

House of Reps – Standing Committee on Regional Development – FIFO/DIDO

Friday, 30th March 2012. – Presentation by Mike Young – Manager of the Small Business Centre West Kimberley

1. What is FIFO/DIDO –

Where to/from: In Broome, just over 100 “permanent” residents FIFO to a number of resource project sites, under a variety of rosters. They travel to the Pilbara, Cockatoo and Koolan Island Iron Ore mines, Argyle and Kimberley Diamond mines and other significant resources projects.

Around 20 or so Indigenous workers from the Dampier Peninsular, from Beagle Bay to One Arm Point, FIFO to resources projects and bring considerable money back to those areas – way above anything that working in local tourism (or the old CDEP) could offer. One of the consequences is that there is a shortage of young males to help in the rapidly expanding tourism sector on the Peninsular, leaving a lot of the physical work to older women.

In addition, many Government agencies and NGO/RTO service providers use Broome as a base and FIFO and DIDO to more remote regional towns and remote Aboriginal Communities throughout the Kimberley

Broome has been dependent on a FIFO, DIDO and Sail in Sail out (SISO) workforce, almost since its inception as a pearling community, with a large variety of international workers being brought in to supply labour and expertise to that industry. Today, teachers, health professionals, police and emergency services professionals, banking staff, auto mechanics and many other services FIFO/DIDO to Broome. The tourism industry is staffed by a large number of backpackers, trainees from Timor L’Este and southerners (including grey nomads) to fill the fluctuating demand for labour and skills that is forced upon us by the influx of 300,000+ visitors during the months of April to September, causing the standing population of ~15-17,000 during the “wet” season (Dec-March) to increase to above 50,000 from Easter, onwards.

There is an increasing visibility of resource industry workers, including drill rig operators, explorers and a range of oil and gas industry specialists in town, or, more specifically, passing through Broome International Airport during the dry season – once the risk of cyclonic conditions has passed. This is likely to increase, if and when the decision to proceed with the LNG plant to the north of Broome and other similar activities to the East of Broome.

What functions do FIFO/DIDO workers perform - other than the Agency-type workers, the major resources industries- oil, gas and minerals – attract workers to projects with skills in planning, infrastructure construction and project operations, i.e. once the infrastructure is fully functional and production has commenced. The demand for specialised skilled workers is significantly greatest during the project infrastructure construction phases – many of who will complete their specific tasks and then move on to the next project in possibly a completely different location in Australia or around the world.

The planning and operational stages’ work force may be only 5-10% of the construction phase, eg, 100-300 planning and operational workers compared to 5-6000 workers during the construction phases of a mine site or an LNG plant. The construction phase tends to have more arduous work rosters – 4-6 weeks on and 1-2 weeks off vs the operational phase 2-4 weeks on

and 1-2 weeks off. The imperative is to get the project to a production phase as quickly as possible so income can be generated to cover the enormous lead-in or development costs.

The most common rosters include 12 hour shifts. These have been negotiated by the project management, the unions or workers reps, Fair Work Australia and the Governments.

The planning phase of projects may include placing some staff in towns like Broome or Kununurra to deal with local stakeholder negotiations and community engagement, with the balance being FIFO from elsewhere, including Perth and other places. The major project construction workers will, by sheer weight of numbers and skills required, be forced to use a predominantly FIFO workforce but will also be the time when “locals” will have the greatest chance of taking up business and employment opportunities in the project.

After the project becomes operational (i.e. product output becomes marketable), the work force will stabilise to a significantly lower number of personnel. As a consequence of the extended construction phase of, often, 5-6 years, “locals” may well have had the opportunity to gain specialist skills and experience in various operational tasks. Some or even many of this work force, especially in the LNG processing industry, may well be based in regional centres, close to the operational project site...to the economic advantage of the region, leading to a reduction in the need for FIFO. Although, in sites such as Argyle Mine, Koolan Island and Cockatoo Iron Ore mines and proposed inland LNG projects, their remoteness will require a continuing FIFO workforce.

Upwards of 400+ residents of Kununurra and Broome FIFO to Argyle Diamond Mine (Rio Tinto) living in on-site residential camps on prolonged rosters.

The more remote the production sites, the greater the likelihood that a high proportion of workers will be FIFO.

2. Who are the beneficiaries –

- The major economic benefit from FIFO occurs where the majority of the income from the project and the wages of the workers is spent. There is very little argument that major resource projects do contribute significantly to the nation as a whole, depending on how many shareholders are based overseas. The value added benefits often occur in the country where the greatest value adding of the raw materials exported (manufacturing or power generation) occurs – China, Korea, India and Japan.
- If the project employees/contractors are based near to the project sites, the benefits will flow strongly to that local area where the majority of wages and sub-contractors profits are spent – on housing, living expenses, entertainment etc.
- If the project employees/sub-contractors live (where their families live) a long distance from the project sites and travel to the sites on a variety of FIFO/DIDO rosters, there will still be some flow of economic benefit back to the local community/towns near to the site due to the provision of local services to the staff and employees living in “Camps” at the project sites. This may attract local contractors who provide a range of goods and services to the Camp, but, in the short term, they are unlikely to provide a lot in the way of specialist

project-focussed skills. In the long term, the locals will gain experience and skills that may enable them to participate in projects at a higher skill level in the future.

- However the majority of the benefits will flow back to the locality of the residence where the FIFO workers and their families live – rent, food, schooling, entertainment, home improvement, i.e. all those expenditures which are typical of becoming part of a local, growing community. In the case of the North West/Kimberley, this is likely to be many hundreds, if not thousands of kilometres from the project sites.
- Motivation for many workers who prefer FIFO arrangements is that their families can be based in larger population centres which are capable of providing the quality of life that their incomes are capable of supporting and they can set themselves up for the future in regard to housing security.

3. What are the costs –

- FIFO/DIDO workers do compete for available resources in towns near to the project sites. The resources sector and the government sector, in particular, has the capacity to pay more for almost any item than workers from other sectors – food, accommodation, entertainment, thus putting upwards cost pressure on local remote towns and communities.
- This pressure can also occur following sudden growth of demand for accommodation in towns like Derby, where construction of the planned Regional prison and the unplanned development of the Curtin Immigration Detention Centre has combined to cause an unexpected skyrocketing of accommodation costs – well beyond the capacity of “locals” to find rental accommodation – causing significant social upheaval in the town.
- The workforce for these projects is predominantly FIFO. The growth of new housing in Derby (largely for Prison staff) has been extraordinary, but any change in Government Policy regarding the future continuation of the Curtin Detention Centre, could cause a significant downturn in both rentals and house values, thus creating uncertainty for investors in housing. Quite a few investors have already taken their profit on the property developments in Derby, leaving the real estate investment risk to locals.
- Many FIFO workers complain that they are constantly being ripped off by local businesses who “see them coming” with fat wallets – upping the prices for almost everything. This price effect flows on to the long-term locals who incur a significant increase in their cost of living. This is free enterprise.
- On large resource development (minerals, oil and gas) construction projects, the workforce is largely male, on a variety of rosters – 2-6 weeks on and 1-2 weeks off, with 12 hour shifts. When they finish their roster shifts, they often like to relax (R&R) in local towns, away from the project sites. Whilst this may have a short-term economic benefit to these towns, it can also create some social problems such as increased consumption of alcohol, drugs and prostitution which then leads to increased public health costs in areas with limited resources.
- In towns like Broome, which has a highly promoted “tourism destination” image, Local Government is trying to avoid a major change in its image to a that of a “mining town” through negotiations with resource companies to require workers to wear “civilian” clothes

when in town, rather than reflective tops and heavy boots or worksite safety clothing. Time will tell how it will affect Broome.

4. Summary

- This presentation has been prepared in the context that the Small Business Centre West Kimberley has a vital interest in the development, profitability and sustainability of small businesses in the Kimberley
- Broome has been used to FIFO/DIDO arrangements throughout its history, ranging from Pearling Industry workers from all over the world; tourism backpacker workers; health workers; emergency services; government sector, as previously discussed. Most of those groups have contributed a significant amount to the development of the town because they have lived, albeit seasonally, in Broome and have spent some of their wealth in Broome and participated in the social and cultural development of the town.
- However, the impact of subsidised rental for example – government or resource companies – creates competition for staff accommodation that can't be matched by small business – tourism, services, retail etc. making it very hard for small businesses to survive and grow.
- In a town where small business is very dependent on a highly seasonal workforce, it is becoming increasingly more difficult to find accommodation for staff, noting that many government agency staff and resource project staff are now being accommodated in what were tourism “beds” at a highly subsidised rate, putting an artificially high floor in the local rental market, creating what could be described as significant market failure. I'm not sure if the resorts or private landlords are complaining. Hopefully, the Broome North and Yawuru residential and commercial developments will counter this impact in the near future.
- We have attempted to highlight the extent and distribution of the flow-on economic benefits of a FIFO workforce, noting that although a great amount of national wealth is being created, under an incoming FIFO arrangement, a high proportion of that wealth is being exported out of the region, and may leave behind an untenable cost to the lower income earners in Broome and beyond, through serious competition for scarce resources.
- This is being countered, to a small extent, by the outgoing FIFO workforce whose family base is in Broome.
- On behalf of the Small Business Centre West Kimberley, I thank the Standing Committee Members for the opportunity to make this presentation.