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

Dear Sir/Madam

Re: Inquiry into the use of 'fly-in, fly-out' (FIFO) Workforce practices in Australia

Devine Limited ("Devine") is one of the most recognised names in Australian property. Since listing on the Australian Stock Exchange in 1993, Devine has helped over 21,500 families move into Devine's award winning addresses.

Devine is currently constructing housing for a leading resource company and has recently received rezoning approval form Gladstone Regional Council for a 2,900 lot master planned community in Gladstone.

Devine is pleased to provide the attached submission for consideration by the Standing Committee.

Yours faithfully,

Cameron Manager
General Manager – Business Growth

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Submission to the House Standing Committee on Regional Australia, Inquiry into the use of 'fly in, fly out' (FIFO) workforce practices in Regional Australia

October 2011

Devine Limited, one of the best known and most trusted names in the Australian Property Industry, is pleased to provide this submission to the Inquiry into the use of 'fly-in, fly-out' (FIFO) Workforce Practices in Regional Australia.

Since listing on the Australian Stock Exchange in 1993, Devine Limited has helped over 21,500 families move into Devine's award winning addresses.

Devine Limited is currently constructing housing for resource companies and has recently received rezoning approval from the Gladstone Regional Council for the delivery of Australia's largest regional master planned community. This community will provide housing, educational, retail and community facilities for over 7,500 residents.

Executive Summary

Any discussion regarding the benefits and impacts of FIFO/'Drive-in, Drive-out' (DIDO) practices on Australian society, and regional Australia in particular, is a highly complex discussion due to the broad reaching benefits/impacts of these practices.

It is understandable that communities wish to participate in the economic prosperity that is being generated from their local region. It is also understandable that local communities have concerns around the social impact of a significant influx of workers (predominantly highly paid young males) into the community. It is also understandable that local communities may fear a repeat of what has occurred in some other towns where a significant influx of highly paid workers has both rapidly swelled the population of these local towns and caused significant housing stress. In certain towns, this influx of population has rapidly created a two speed housing market where those with the incomes or housing subsidies paid by resource companies compete to secure available housing and those in other sectors are priced out of the market and forced to relocate to more affordable locations. These affordability issues often create significant pressures on local businesses and community service providers who become unable to attract and retain staff.

At the other end of the spectrum, FIFO/DIDO practices may be choice of the worker who prefers to maintain a permanent residence in a location with better amenity and lifestyle, greater education opportunities for family, greater vocational opportunities for a partner and/or children and established social or family network.

FIFO/DIDO practices may be appropriate in situations where a facility is remote or the proposed extractive industry does not have a sufficient life cycle to support the establishment costs, operating and closure costs of a town. In conjunction with appropriate long term community growth strategies, FIFO/DIDO and temporary accommodation are appropriate strategies during temporary periods when a work force peaks e.g. the construction phase of a project.

With a relatively mature housing market in Australia, Government and resource companies have become increasingly reliant upon the private sector to provide long-term permanent accommodation in regional towns. Over time, both Government and resource companies have moved away from large scale provision of housing - either public or employee. It appears that neither resource companies nor the Government want the cost of establishing and operating new towns. Unsurprisingly, in the absence of significant long term commitments to a region or a diversified economic base, the private sector/investors are wary about investing in these locations.

There can not be a "one size fits all" approach to the FIFO/DIDO discussion. Whilst some local or regional communities will receive a benefit from local and/or regional extractive activities, not all communities in close proximity to a mining town are or will be viable as long term sustainable communities. If a town is heavily dependent upon one industry and does not have a diversified economic base, it is arguable that it is no more sensible to dimension infrastructure and services for this town to meet a short term need than it is to have a taxi network with enough taxis such that all patrons can catch a taxi within 5 minutes on New Years Eve. There would be a lot of expensive redundancy in both situations.

Similarly, the provision of a small amount of housing by mining companies in rural locations is a short term solution that does little to create a sustainable long term community.

In order to decrease Australia's reliance on FIFO/DIDO practices and provide communities with increased benefits from activities in their regions, there needs to be a greater level of planning for growth starting with a determination as to what towns have the amenity, lifestyle, connectivity, diversified business base and available land for housing to support a major investment in long term infrastructure that makes these communities attractive places for people to live. Investment then needs to be committed to creating the amenity to attract residents. This will incentivise people to move from FIFO/DIDO practices to a permanent residence. If the town has a sustainable population base and an available stock of land supply, the private sector will do what it does well...delivering residential communities that relieve pricing pressure in the market and makes it viable for both resource and other sectors to co-exist.

Some examples of the success or otherwise of certain towns are outlined later in this submission

WHY IS AUSTRALIA SO RELIANT UPON FIFO/DIDO OPERATIONS

Over several decades, Australia has seen many different strategies employed to house workers in towns where extractive industries have been a significant component of the revenues generated from that region.

The establishment of a town by a company was once a fairly normal part of the extractive activity.

However, both resource companies and Government appear to have concluded that the cost of establishment, operation and closure of a mining town is not viable in many circumstances. The 1985 decision to introduce a Fringe Benefits Tax appears to have contributed to this decision by making the provision of long term employee housing considerably more expensive.

Notwithstanding this major taxation change, there have been many changes over time that has made FIFO/DIDO practices increasingly the norm for extractive industry.

Factors that have influenced the move to an increased reliance on FIFO/DIDO practices and temporary accommodation have included:

1. Volatility in pricing and profitability in extractive industry
2. Costs of establishing, operating and closing towns
3. Improved technology leading to viability of extractive operations with a shorter operating life; an operating life that does not support the establishment of a town
4. The growth of the mining contracting industry with short to medium term service horizons
5. Improved technology and specialisation of the workforce with correspondingly higher salaries and wages
6. A lack of amenity/affordability in towns and difficulty in getting families to relocate to a regional area
7. A choice by workers to FIFO/DIDO to work, but to maintain a permanent residence in an alternate location with higher amenity, better lifestyle, greater educational opportunities, greater vocational opportunities for partner/children, location of children in a separated family situation or strong social and familial ties
8. A short term skew towards temporary jobs during the current start up phase of several major Australian resource projects

9. Taxation structures including Fringe Benefits Tax on the provision of Company accommodation
10. A temporal nature of arrangements e.g. a person may intend to only do FIFO/DIDO for a relatively short period
11. Low air transit costs

The consequence of these changes has been a move away from the provision of housing and communities by either resource companies or in partnership between the extractive industry and Government.

Why FIFO or DIDO

The predominance of FIFO vs. DIDO differs by location.

Queensland has a wide distribution of population at a series of centres along its coastline and interior. Mackay, Rockhampton and Toowoomba lie within a 3-4 hour drive of the Bowen/Surat basins. Workers in these locations have an opportunity to DIDO to work camp locations - either by private car or by bus.

Western Australia has a narrowly dispersed population base and key resource locations are relatively isolated from towns. FIFO is the predominant transport form in these locations.

Consequences of FIDO/DIDO

The social consequences of FIFO/DIDO on workers, including the impacts of co-location with a predominately male workforce, long work shifts, isolation from family and social networks and the risk of fatigue in travel have been documented in several studies.

Local communities often consider the FIFO/DIDO population to not be a part of the community. Their children are not in the local schools. They do not participate in clubs or community activities. They are “present in” but not “living in the local community.

From an economic perspective, communities that have a high proportion of FIFO/DIDO workers have been described by some as "Hollow Communities". Resources are extracted by large companies based outside the local area. Workers earn money in the local area, but spend little of it in the local area. Workers camps source provisions from/send their profits out of the local area.

DIDO arrangements may have some economic benefit over FIFO in that whilst the local community may receive limited direct benefit from the activity in its local area, the region benefits from the sourcing of services from and expenditure within those regional centres. The growth of industrial service industries in and around Toowoomba and Mackay are examples of regional benefit of extractive activity within those regions.

The most easily measured and visible indicator of the short term impact of extractive activities on a local community are house prices and rents. Information on these key metrics is readily available from a number of sources. These prices present a strong lead indicator for the future health of a local community.

In regional areas, local Government resources are often constrained by a combination of lack of budget and lack of capacity. Many regional Councils are heavily reliant on expertise from State Government to supplement local skills for the purposes of regional planning. Constraints in capacity, a disconnect between market demand and State Government planning policies and a lack of available budget for infrastructure delivery has restricted the availability of land for housing in some regional locations. Native title constraints, extractive leases and the availability of water have constrained supply in other towns.

In many towns where supply of housing stock has been constrained, property values and rents have escalated dramatically as a result of the current resource expansions. Whilst those earning wages or receiving housing subsidies from the extractive companies are able to meet the cost of increases in pricing, workers in other sectors, and particularly key workers (police, teachers, nurses, firemen etc), are simply unable to afford to purchase or rent accommodation in these locations and, unless they have a partner working in the resource sector, may choose to relocate to a more affordable area. Retailers, service providers and Government are often unable to secure or retain staff to work in the area. Business becomes unviable and the community loses the benefit of these services.

Whilst FIFO/DIDO workers will often secure accommodation by house sharing, the high cost of accommodation is a significant disincentive to people considering a transition from FIFO/DIDO to permanent habitation in one of these communities.

Price impacts of a lack of supply have been clearly demonstrated in areas such as Moranbah in Queensland and Karratha in Western Australia, where land supply has been severely restricted. The impact has been considerably less in areas such as Kalgoorlie and Emerald which have accommodated growth.

Given the lead time to project commencements, a question that could reasonably be asked is whether enough attention has been given to the social, economic and housing impact of new projects in previous impact assessments and consequently whether adequate provision was made for housing and community infrastructure. In addition to environmental considerations, future Impact Assessments should place a greater emphasis on the social and economic consequences of new projects.

Planning for Growth

Whilst there are clear examples of towns where a lack of land supply has caused significant affordability issues, there are also examples of regions which have been less impacted by price growth by appropriately planning for and accommodating growth.

The Australian Housing and Urban Research Institute has undertaken a comprehensive analysis of Housing Market Dynamics in Resource Boom

Towns (McKenzie, Phillips et al 2009) which included four comparative case studies of how towns in Western Australia (Karratha and Kalgoorlie) and Queensland (Moranbah and Emerald) have respectively been impacted by the current phase of growth in the resource industry.

Considering each of these four regions in turn:

Kalgoorlie

Kalgoorlie is a regional town with a population of around 32,600 people located 550 klm East of Perth. The town was established in the late 1800s and has a highly attractive main street, characterised by colonial buildings. Kalgoorlie has a diversified business base. It is the administrative and government hub for the Goldfields Region, an outback tourist destination, an important pastoral centre and is located on a key transport interchange.

Kalgoorlie has a reputation as a lifestyle city with a range of retail, educational, employment and entertainment opportunities. Kalgoorlie contains a number of primary and secondary schools, a tertiary institution, a strong retail base and the largest regional hospital in Western Australia.

A regular supply of land has been made available over the last 20 years for development purposes and a variety of housing has been developed. As a result of the land supply, Kalgoorlie has remained relatively affordable with median house prices and rents of $320,000 and $380pw which compares favourably with Perth at $470,000 and $390pw (source: REIWA).

Karratha

Karratha is a town of approximately 15,000 people located approximately 1,550klms north of Perth. Karratha was established in 1968 by way of a joint agreement between Hamersley Iron and the Government of Western Australia. Karratha is the centre of administration and Government for the Pilbara Region and is a centre for workers and support services for the mining industry. The main industries of Karratha are iron ore, salt and liquefied gas.

Expansion of the town has been constrained by extractive leases and native title.

Housing supply in Karratha is dominated by 3 bedroom housing stock. There is a chronic shortage of housing in Karratha. Housing is extremely expensive with median house prices of $753,000 and median rents of $1,400 per week for a 3 bedroom house (source: REIWA). Whilst people earning mining wages and or receiving subsidies from the mining companies can afford these prices, others are being priced out of the market.

Karratha has limited retail or lifestyle amenity. Retailers struggle to retain and attract staff who cannot afford the cost of living in the region. The town has basic health and educational services. Health specialists visit the town but, due to housing pressures and high staff turnover, many key health services are not available in Karratha.

Emerald

Emerald is a regional centre with a population of approximately 18,000 people. Emerald is located in the Bowen Basin, approximately 285 klms west of the coastal city of Mackay and 240klms from the city of Rockhampton.

Emerald has a broad industry base including coal mining services, grazing, horticulture and gems. The town is located at the centre of two major transport routes.

Emerald has a wide range of retail and entertainment opportunities and is well serviced for educational, community and civic purposes.

Emerald has adopted a strategic approach to planning for growth and development infrastructure and has a reliable water supply and infrastructure capable of being expanded to accommodate housing growth. Emerald has planned for a variety of housing requirements and has made land available for the delivery of a wide range of housing types.

Whilst Emerald has experienced a level of price rises in recent times, rents in Emerald more than doubled in the 5 years between 2004 and 2009, with a median price of $485,000 and a median rental of $480pw (Brisbane $442,000 and $390pw) the impact of recent extractive activity on housing affordability in Emerald has been considerably less than in towns such as Moranbah (source: REA, Property Observer).

Moranbah

The town of Moranbah was established as a mining town in 1970 by the Utah Development Company Ltd (acquired by BHP in 1984). The town of Moranbah has two major coal mining interests – the BHP Mitsubishi Alliance and Anglo Coal. Moranbah also has a coal seam gas pipeline.

Prior to the current significant spike in demand for Queensland's resources, Moranbah was able to maintain a reasonable balance between demand for housing and supply. However, the town is surrounded by mining leases and is dependent upon the resource companies for its water. A lack of consensus on the strategy for expansion of the town has caused a significant shortage of land available for housing, with a resultant spike in median house prices and rents to $595,000 and $900pw respectively (source: REA, Property Observer). Caravan parks are booked out well in advance and people are reportedly renting their garages as accommodation for a price that may rent a small house or apartment in Brisbane. The level of accommodation stress associated with these living arrangements can only add to the negative social and emotional consequences of FIFO/DIDO mentioned earlier in this submission.

The housing crisis in Moranbah resulted in the Queensland Urban Land Development Authority becoming involved in making land available for development.

The comparison of these four towns is instructive as it demonstrates a couple of key propositions:

1. An affordable, well located, highly liveable town with:
    a. attractive natural attributes and features
    b. strong transport connections
    c. a diversified business base
    d. strong job opportunities
    e. an ongoing commitment to the delivery of investment in retail, educational, recreational, social and community infrastructure

   Can attract permanent movement of population to the area and retention of population within the area.

2. A town that has:
    a. planned for future growth and made land available for development;
    b. invested in infrastructure to allow development to occur; and
    c. encouraged a diversity of housing choice

   whilst not immune from housing affordability issues arising from a significant and rapid resource expansion, has not been impacted as significantly as areas unable to meet housing supply.

Conclusion

There has arisen a clear stalemate between Government and resource companies. Government seems to have taken a view that resource companies should fund town development and housing. Resource companies seem to have taken a view that they are paying sufficient funds in royalties and taxes such that Government should fund the provision of accommodation and services in towns. Such a stalemate is unworkable; has had a significant effect on regional towns; and has contributed to the growth in the reliance upon FIFO/DIDO practices and short term accommodation.

On the positive side, it appears that Government and the resource industry are taking steps to accept that responsibility must be taken to address and avoid the issues that are facing regional towns like Moranbah and Karratha.

FIFO/DIDO with short term accommodation will continue to be a major part of the Australian resource industry. It is an appropriate means of dealing with the temporary swelling of a workforce that occurs during a construction phase or accessing resources in locations that are remote or have a short development life.

Notwithstanding this, in order to maintain the health of regional cities and to reduce the need to rely on FIFO/DIDO, housing affordability and community attractiveness must be addressed in regional locations to create places where people want to live. It is proposed that this requires a comprehensive commitment to and implementation of a program of creating liveable and sustainable communities and ensuring adequate land is available for new residential development.

This commitment must include significant funding for projects that deliver amenity, education, health, social and recreational facilities to the chosen regions. Retail facilities and service industries will follow population and, provided accommodation is affordable, will attract staff and key workers.

These towns should be dimensioned for a permanent sustainable population and not be dimensioned for a short term bulge in population that is experienced during a construction period, as many of these workers are unlikely to permanently move to a location and are better accommodated in dedicated temporary facilities.

In addition to the above, Government must take greater responsibility for strategic planning to ensure that sufficient approved and serviced land is available for development within these regions to allow the delivery of affordable accommodation.

A requirement for mining companies to deliver a few houses in a region is little more than a 'band aid'. It is not a solution. It will not deliver a level of amenity or a diversification of a business base that makes a town an attractive place for a family to move too or an attractive place to stay. It does not create sustainable communities.

It is understandable that most residents have an emotional and financial investment in their local community. As difficult as it will be for some of these communities, not all communities have either the natural features to become lifestyle towns nor the connectivity to other locations, diversity of business base or an expected resource extraction life sufficient to sustain a town in the long term. As difficult as this is for the residents of those towns, it should be communicated to those residents (and potential investors) that their communities do not form part of the Government's plan for a long term sustainable town and services and accommodation need to be appropriately provisioned/provided in this regard with a clear focus on the delivery of long term infrastructure in locations that will have a sustainable future.

The roles and responsibilities for investing in core infrastructure to create these towns should be with the parties who are going to receive a long term benefit from these towns – State and Federal Government (through taxes received) and the resource sector. The impacts on housing and community infrastructure requirements of the town should be given greater prominence as part of the impact assessment process and agreements negotiated as to the contribution of each party to this infrastructure, along with a commitment from the Government to ensure that sufficient land will be appropriately zoned, made available and serviced for development as required by market demand. These parties should be bound to invest in the infrastructure outlined above. If this is done, and the land is made available at an affordable price, then the private sector can deliver housing in accordance with mining Company or market needs and the towns will become an attractive location for people to make the choice of a permanent move.

The Government of Western Australia is leading the way in implementing many of these steps through the Pilbara Cities Vision. A program that commits significant long term investment in delivering community facilities, infrastructure and services that will make the towns of the Pilbara a far more attractive place to live. The Government (though Landcorp) is working with the private sector to bring affordable new housing to market in new land areas that are being made available for development.

In Queensland, the CSG companies in and around Gladstone are starting to invest in the delivery of community infrastructure. This is a critical step in the creation of places where people wish to live.

These are both steps in the right direction to creating places where people chose to live and providing a genuine opportunity for people who are currently in FIFO/DIDO practices to have a reason to make the choice to re-locate to a regional centre., A lot more needs to be done and quickly.

Cameron Mana

Devine Limited

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