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Enquiries: Paul Martin

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Mr Tony Windsor MP  
Chairperson  
Standing Committee on Regional Australia  
PO Box 6021  
Canberra ACT 2600

Dear Mr Windsor

**INQUIRY INTO THE USE OF FLY-IN, FLY-OUT WORKFORCE PRACTICES IN REGIONAL AUSTRALIA**

The Western Australia Regional Cities Alliance welcomes your inquiry into the use of fly-in, fly-out (FIFO) workforces in Australia. This Alliance represents the Cities of Albany, Greater Geraldton, Bunbury, Kalgoorlie-Boulder and the Towns of Karratha, Port Hedland and Broome. The role of the Alliance is to work towards a strategic approach to regional development within Western Australia and nationally and often join together to address issues of commonality within their communities. There is a shared opinion across the Alliance in respect to many of the impacts on the various communities of FIFO workforces.

***Taxation issues***

The first of these shared issues is in respect to the application of various taxes, which encourage FIFO activities to the detriment of permanent based residents as workers. Currently taxation encourages companies to utilise FIFO workforces as all costs associated with the use of this workforce are largely tax deductible. If FIFO workers are housed in camp arrangements there are no FBT implications however, housing subsidies paid to a permanent resident workforce attract this tax. Further to this, to avoid FBT implications plus secure a 50% concession on rental costs, the companies can rent the house as opposed to purchasing it outright. This activity has a dual implication in some communities as this use of the commercial rental market to house FIFO workers drives the rental market upward (this issue is dealt with in the relevant section of this submission)

The application of the FBT encourages companies utilising FIFO workforces to create work camps and FIFO to major metropolitan cities or even offshore. This creates the loss of the FBT to Australia whilst encouraging carbon emissions through the heavy use of airline travel to move workers between camps, workplaces and their permanent homes. The Alliance suggests that FBT laws should be changed to allow FBT exemption only where the FIFO is to non-metropolitan areas within the same state as the mine or the project being undertaken.

Of related interest and example of the impact of taxation on FIFO is the excerpt from an article in the WA Business News (5<sup>th</sup> October 2011 edition) relating to a story by Mark Beyer, "Tight labour supply, rising costs worry state's band of junior miners".

***Fly-in, fly-out***

*For most mining companies, large and small, operating a fly-in, fly-out workforce is the norm. There are many contributors to this trend, including social factors such as the desire of families to live in larger cities, and in a cooler climate than afforded by the Pilbara.*

*There are also commercial drivers; none more so than the introduction of the fringe benefits tax in the mid 1980s. This required mining companies to pay tax on subsidised housing, adding substantially to the cost of a resident workforce.*

*"The reason people went to fly-in, fly-out was because of the FBT," Mr Shellabear said. "That was the key driver."*

*Mr Stone recalls the FBT having an immediate impact. "That's it, it was an overnight change," he said.*

*Mr Swick remains keen for governments to invest in the development of mining towns, particularly in the Pilbara. "We need affordable housing in those regional towns and infrastructure put in place to attract families, otherwise operating costs will go through the roof and we won't be able to compete," Mr Swick said. "The government will get their head around that at some point in time. "They are better off doing it now than later."*

As this excerpt clearly highlights, changes in tax policy, specifically FBT has had a dramatic and significant impact on the practices used by mining companies and it has spawned the FIFO phenomenon. It would be assumed that at the time the changes were implemented that no one in Government or the bureaucracy would have foreseen the consequences and impacts these changes were to have on regional communities.

***Lack of Investment in Regional Communities from FIFO Dominated Projects***

Regional communities hosting FIFO workforces in many instances fail to receive the benefits of economic activity associated with supporting the practice. There are many instances experienced by various Alliance members where by the purchase of readily available local services, products and associated industry requirements are not sourced from the local economic community. The obvious negative impact on the host community through this practice is severe and very obvious.

Investment in the host community by companies utilising FIFO workforce is not significant or uniform. Many of the FIFO workers naturally access infrastructure and services within the community and are not contributing to their provision, upgrade, maintenance or the staffing resources associated with them as normal resident workforce would. The Alliance maintains that this contribution should be provided by the companies responsible for the employ of these people.

Remote, mineral-rich towns have long struggled to attract permanent workforces because their capacity to support the needs and desires of families, workers and locals have been lacking. Severe infrastructure shortages, high living costs, demand for amenity improvement,

housing affordability, lack of access to government provided services such as health, education plus lack of services provided by small business such as allied health and retail were all identified as major constraints to permanent residents fulfilling skilled and unskilled roles required. The Alliance maintains that should these services and facilities be provided by companies and various sectors of government, heavy reliance on FIFO workers for longer term operations would be reduced.

Recent state government funding through the Royalties for Regions initiative has commenced to address some of the communities concerns with amenity improvement however qualified residential staff to facilitate services and programs through these new facilities continues to be problematic. Indeed many of our medical practitioners, police officers, dentists are themselves FIFO workers.

### ***Alternatives to the Utilisation of FIFO workforce***

The need for short term FIFO workforces in some communities and in some circumstance is well recognised by the Alliance members. Short term use of FIFO workforce, housed in temporary camps, outside town sites is recognised as being necessary in periods of construction or productivity spikes. However, operations staff required for longer terms needs to largely provide by a resident workforce to normalise these communities as far as possible. Finding such a balance will be critical for ensuring the continued growth of the Alliance regions through the attraction and retention of local residents.

Australia as a nation is experiencing shortage in skilled and unskilled workers and immigration is being used to provide this workforce. The Alliance suggests that the redirection to regional centres for both overseas skilled and unskilled labour as permanent residents to service major construction projects and operational projects would be beneficial. This would alleviate unemployment of these people around large cities such as Sydney and Melbourne. This strategy, like the previous strategy of attracting domestic immigration to regional centres would require the provision of increased levels of government services and facilities to support these new residents of Australia.

### ***Local Government Control of FIFO Accommodation***

Section 120 of the Western Australian Mining Act 1976 limits the authority of the host local government authority to enforce its Town planning Scheme on companies establishing FIFO work camps near a town site that could cater for the workforce. These camps therefore do not need planning approval from the Local Government. This obviously means that FIFO workers may be housed in accommodation of an inferior nature.

### ***Social Impacts on Alliance Communities who provide FIFO workers***

The obvious social impact on communities with families who are separated due to the FIFO activities of a family member is also of concern to the Alliance. Many communities in the South West host families who have a FIFO worker. Being a family is challenging enough when members live and work together however, the negative impacts on both the family and the community when one member is absent for long periods of time is surely obvious.

### ***Social Impacts on Alliance Communities who host FIFO workers***

The growth of FIFO workers in Alliance communities has come at the expense of local sporting and recreational clubs and community groups. This is attributed to the transient nature of a FIFO workforce who sees themselves as visitors to a town, not permanent residents and also due to the nature of their work life which precludes them from participation of activities that span over many weeks or months.

There is a perception among some local residents in Alliance communities that FIFO workers do not value the Town and are not appropriately integrated in the community-at-large. Some community members have expressed the concern that the Town's law and order issues are the product of a steady influx of young, bored, relatively affluent men.

***Impact of FIFO Workforce on Local Housing Markets***

The proliferation of FIFO workforces in a community can have an extremely detrimental impact on local housing markets, particularly when resource based businesses operate on such a model. Many permanent residents, who do not have the luxury of an income generated from a company in the mineral resources sector, have found they are unable to pay the high rental rates which result from FIFO staff competing in the domestic housing market. Some examples include the average cost of renting a house in Port Hedland in October 2011 was approximately \$2,000 per week.

Thank you for the opportunity to provide input into the inquiry. The WA Regional Cities Alliance is committed to working with all levels of Government to enhance the long-term growth and sustainability of our communities.

The Alliance would respectfully request the Committee schedules inquiry hearing in Western Australia and specifically take the opportunity to visit as many of the Alliance member communities and hear the views of those communities and local governments. The Alliance would also request that a special hearing session to be held in Western Australia specifically for the Alliance.

Yours sincerely

Tony Brun  
**EXECUTIVE OF THE WA REGIONAL CITIES ALLIANCE**