



# Pit Crew News

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Newsletter of Pit Crew Management Consulting Services Pty Ltd  
Issue Canada Special, Sept 2014



**CANADA SPECIAL**

## Who are we?

For the past 9 years Pit Crew has provided labour market forecasting and analysis for major projects

We are proud to work with some of the most significant organizations - private, industry and government - in the Australian resources and energy sectors.

Our client list includes: BHP Billiton, Rio Tinto, Chevron, Bechtel, KBR, British Gas (QGC), Inpex, CB&I and Kiewit, as well as the Western Australian and Northern Territory Governments.

### Question:

**If \$120 billion in BC LNG projects reach FID, how much capital cost saving is represented with every 1% improvement in labour productivity?**

Answer over page

*It's hard to have a conversation about BC LNG projects without concerns being raised regarding labour, skills shortages and productivity as well as the recent performance of Australian projects.*

*A lesson from the Australian experience is that, too often, projects were reactive to labour productivity issues, and as a result were always playing catch-up.*

*The cold hard fact is BC's recent history of major project execution, a single project worth less than \$5 billion, has not met cost and schedule expectations. This is concerning especially when even conservative estimates forecast multiple LNG projects worth upwards of \$120 billion could be committed in BC over the next few years.*

*LNG projects in BC have the chance right now to grab hold of a huge opportunity. How good would it be if projects were approved and the market was already ahead of the game on labour productivity issues?*

*With just a few uncomplicated pre-emptive strategies, stakeholders have the opportunity to implement and build a strong foundation for labour productivity. These are low cost and high benefit opportunities. Innovative pre-emptive action now will save billions in the future.*

## Pit Crew launches, "Postcard from Australia – Growth in a Major Project Market"

Canada's major project market is on the threshold of a significant upswing in activity. While there is a substantial list of projects underway, it's the pipeline of potential projects which is capturing industry and public expectation, none more so than LNG projects in British Columbia.

While sounding straightforward, delivering on-time and on-budget projects in the Canadian market from 2015 to 2025 will present a raft of challenges. In the current environment labour, skill shortages and productivity are at the top of the list.

In May this year I was honoured to be a keynote speaker at the LNG in BC conference in Vancouver, delivering a presentation entitled "Postcard from Australia – Growth in a Major Project Market".

The response has been so positive the Pit Crew team and I have developed a

report which goes under the same title but delves much deeper into the issues.

'Postcard from Australia' provides valuable context about the evolution of the major project environment in Australia from 2004 to 2014 and the consequences of rapid market growth. It identifies and discusses key factors which contributed to increased labour costs and lower productivity on Australian major projects.

Based on Australian project experiences, the report also raises the prospect of pre-emptive action. It suggests four high value and low cost strategies which could be implemented right now and pay massive dividends in the future. Find out more in 'Postcard from Australia'

### Stay tuned



**Peter Dyball**  
Founder and Managing Director

**MAJOR PROJECT:** A resources, energy or infrastructure project with a capital value of over \$200 million. Pit Crew currently model and analyses 410 Canadian major projects with a capital value of over \$749 billion. Of these projects, \$303 billion are currently financially committed and \$437 billion are in the project pipeline.

## Pit Crew Labour Market Reports

Our comprehensive range of reports provide our subscribers with detailed forecasts and analysis of the labour market from initial project concept and feasibility through the construction phase, to operations and ongoing asset management.

Reports are available by province or as a combined national report.

### Answer:

**If \$120 billion in BC LNG projects reach FID, Pit Crew calculate every 1% improvement in labour productivity translates to a capital cost saving of \$547 million.**



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Pre-order NOW for  
 24<sup>th</sup> October Release Date

### Postcard from Australia

Growth in a Major Project Market

From 2004 to 2013 the Australian project market experienced an unprecedented period of growth, with the LNG sector an integral part. For many in the industry this period provided the opportunity to be part of an extraordinary, once-in-a-lifetime chapter in the growth and development of the Australian resource and energy sector. Pit Crew is proud to have been part of this.

By 2018 all of the projects emanating from this growth will be commissioned and operating, and Australia will be able to look back at fifteen years of achievement in the delivery of major projects. The operations phase of these projects means the whole economy will reap the rewards of these investments for the next thirty years or more.

While no-one can ever take away these accomplishments, this rapid growth unfortunately came with a big sting in the tail. Many projects reported budget and schedule blowouts during the construction delivery phase, with increased costs and falling productivity of labour on LNG projects being the most prominent and understandably receiving the most attention.

Lessons learnt on Australian projects can provide the opportunity for Canadian projects to better understand the risks in such a market.

The project environment in BC will face the same challenges experienced by Western Australia and Queensland over the past 5 years. Similarly, labour factors will be a big component, perhaps the largest.

Pit Crew's Australian experiences over the past ten years combined with our research and analysis of the Canadian major project market for the past two and a half year lead us to a very positive conclusion; with respect to labour issues, most BC LNG stakeholders appear to be two to three years ahead of where their Australian counterparts were at the same stage of project development. Furthermore, the level of focus on a common objective amongst stakeholders is abundant; recognising that seeing these projects reach final investment decision and be successfully delivered is in everybody's interest.

This level of common focus inspired the Pit Crew team to contemplate: 'BC stakeholders have the foresight and want to do something right now; what should that be?'

As a result the report proposes four pre-emptive strategies for consideration. These strategies can be undertaken immediately; on very modest budgets. They will however deliver significant value when LNG projects reach the execution phase.

### Pre-order NOW for 24<sup>th</sup> October Release Date

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