

MEDIA RELEASE

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Excessive wages threaten Australia's offshore oil and gas industry - Deloitte report

A NEW Deloitte Access Economics report into the economic pressures in Australia's offshore oil and gas marine support sector has found increasing labour and operating costs, productivity issues and macroeconomic challenges have significantly impacted the industry's international competitiveness.

The Deloitte report, *Analysis of the offshore oil and gas marine support sector*, provides critical economic context for the current round of enterprise bargaining agreement (EBA) negotiations that will set wages and conditions for vessels servicing Australia's offshore resource industry for four years.

A key finding is that the high cost, low productivity environment of Australia's resource industry is presenting very real challenges for support companies that are critical to the project supply chain.

"This Deloitte report supports the growing concern within the national debate that cost pressures and productivity issues present very real challenges to operators within Australia's resource industry, and the economy more widely," says Steve Knott, CEO of resource industry employer group AMMA.

"It is critical to build a factual basis for discussion about these challenges amid the shifting economic conditions in Australia's offshore oil and gas marine support sector.

"The findings clearly demonstrate that the current competitive challenges facing vessel companies in Australia's oil and gas sector have changed dramatically since the last EBA negotiations in 2009-10."

Deloitte Access Economics undertook a survey of vessel operations as part of the research, finding the maritime sector has been tightly squeezed in recent years as the cost of labour rose sharply:

- The marine support sector employs 2,500 staff directly to vessels, with another 10,000 staff in affiliated areas.
- On a 'per vessel' basis, wages and total expenses have increased by around 40% since 2007-08, while revenue has increased by only 8%;
- Between 2008-09 and 2009-10, the sector's profits fell by 27% while at the same time wage costs grew by around 19%;
- Profit per vessel in 2011-12 was half the level recorded in 2007-08; and since 2007-08, wages and total expenses have doubled while revenue increased just 50%;
- As an example, wages have almost doubled over 10 years for schedule 1 integrated ratings (now in excess of \$170k per year); and increased by >70% for schedule 8 roles (\$240k per year).

"Strong wage growth combined with weakening profit margins over the past few years has left the offshore oil and gas marine support sector in a position where any significant, sustained growth in wages could threaten the ongoing viability of the sector," says the Deloitte Access Economics report.

"The pace of wage growth in the sector has clearly been disproportionate to wage and price growth in the Australian economy overall. Wage growth which is not reflective of productivity improvements in the sector is detrimental to the profitability and sustainability of (the) businesses.

"It is therefore critical for the ongoing viability of the sector that the EBA process facilitates the employer flexibility and wage outcomes required to support the sustainability of vessel operators.

AMMA chief Mr Knott says: "Given the significance of this key industry to the national economy, all parties to the current EBA negotiations must work together to keep Australia's oil and gas industry financially viable and ensure it can provide sustainable employment opportunities."

[Click here](#) for Deloitte Access Economics' *Analysis of the offshore oil and gas marine support sector*.
[Click here](#) a four-page media summary of the key findings and recommendations.

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