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Enquiries: Faileen James

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Committee Secretary
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INQUIRY INTO THE USE OF 'FLY-IN, FLY-OUT' (FIFO) WORKFORCE PRACTICES IN REGIONAL AUSTRALIA

The City of Albany is pleased to provide this submission to the Inquiry into the use of 'fly-in, fly-out' (FIFO) workforce practices in regional Australia. Of particular interest to the City of Albany is the term of reference:

'potential opportunities for non-mining communities with narrow economic bases to diversify their economic base by providing a FIFO workforce'

This submission sets out the reasons Western Australian regional cities such as Albany are likely to be attractive for resource companies and governments to consider as an alternative to Perth as a FIFO labour supply base. A broad assessment is provided of the potential opportunities for the local community, business, and government as a result of policy intervention by state and federal governments to actively encourage labour supply hubs in non-mining regional centres.

Regional community infrastructure

Regional WA cities similar in size to Albany already provide strong community infrastructure to support FIFO workforces. For example, facilities in Albany that would support and be attractive to FIFO workers and their families include:

- excellent sport and recreation facilities for all age groups;
- health facilities providing a range of services. Under construction in Albany is a new \$170 million health campus, which will be the most modern, contemporary hospital in regional Western Australia when it opens in 2013;
- a new \$70 million state of the art entertainment centre;
- a \$40 million marina and waterfront precinct opened earlier this year;
- public and private schools up to and including year 12;
- a campus of the University of Western Australia, which offers a range of tertiary level courses in a partnership with Curtin University;

- the Great Southern Institute of Technology, which provides a range of vocational training services. Training is currently provided to the mining and resources sector, including Worksafe and risk services, earthmoving courses and variation certificates. The Institute also offers a Certificate III in Surface Extraction Operations as part of a critical skills delivery program. Services are currently provided to mining operations in the Kimberley and Goldfields regions and planning is underway to supply training services for proposed local mining operations to the east of Albanyⁱ.
- the City of Albany owns and operates a Regular Public Transport (RPT) airport, which has a modern terminal, a sealed 1800m runway, an instrument landing system (to allow for safe landings during inclement weather) and is currently being upgraded with a new security screening system. It is capable of servicing commercial aircraft up to Boeing 737, with dispensation. Unlike Perth airport, most regional airports such as Albany are not congested.

FIFO opportunities and benefits for non-mining regional centres

FIFO operations have become a major part of Western Australia's mining industry, with many resource development companies basing much of their workforce in the Perth metropolitan area. Project economics often make FIFO a more viable option for resources companies and their workforce, as an alternative to building mining towns and then decommissioning the town at the end of the mine's life. Further, these mining-based communities may be a less preferable option for workers and/or their family members to live, due to climatic, amenity, infrastructure or socio-emotional reasons.

The City of Albany encourages the Inquiry to investigate a range of public policy options that may assist regional non-mining cities to realise opportunities to positively facilitate regional social and economic growth. The concept has already been trialled successfully in Western Australia, with Busselton and Geraldton being used by resource companies to supplement Perth-based FIFO operations. For example, Busselton has approximately 300-350 workers flying directly to mines in the north-west on regularly scheduled charter flights to meet workforce rosters, with some of the workers moving into the district as new residents.ⁱⁱ

Policy intervention to facilitate FIFO from non-mining regional cities such as Albany would promote a range of benefits as follows:

- Positive local economic impact from inward migration of FIFO workers. Direct expenditure of incomes and the subsequent flow-on effects causes an increase in demand for consumer goods and services within the local area. For example, if 100 new workers were to migrate to Albany and work in FIFO operations, a large proportion of each worker's wages and salaries will be spent locally in the Albany region. The multiplier effect would result in approximately \$18 million additional output resulting from increased local demand. In addition, the employment multiplier would result in a total of 260 new jobs in Albany.ⁱⁱⁱ
- With the support of targeted labour market programs, local unemployed people, but less skilled, could 'backfill' lower paid positions that may become vacant as a result of workers already based in Albany, being attracted to higher paying FIFO jobs.

- Spouses of FIFO workers often bring valuable skills that are frequently difficult to attract to regional areas in their own right (e.g. nurses and teachers). Resident spouses of FIFO workers can support local community growth by working in existing organisations, or establishing their own small businesses, which enriches services to existing residents and visitors;
- Mining company employees from regional labour bases are likely be more loyal, because other local employers are generally unable to afford resource sector wages;
- Increased population generally helps reduce unemployment and stimulate regional small business;
- A number of Albany residents already FIFO to resource development projects via Perth. Many of these workers drive 400km to Perth or fly at their own cost, creating long commute times and additional social and financial pressures on families. Direct flights from Albany could have significant social and family benefits that are difficult to quantify;
- A FIFO workforce helps diversify the region's workforce base and provide an overall larger pool of workers for local emerging mining operations such as a proposed \$2.57 billion magnetite mine 100km east of Albany;
- Coastal regional cities such as Albany are sought after places to live, demonstrated by the recent sea-change movement across Australia, particularly of retirees. FIFO workers boost the working age population which helps counter over-representation of retirees. This also supports state and federal policy objectives aimed at population decentralisation. Seventy-four percent of Western Australia's population currently resides in Perth, which creates challenges for Governments in the areas of planning, service delivery and infrastructure provision. Over the decade 1996-2006, direct employment in the mining industry grew 105% in Perth, but only 29% in regional Western Australia.^{iv}
- The median house price in Albany is currently estimated at \$368,000^v, around \$100,000 less than the Perth median price, making it relatively more affordable for people looking for a lifestyle change to an attractive, vibrant and temperate coastal destination. There are over 700 residential properties currently for sale, with a range of housing options available, including inner city living, heritage homes, sea-side cottages and semi-rural lifestyle properties. Albany is nestled around three mountains, offering the opportunity for housing with ocean, river or city views. Properties with this type of outlook in the metropolitan area would be well beyond the financial reach of many, including resource sector workers. Albany also has a sufficient supply of land available for new residential housing to accommodate an influx of FIFO workers. As at the June quarter 2011, 2,728 lots had been approved for sub division.^{vi} The local government also benefits from growth in rates revenue from increased property ownership.
- Opportunities for clustering of logistical support services to the resource sector may also be encouraged. For example, Albany produces a range of fresh horticultural produce, wines and dairy products that may be supplied to resource operations in the Northwest as cargo freight on chartered aircraft. Value-adding opportunities such as supplying goods and catering services may also eventuate with freight being transported at the same time as workers;
- Regional FIFO provides an additional revenue source for the owners of aviation infrastructure and associated assets. The City of Albany owns and operates the regional airport which would benefit from increased utilisation;

- The growth of major resource and industrial projects committed, or under active consideration in Western Australia is likely to exacerbate pressure on Perth airport, causing further congestion. Encouraging regional bases will help mitigate this and facilitate less downtime in mining operations;

In summary, direct FIFO from non-mining regional centres such as Albany, meets both Government policy objectives and private sector operational needs. The projected substantial growth in the resources sector in Western Australia over the next decade provides real opportunities for non-mining regional cities to share in the economic benefits of these projects. Given FIFO is likely to continue to form a component of resource development workforce logistics in the future, deliberative policy intervention by State and Australian Governments in a structured and systematic approach may help distribute the economic benefits of these projects beyond metropolitan cities and mining towns.

As a potential beneficiary of a regional FIFO base, the City of Albany would be willing to work in partnership with resource companies and state and federal governments to realise the opportunities presented in this submission.

Should you have any further queries with regard to this submission, please do not hesitate to contact myself on direct telephone 9841 9302 or via email faileenj@albany.wa.gov.au.

Yours sincerely

Faileén James
Chief Executive Officer

End Notes

ⁱPers. comm. (27 September 2011) Director, Business Development, Great Southern Institute of Technology

ⁱⁱ Pers. comm. (27 September 2011). Director, Commercial Services Unit, Shire of Busselton

ⁱⁱⁱ Example based on a notional \$80,000 local expenditure per worker. The output multiplier (2.2) and employment multiplier (2.6) based on University of Western Australia (n.d) '*A new input-output table for Western Australia*' (Discussion paper 98.16)

^{iv} ABS (cited in Luck, G.W. et al, 2011: 357 '*Demographic Change in Australia's Rural Landscape*')

^v Real Estate Institute of Western Australia 2011

^{vi} WA Planning Commission sub-divisional approvals (June Qtr 2011)