Through promotional activity highlight the fact that apprentices are being paid to train and that if they complete their apprenticeship in one trade and with the same employer then the real long term benefits are of being trained within an industry where they gain a much better understanding of that industry from entry level upwards."*

*South West Queensland Business Operator*

## **5.0 Local businesses' perception of their opportunity and ability to successfully sub-contract for project-related work**

- 5.1 At present, local Queensland businesses do not believe they are given sufficient opportunity to engage with national and international companies through supply chains for major resource projects that have been awarded. CCIQ in early 2013 will be releasing its 'Increasing Local Opportunities for Queensland Business' Blueprint. This document contains valuable research on Queensland businesses experiences in tendering for work flowing from the major resources projects.

*"The reality is that only transport and fuel providers, FIFO operators, some landholders, some service providers are benefiting from the Coal Seam Gas industry. There is limited benefit to SMES at present."*

*South West Queensland Business Operator*

- 5.2 This research indicates that up to 40% of businesses do not believe that local industry is generally successful in being awarded contracts for goods and services for major projects. Businesses believe that they are not afforded adequate opportunity to successfully sub-contract for project-related work.
- 5.3 For businesses that have directly or indirectly accessed procurement opportunities, the majority rate the whole process and experience as average (44 per cent) while 27 per cent rate the process as poor or very poor. Key reasons for the poor perception of project tendering process relates to areas such as the application process

(documentation required), fairness and equity of the tender selection process, support provided by the tender manager and procurement reporting requirements.

- 5.4 Over 70% of businesses rate the application process/documentation required for tendering as average, poor or very poor. In spite of SME's desire to participate and contribute significantly to a major project, many lack the adequate resources and administrative function to provide overly burdensome and unnecessary paperwork including meeting compliance criteria.
- 5.5 Many businesses view the length of the application documentation as burdensome and are unable to dedicate the time to such a process. This is in spite of the fact they are fully qualified to deliver the project in a practical and cost efficient way.
- 5.6 Many of these findings applicable to accessing opportunities from the resources sector more broadly are equally applicable to opportunities flowing from CSG.

## **6.0 Impediments to contracting for work**

- 6.1 There are a number of impediments to contracting for work. The most prominent barrier for SME's gaining work is the 'information gap'. Due to a lack of awareness of procurement opportunities in the region, SME's are regularly unaware of opportunities available.
- 6.2 When information is provided about upcoming projects, SME's are often too late in applying. Major projects must consider that a long lead in time is necessary to allow SME's the ability to cluster, create joint ventures and invest in the necessary equipment and staff levels. On the other hand, major project operators have also expressed concern about their own lack of awareness of the services and skills that can be provided by local businesses.
- 6.3 For SME's that are aware of opportunities, there is a growing perception that they cannot compete against the larger national and international companies. In particular, this is when the application process is too complicated or requires too much time without a guaranteed outcome. Additionally there are too many conditions placed on potential contractors, with many businesses unable to meet project tender requirements.
- 6.4 There is a significant need for increased collaboration between the local SME community and major project proponents. At present, organisations such as the Industry Capability Network (ICN) provide a meaningful service in allowing SME's to see where they fit in the supply chain. Utilising the tool on ICN's website allows SME's to gain a broader understanding of available opportunities and how they might skill up or improve their resources to become compliant. However it must be noted that the ICN is seen by SMEs as largely orientated toward Tier One and Two companies with limited applicability to SMEs. Whether perception or fact this issue must be addressed.

*“Applying for a tender has become too complicated. Large interstate firms employ “tender writers” who speak in a purchasing jargon. Local firms cannot afford to employ these people, and so we see the demise of local businesses (who often do a better job than the interstate boys).”*

*“Firstly inform local business of potential projects. include locals in project set up/ design etc.”*

*“The structure of authority and responsibility towards awarding of contracts is confusing and inconsistent. Everyone has different protocols.”*

*South West Queensland Business Operators*

6.5 Creating successful partnerships for local SME participation can provide a boost to local engagement with procurement opportunities. Tools that identify local SME capacity, such as local business registers and chambers of commerce can assist in enhancing the awareness of both local SME’s of major projects, and major organisations looking for local SME’s.

## **7.0 Conclusion**

7.1 In the main the positives associated with the coal seam gas industry significantly outweigh the negatives. As with all new industry developments, there are competing views about the regulation of the industry and the impacts on community that might result from its establishment.

7.2 The industry is likely to have significant economic potential (royalties, job creation and regional development) but this potential needs to be balanced against the ongoing needs of agribusiness and other businesses operating in regions where exploration is already underway.

7.3 As with all industry development, CCIQ encourages an approach which seeks to maximise economic potential to contribute to the growth of Queensland and one which minimises the regulatory burden placed upon business. Getting the balance right as soon as practicable will contribute to the management of these issues, rather than their incremental adaptation.

7.4 CCIQ would be delighted to meet with you to address any questions you may have in relation to this submission. To this end Nick Behrens, CCIQ’s General Manager – Advocacy, (Mobile: 0420 961 171) is available to coordinate meeting details with your office and the Chamber.