



29th February 2012

House Standing Committee on Regional Australia
House of Representatives
PO Box 6021
Parliament House
CANBERRA ACT 2600

**Inquiry into the use of 'fly-in, fly-out' (FIFO) workforce practices in regional Australia:
Submission from the Goldfields-Esperance Workforce Development Alliance (GEWDA)**

Introduction

The Goldfields-Esperance Workforce Development Alliance (GEWDA) is a strategic consortium comprising members drawn from representatives of businesses, employer and industry bodies and agencies of government located in the Western Australian Goldfields region. GEWDA was formed in 2007 to maximise the collective resources of its participants to address the workforce requirements within the region by:

- Maximising career development advice, employment and training opportunities;
- Building capacity; and
- Supporting sustainable business growth and productivity.

GEWDA's key areas of focus include identifying factors which contribute to the effective recruitment and retention of workforce capability in the Goldfields-Esperance region, an area of around 771 000 square kilometres, and Western Australia's largest regional area. Thus, as an early task, GEWDA oversaw the development of a regional workforce development plan – *Workforce Futures for the Goldfields-Esperance Region* which was prepared in consultation with the Institute for Regional Development at the University of Western Australia and published in 2008, and provided relevant strategies to support GEWDA's primary focus.

The 2008 plan's approaches and information base are presently being updated, with a view to forecasting workforce requirements and priorities for the period 2012-2015. Best estimates are that the minerals and resources industry in the Goldfields-Esperance region currently employs some 10 000 FIFOs in its workforce. These estimates are derived from discussions with stakeholders across the region, and input from regional planning agencies. If this is the case, the current infrastructure facilities for the resident population of the region, captured at about 59 000 in the 2006 ABS census, are actually servicing a population closer to 70 000 than 59 000. GEWDA outlines its concerns about the hidden costs borne by communities arising from FIFO presence in the region in the submission below.

Impact of FIFO on established communities

GEWDA identifies two separate impacts on established communities which it deems undesirable. The first is that there is very little economic connection between the FIFO workforce and the townships adjacent to FIFO workplaces; the second is that the FIFO population exacerbates demands on critical elements of community infrastructure – particularly in relation to health and hospital services.

These demands impose strains on agencies whose funding is derived in part from ABS data – data which appears not to recognise the presence of large cohorts of FIFOs in the region eg local government authorities. The infrastructure provided by these agencies – roads, sewerage and waste disposal services for example – is impacted by the through-flow of FIFO residents, whose presence exacts a toll in terms of wear and tear on existing facilities, and intensifies the demand for maintenance and repair services. The costs of remediating these impacts are borne by the local residential community which, ironically, derives very little direct benefit from the mining activities taking place in their region.

This impact has recently received attention from respected KPMG demographer and Curtin University adjunct professor, Bernard Salt. Professor Salt, in his article *Donga residents put pressure on services in towns near mines*,¹ published in *The Australian* on November 10, 2011, illustrates the impact of FIFO demand on services, particularly medical services, servicing the population of the Isaac Basin, Queensland. Professor Salt notes that the medical practitioners in the region feel overwhelmed by the demands from the 20 000 FIFOs who work in the region and points out that whereas the current medical services provision is based on a projected population of 23 000, the actual population being serviced is 43 000.

This situation resonates for residents in Goldfields communities.

Employers

GEWDA notes that whilst FIFO has been championed by some regional employers in the mineral and resources sector in the past, one of the major employers in the region has recently, following extensive negotiation with its workforce, re-structured its rosters to provide for a seven-on/seven-off regime.

Management and workforce representatives arrived at this formula, even though it means less income for much of the workforce, as a result of initiatives from employees seeking more family-friendly time-frames. Much of this workforce is residential. This is because there is a preference from this employer for residential employees, for reasons associated with improved productivity, as determined both by independent studies (see below) and by the management's experience with both FIFO and residential workforce participants.

GEWDA understands that a number of other employers in the region are contemplating exercising a preference for residential employees, and commends this approach, given the spread of benefits that accrue to workplaces and communities where the workforce is able to reside near its workplace. In this context it is also pertinent to note the following items of information relating to the outcomes of working on a FIFO basis.

¹ <http://www.theaustralian.com.au/business/opinion/donga-residents-put-pressure-on-services-in-towns-near-mines/story-e6frg9jx-1226190611852>

The first relates to the work of the Kalgoorlie-based Regional Chaplaincy. The Chaplaincy offers pastoral care and spiritual support to residents in the region, including workers in the minerals and resources sector who are employed on a FIFO basis. Advice from clergy and other staff leading this pastoral work indicates that FIFO workers experience significant psycho-social problems. GEWDA understands that there are other, more formal studies, which attest this experience also.

The second arises from studies attesting that in a tight labour market, there is a lower attrition rate in the industry's workforce if it is residential rather than FIFO. For example, research findings by Beach and Cliff² indicated that annualised employee turnover at FIFO sites ranged from 10 per cent to 28 percent, the average being 21 percent – with participants in the study indicating that a turnover rate above 20per cent was detrimental to the productivity outcomes.

From the point of employees and employers, FIFO demonstrates considerable downsides, as identified above.

Fringe Benefits Remote Areas - Housing Benefit

As mentioned in the introduction to this submission, the Carpe Diem Strategic Solutions (CDSS) consultancy is upgrading the Goldfields-Esperance Workforce Development Plan. CDSS in its consultancy for DTWD and GEWDA has identified from consultations with key stakeholders in each of the sub-regions of the Goldfields (Esperance, Leonora, Kambalda, Kalgoorlie, Ravensthorpe) a number of themes recur.

These include housing loan support, relocation allowances, affordable housing, land development and accommodation subsidies. GEWDA notes that these findings align with its discussions with many industry and community groups where housing is identified as a critical factor in attracting and retaining staff to regions.

GEWDA also considers there is an anomaly in the present mode of application of the Fringe Benefits Tax (FBT), in that a bias in favour of rental properties over home ownership has been created for remote areas. This is because a FBT concession of 100% is available on rentals supported by an employer, whereas the concession for employer loan support to employees is only 50%; and when that concession is applied, it has little benefit as the balance is taxed at 46.5%, as the example below, based on an ATO decision of 14 January 2003, will demonstrate.

Assume that an employer makes a housing fringe benefit payment of \$24500 available to an employee (ie, paying the annual home loan interest on an average loan). The FBT payable under the ATO rules would affect outcomes as set out in the illustration below:

	\$
Expense payment fringe benefit	24 500
Taxable value before reduction	24 500
Less subsection 60(2) FBT Act	12 250
reduction – 50% of taxable value (50% x \$5K)	
Reduced taxable value	12 250

To complete this calculation - to identify overall taxation liability: Take the reduced taxable value of \$12250 and multiply by 1.8692 (as required for this element of the

² Beach & Cliff (2003) FIFO: Facts, Opinion and Theories

rules for taxing fringe benefit provision): $\$12250 \times 1.8692 = \$22898 \times 46.5\% = 10647$. Thus for an employer to provide a benefit of \$24500, the cost is an additional \$10647 - whereas a rental subsidy of the same amount would generate no FBT liability..

GEWDA considers this anomaly to work against the principle of retaining regional workforce capability residentially in the region, and urges the Committee to consider the provision of such benefits as Remote Area Housing Benefits – which are not subject to the considerations outlined above: a payment of \$24 500 in this instance is all that the employer would outlay.

House Standing Committee on Regional Australia's proposed visit to the Goldfields

GEWDA notes with pleasure that the Committee will visit the Western Australia's eastern goldfields, and be present in Kalgoorlie on April 19, 2012. GEWDA looks forward to meeting with the Committee at that time to present this submission, and also foreshadows that it will seek feedback from it on how continued use of FIFO aligns with Federal and State governments' focus on regional development. In particular, GEWDA will look to the Committee for inputs on what actions the Australian government contemplates taking to support initiatives led by the government of Western Australia to enrich regional development through the use of economic activities such as the Royalties for Regions program and the development of SuperTowns.

Ron Mosby
Chair, GEWDA, and
President, Regional Chambers of Commerce and Industry, WA