

COLUMN FROM MAYOR TIM SHADBOLT

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THE HOTSEAT

In my view, there is no question that the development of oil and gas fields in the Great South Basin will have a huge impact on the future of Invercargill and Southland. After spending four days last week visiting oil companies, Port Taranaki, industrial property developers, as well as the Regional and District Councils you begin to gain an appreciation of the enormity of the industry.

I know there are cynics out there who will argue that modern technology has changed everything and the oil will be pumped from the Basin straight on to oil tankers and shipped offshore. And yes, it's true, that there have been significant advances in technology when it comes to both the exploration and extraction of oil. That's why the Great South Basin now looks feasible whereas during the "good old days" when Hunt Petroleum was drilling, conditions made the field almost impossible. Regardless of all the changes you still have to maintain and service the rigs and that in itself is a multi-million dollar industry. For example when a small capping pipe on one of the rigs developed a small crack, the oil company chartered a 747 and flew a replacement part directly from America.

The industry also attracts highly skilled oil workers from all over the world. Rock doctors and mud engineers are everywhere. Locals who learn the trade take off themselves to highly paid jobs in Africa, Asia and South America.

And of course there are downsides. It's a high risk, boom and bust industry.

The local Methonex plant required 5,000 workers to build it but only 300 to run it. One month you're screaming out for skilled workers and the next minute you have a surplus.

Council regulations are often compromised as oil companies hire the best lawyers in the world and are fearless when it comes to litigation.

Local government is quick to learn that lots of red carpets and red lights are far more productive than red tape.

Oil companies have also developed a fetish for safety. When Air New Zealand cabin staff read out the entire safety manual from A to Z you know there's an oil company executive on board. When a taxi drives past lit up like a Christmas tree and travelling at 30 km per hour you know the passenger is an oil executive. OSH is irrelevant because the safety standards the oil companies impose on themselves are far stricter than any local regulations. The old rip and bust cowboy days are well and truly over.

There are also some quite quirky developments that surprised me. The oil fields generate about 30 containers of seabed waste every three days so the Council has developed massive worm farms on a scale that is difficult to imagine.

When it comes to industrial property most oil companies simply want a paddock with a huge secure fence around it, a concrete pad, a port-a-loo and a short term lease. It takes 20 years before a long term industrial hub is developed. It did make me feel a little nervous about our 1,500 acre industrial park at Awarua which in five years' time will seriously impact on our rates.

Despite all the risks, the benefits to New Plymouth are obvious. Their population and property values have increased dramatically over the last 20 years and their parks, walkways and sporting facilities are incredible.

The Government claims 26% of oil money in royalties in taxes, so just the Taranaki fields contributed \$2.92 billion into our economy in the last two years.

As a nation we earn more from oil and gas exports than our entire sheep and wine industries combined.

If it wasn't for oil and gas New Plymouth would be a very sad little provincial city. It would be like Invercargill without it's smelter.

I believe New Plymouth made a strategic blunder when it sold its electricity company for \$262 million. It's now worth \$400 million. Then they invested most of the \$262 million in dairy farms in Tasmania which are now worth \$140 million.

The Mayor will not be running in the next elections.

The real challenge we are facing in the next few months is whether or not Invercargill or Dunedin will be the hub for developing the Great South Basin. We are closer, but they have superior hotels. Our port has easier access, but theirs is deeper. We have more flat industrial land, but they have an international airport.

We will have little say over the final decision, but we would be really stupid not to give it our best shot.