



7 October 2011

House of Representatives Standing Committee on Regional Australia - Inquiry into Fly-In, Fly-Out / Drive-In, Drive-Out Mining Operations

Dear Mr Tony Windsor MP,

Chandler Macleod welcomes the opportunity to provide this submission in response to the House of Representatives Standing Committee on Regional Australia Inquiry into Fly-In, Fly-Out / Drive-In, Drive-Out Mining Operations.

As a major supplier of human capital to the resources sector for over 30 years, we are committed to the support of endeavours to resolve the skills shortages faced in the mining and resources industry, and to playing our part in mitigating the risks associated with the sourcing and mobility of skilled labour.

As one of the largest workforce advisory and management companies in Australasia, Chandler Macleod deals with issues surrounding FIFO and DIDO on a daily basis.

We have more than 50 years experience in Australia and have over 1200 full-time employees across the continent. Each week Chandler Macleod manages more than 20,000 casual staff on client sites and works with 60% of the ASX top 100 companies.

This gives us a unique perspective on the industry as a whole and, in particular, the effects FIFO and DIDO practices have not only in the mining and resource sector but across all industries and communities of interest.

I would welcome the opportunity for further dialogue with the Standing Committee to discuss any aspect of our submission.

Regards

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Mining and Energy
Chandler Macleod Group

House Standing Committee on Regional Australia

Inquiry into Fly-In, Fly-Out / Drive-In, Drive-Out Mining Operations

7 October 2011

Submission

Chandler Macleod response

Chandler Macleod welcomes the opportunity to provide this submission to the Inquiry. For some time Chandler Macleod has acknowledged that FIFO and DIDO are a business necessity to meet the labour requirements of the resources sector.

The 2010 National Resources Sector Employment Taskforce (NRSET) discussion paper, found that, while there was significant job mobility within the Australian workforce, there was a much lower degree of regional mobility. It showed there was a reluctance of workers to re-locate families to remote areas of Australia, particularly if the worker was only involved in the construction phase of a mining operation.

Chandler Macleod's experience as a business operating in this environment would confirm those findings.

As noted in the NRSET paper, historically, mining operations in Australia employed a township model, driven in some cases by logistical factors and in others by government policy.

FIFO practices started to emerge in the mid 1980s as a way to avoid social issues arising from the growing workforces at mine sites. There are a number of examples both in WA and Qld where towns have been developed due to mining activities and then have suffered once the mining jobs dried up.

At the end of the last mining boom a number of people who invested in businesses were left with no way to pay off their investments once the majority of the workforce left the community. Companies are now careful not to create artificial towns with one source of income and one workforce.

Mine sites grow quickly, particularly during the construction phases, and infrastructure has not kept pace.

The two main phases of any mining project is construction and operational.

The majority of employment opportunities are during the construction or start-up phase of mine sites which is generally the first 3-5 years of the life of the mine. Almost two thirds of the positions created will be in the start-up phase with one third continuing once the mine sites become operational.

This makes it increasingly difficult to provide sufficient infrastructure to cater for a permanent workforce.

As a major supplier of workforces to mine sites and oil and gas facilities, Chandler Macleod needs to follow and, where possible, improve on industry trends.

It is Chandler Macleod's belief that FIFO can be done very effectively with benefits flowing to employees, mining companies and communities.

There are particular pieces of infrastructure that government's can assist in providing that would improve conditions for workers and the community, but building whole towns is a way of the past.

Infrastructure that would be beneficial includes training facilities, lifestyle and leisure, accommodation and health services.

With most training being done off-site, Chandler Macleod believes investment in on-site training facilities would allow companies to assist more local residents to up-skill.

Chandler Macleod would encourage any support that assists in building and developing regional areas.

The following are Chandler Macleod's response to the specific terms of reference of the inquiry into fly-in fly-out workforce practices in regional Australia.

TERMS OF REFERENCE

The extent and projected growth of FIFO/DIDO work practices, including in which regions and key industries this practice is utilised

As already noted, FIFO has become an integral part of the resource sector and will continue to grow, particularly in WA and Qld.

Federal Government statistics indicate that over the next five years there will be a need for more than 80,000 workers in the mining industry. Almost two thirds of these positions will be required during the construction phase which typically lasts for between 3-5 years.

FIFO/DIDO workers will be required in areas such as:

- The Bowen Basin in Queensland
- The Surat Basin in Queensland
- The Pilbara Region in Western Australia
- The Goldfields Region in Western Australia
- Regions such as Gladstone and Karratha as they expand to meet the demands of the oil and gas sector

Typical skills sets would include:

- Boilermakers
- Mechanical trades such as heavy duty diesel fitters, heavy vehicle electricians, fixed and mobile plant fitters
- Various construction trades including carpenters, plumbers and electricians
- Plant operators
- Engineers

- White collar workers such as administration technical and health and safety officers
- More specialised workers such as geologists and metallurgists

Recommendation

Chandler Macleod recommends that Commonwealth and State Governments work with industry and workforce management companies such as Chandler Macleod to publish best practice case studies for FIFO/DIDO practices.

Costs and benefits for companies and individuals choosing a FIFO/DIDO workforce as an alternative to a resident workforce

It should be noted that, in the first instance, mining and resource companies prefer to engage with local workers where possible. However this pool is very quickly exhausted particularly in regard to skilled workers. This should not come as a surprise as there has been a rapid expansion in the mining and resource sector over the past decade. This is when it is necessary to look further afield.

Benefits of FIFO/DIDO workforces can include:

- Greater flexibility for both employers and employees
- Access to a wider base of skilled workers
- Greater mobility of the workforce allowing more continuity of work
- More family friendly rosters allowing for a better work/life balance
- Higher wages
- No need to relocate families
- Opportunities for workers trained in other industries to utilise those skills in the mining sector with little retraining required

The effect of a non-resident FIFO/DIDO workforce on established communities, including community wellbeing services and infrastructure

There is little doubt that there is a lack of investment in infrastructure in regional communities in every state of Australia. This is not unique to mining communities and is an issue that requires urgent attention from all levels of government. However, to suggest the practice of utilising FIFO workers is creating a greater strain on established communities and that local communities miss out is, in our experience largely untrue.

The mining and resource sector has worked hard to minimise the impact on established communities by:

- Employing community liaison officers at mine sites to work with local communities
- Utilising local services such as catering, cleaning, laundering and general maintenance
- Providing their own health services including full paramedic services on some sites
- Providing recreational facilities for workers thereby limiting the impact on local facilities
- Generating profits (and consequently taxable income) and royalties that, theoretically, should be used by governments to provide services and infrastructure in regional areas

Recommendation

Chandler Macleod recommends that governments at all levels consider carefully what infrastructure and services are required during the operational phase of the mining operations rather than the short term needs of the construction phase.

Long term strategies for economic diversification in towns with large FIFO/DIDO workforces

What needs to be recognised is that, while superficially FIFO and DIDO workforces do have similarities, the two require quite different strategies in terms of infrastructure and service.

These differences typically include:

- FIFO workers generally live greater distances from the mine site
- DIDO workers generally live in larger regional centers closer to the mine sites
- A greater proportion of FIFO workers are used during construction phase
- DIDO workers require a greater level of regional infrastructure as they are more likely to relocate families to nearby regional centers

Recommendation

Chandler Macleod recommends that government works with industry to make planning decisions based on the needs of the longer term operational phase of mine sites rather than the construction phase. This should also take into account the significant difference in the needs of FIFO and DIDO workforces.

Key skill sets targeted for mobile workforce employment and opportunities for ongoing training and development

There is virtually a limitless variety of employment opportunities in the mining and resource sector, both short and long term. The key

skills required will vary between the construction and operational phases of the mine's lifespan.

While there are many opportunities for candidates who may already have the required skills, there are also a large number of positions that do require specific skill sets. Unfortunately there will always be a finite number of workers with these skill sets already living in close proximity to the mines. Once this pool of workers has been exhausted, companies then rely on FIFO/DIDO workers to fill the skills gaps.

There are also considerable opportunities for workers coming from other industries that may have suffered downturns to be retrained to work in the mining and resource sector. Much of the training currently being done is based in the major cities, mainly due to the availability of infrastructure and qualified trainers. It would be a great advantage if at least part of this training could be conducted on-site at mines or nearby regional centers.

Specific skills being targeted include:

- Plant operators
- Trades both for repair and maintenance
- Geologists
- Engineering including mining, mechanical, electrical and design engineers
- Surveyors
- Metallurgists
- Administrative positions

Recommendation

Chandler Macleod recommends government at all levels invest in infrastructure to increase the range of complexity of training that can be conducted on-site in regional communities. This would not only benefit the mining companies and their employees but also local workers looking to up-skill and potentially gain future employment in mines.

Strategies to optimise FIFO/DIDO experience for employees and their families, communities and industry

The current boom in the mining and resource sector has created a huge demand for skilled workers, one that companies are increasingly struggling to fill. This has increased the competition between the various companies and has required them to improve the offers to potential workers.

Some of the strategies being employed by companies to both entice and retain workers include:

- Family friendly rosters - workers are now being offered even time rosters (5 days on/5 days off) in areas such as the Bowen

Basin in Queensland. For more remote areas rosters have again been reduced, allowing a better work life balance

- Better accommodation - mining companies have realised the need to improve the living conditions for miners whilst on site
- Better catering services - again, catering has been an area of great improvement in mining camps
- Accommodation to house partners - in some areas, mining companies are providing accommodation for partners
- Wages have become much more competitive, particularly in relation to what is available in other sectors for the same work
- Better communication - companies have invested heavily in improving facilities to allow workers to more easily communicate with family and friends whilst on-site. This includes the provision of high speed internet services allowing for email and Skype communication.

Recommendation

Chandler Macleod recommends governments continue to work to improve structural flexibility in the labour market to allow effective deployment of skilled labour to industries, projects and geographic locations where it is particularly required.

Potential opportunities for non-mining communities with narrow economic base to diversify their economic base by providing a FIFO-DIDO workforce

There is an opportunity, particularly on the eastern seaboard, to capitalise on existing regional infrastructure and build regional FIFO/DIDO hubs. Currently there are thousands of workers flying out of major metropolitan centers each day to work in regional areas. Chandler Macleod believes the opportunity exists to capitalise on well established regional centers, particularly in coastal areas, to provide more of these workers.

Advantages would include:

- Providing a much needed influx of long-term residents to regional centers suffering economic downturns
- Potential to limit travel time for workers
- Growth of industries to support FIFO/DIDO workforces
- Increased incentive for government to invest in long term infrastructure including health and education facilities
- Re-building of once prosperous regional centers which, in-turn, has the potential to create non-mining/resource sector industries and employment opportunities

Recommendation

Chandler Macleod recommends governments at all levels investigate the potential for developing regional FIFO/DIDO hubs. Once potential sites have been indentified, the Commonwealth and relevant State Governments should work closely with local councils and regional planning authorities to remove bureaucratic obstacles that have the potential to impede development. It is important that local councils play a role in streamlining operations and regulations at local airports.