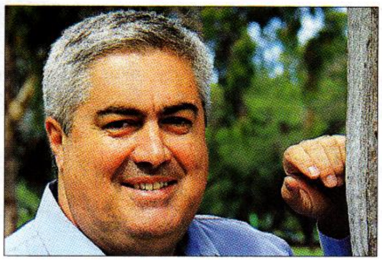

Numbers: Peter Dyball, managing director of Perth-based Pit Crew Management Consulting Services

Photo: PIT CREW

Paying top dollar to get skilled labour

DEMAND TO REMAIN HIGH

Average wage in sector is US$163,600

THE unprecedented number of liquefied natural gas developments being built across Australia has added to project cost pressures as they compete for skilled labour, *writes Josh Lewis.*

Australia's resource industry continues to be the fastest growing source of employment in the country, having created 130,000 direct jobs over the past five years.

A recent research paper by the Reserve Bank of Australia found that about 1.1 million Australians were employed directly in the resources industry or as a direct result of the industry.

Australia currently has 87 major resource projects committed or under way, worth a total of A$268 billion (US$275 billion), with a further 277 projects worth a combined value of A$383 billion under consideration but not fully confirmed.

Rising demand for skilled labour in the resource sector has led to an increase in wages over recent years, with Australian oil and gas workers now the highest paid in the world.

The average wage in the industry is US$163,600 a year, about 35% more than in the US, according to the most recent global salary guide by recruitment firm Hays.

In the wake of Woodside cancelling its onshore development concept for the Browse LNG project at James Price Point, Australia's opposition resources spokesman Ian Macfarlane was quoted in local media as saying high wage costs and the high Australian dollar meant the nation had probably seen its last greenfield LNG project.

"When a cook on an oil rig in Western Australia gets upwards of A$290,000 a year, I think the inevitable was going to happen with James Price Point," Macfarlane said.

"In time, the true cost of doing the project at James Price Point will come out, and it is astronomical, and far higher than the A$45 billion as suggested. In the end that is the result of the high currency and high labour costs."

Rising labour costs was also one of the main reasons Chevron last year gave for the US$9 billion capital cost increase on its Gorgon LNG project in Western Australia.

However, Chevron chief executive John Watson told analysts in March that cost pressures were starting to ease in the construction sector.

"There has been some abatement in costs," Watson said. "You've seen some mining projects fall over, so you've seen an easing in some of those pressures. Having said that, it's still a very expensive labour market."

However, the founder and managing director of Perth-based Pit Crew Management Consulting Services, Peter Dyball, cautions that while the labour market as a whole is tending to ease at the moment, demand would remain high in Australia's LNG sector over the coming months.

"In terms of construction labour demand on the oil and gas side of things, because of the stage the major projects are at, within the LNG sector the demand and the numbers on site are actually going to increase and peak before they decrease," Dyball says.

"So we are not going to see an easing of the need for construction labour and engineering resources in the LNG sector. If we were to look at that on its own it's going to get busier in that sector before it peaks and eases off. That peak is at least 12 to 18 months away."

Dyball says that while there may be an equilibrium over the next couple of years in terms of demand and availability for certain job types, there was still going to be a shortage of skilled tradespersons such as boiler-makers, welders, fitters and electricians.

Dyball adds there would be a demand for other skill sets as LNG developments currently under construction are completed and enter their operational phases.

He estimated that another 8000 to 9000 operations personnel could be needed on site over the next two years, adding that if other major resource projects go ahead that figure could expand to up to 18,000.

"On top of that, for every one role on site there's two or three or four roles in support services and off-site roles and stuff like that that site role might generate," Dyball says.

"Even now we are sort of conservatively looking at the creation of 30,000 or 40,000 jobs within the next two to three years as a result of these new assets coming on line."