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7th October 2011

Mr Tony Windsor MP
Chair
House of Representatives Standing Committee on Regional Australia
PO Box 6021
Parliament House
CANBERRA ACT 2600

Dear Mr Windsor

Inquiry into the use of 'fly-in, fly-out' (FIFO) workforce practices in regional Australia

Thank you for the opportunity to provide the attached submission to the House of Representatives Standing Committee on Regional Australia's *Inquiry into the use of 'fly-in, fly-out' (FIFO) workforce practices in regional Australia*.

The Association of Mining and Exploration Companies (AMEC) is the peak industry body for mineral exploration and mining companies within Australia. The membership of AMEC comprises over 330 explorers, emerging miners and the companies servicing them.

AMEC's strategic objective is to secure an environment that fosters mineral exploration and mining in Australia in a commercially, politically, socially and environmentally responsible manner.

It is in this context that AMEC provides its response to this *Inquiry into the use of 'fly-in, fly-out' (FIFO) workforce practices in regional Australia*. AMEC has consulted its members and will continue to do so and therefore the views expressed are of a preliminary nature.

Should you require clarification on any of AMEC's comments please do not hesitate to contact me. AMEC is also available to attend public hearings should the Committee require.

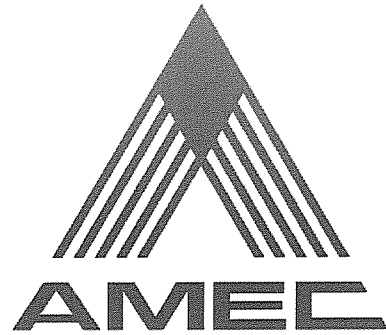
Yours sincerely

Simon Bennison
Chief Executive Officer

Attachment – AMEC Submission Inquiry into the use 'fly-in, fly-out' (FIFO) workforce practices in regional Australia October 2011

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Submission to

**House of Representatives Standing Committee on
Regional Australia**

Inquiry into the use of 'fly-in, fly-out' (FIFO) workforce
practices in regional Australia

October 2011

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Introduction

1. Thank you for the opportunity to provide this submission to the House of Representatives Standing Committee on Regional Australia's *'Inquiry into the use of 'fly-in, fly-out' (FIFO) workforce practices in regional Australia'*.
2. The Association of Mining and Exploration Companies (AMEC) is the peak industry body for mineral exploration and mining companies within Australia. The membership of AMEC comprises over 330 explorers, emerging miners and the companies servicing them.
3. AMEC's strategic objective is to secure an environment that fosters mineral exploration and mining in Australia in a commercially, politically, socially and environmentally responsible manner.

Executive Summary

4. AMEC is cognisant of the considerable debate within many communities on the use of fly-in, fly-out workforces in the Australian mining industry. AMEC is aware that some communities are seeking Government intervention to ease the debate.
5. AMEC supports FIFO as a legitimate workforce strategy that provides an adaptive management capacity to meet industry demand and the differing needs and aspirations of the workforce.
6. Minerals exploration and mining companies choose workforce strategies that suit their individual business and financial requirements. This ensures that the optimum workforce model is chosen and in doing so returns the greatest benefits to Australia from its mineral resources.
7. However, there are a number of industry factors which influence workforce strategies, including: the cyclical nature of the industry, mine location, mine life cycle, skills required and the transient workforce. The complex and interacting nature of these parameters means that no two mine workforces are the same.
8. AMEC is opposed to any Government intervention policies that seek to regulate how companies manage their workforce and their interactions with communities. The sheer fact that no two mines are the same will make policies difficult to implement uniformly across the industry and communities which will create inequalities between stakeholders.
9. In this submission AMEC provides some general comments and observations about workforce strategies in the mining industry. Workforce planning is extremely complex, especially in a skills constrained economy, resulting in many variants that have each been adapted to an operations unique circumstance. Therefore AMEC has not made any comments with regard to specific company practices and how it impacts on specific employees and communities.

Recommendations

10. **AMEC recommends that the Committee in its deliberations:**
 - 10.1 **Does not recommend that Governments should force mining companies via regulatory measures to invest in social infrastructure in the communities in which they operate.**
 - 10.2 **Recommends that Governments should implement strategies that build resilience and adaptive capacity in mining communities.**

- 10.3** **Recommends that Governments should identify communities in which it will invest for the long-term future of those communities through strategic planning processes.**

Commentary

The FIFO Debate

11. AMEC is cognisant of the considerable debate within many communities on the use of fly-in, fly-out workforces in the Australian minerals exploration and mining industry. AMEC is aware that some communities are seeking Government intervention to ease the debate.
12. FIFO is one of a number of workforce strategies available to a minerals exploration and mining company. They choose workforce strategies that suit their individual business and financial requirements. This ensures that the optimum workforce model is chosen and in doing so returns the greatest benefits to Australia from its mineral resources. A FIFO workforce for many companies is the only viable option they have available in the current constrained workforce conditions.

Complex Industry

13. There are a number of factors that need to be taken into consideration when discussing the workforce strategies chosen by minerals exploration and mining companies. These include:
- Cyclical industry,
 - Mine location,
 - Mine life cycle,
 - Skilled workforce,
 - Transient workforce.

Cyclical Industry

14. Mining is a cyclical industry that moves through peaks and troughs of activity, as shown in the Figure 1, which clearly demonstrates these through the Reserve Bank of Australia's Commodity¹ Price Index, despite the long-term upward trend. The cyclical nature of the industry results in a cyclical demand for labor.

Mine location

15. Mines are not always located conveniently next to towns, especially new discoveries. Furthermore some of these are incredibly remote and do not have any public and social infrastructure within any meaningful distance.

¹ Base Metals - Aluminium, Copper, Lead, Zinc, Nickel. Other Resources- Metallurgical coal, Iron ore, Thermal coal, Gold, LNG, Crude oil, Alumina

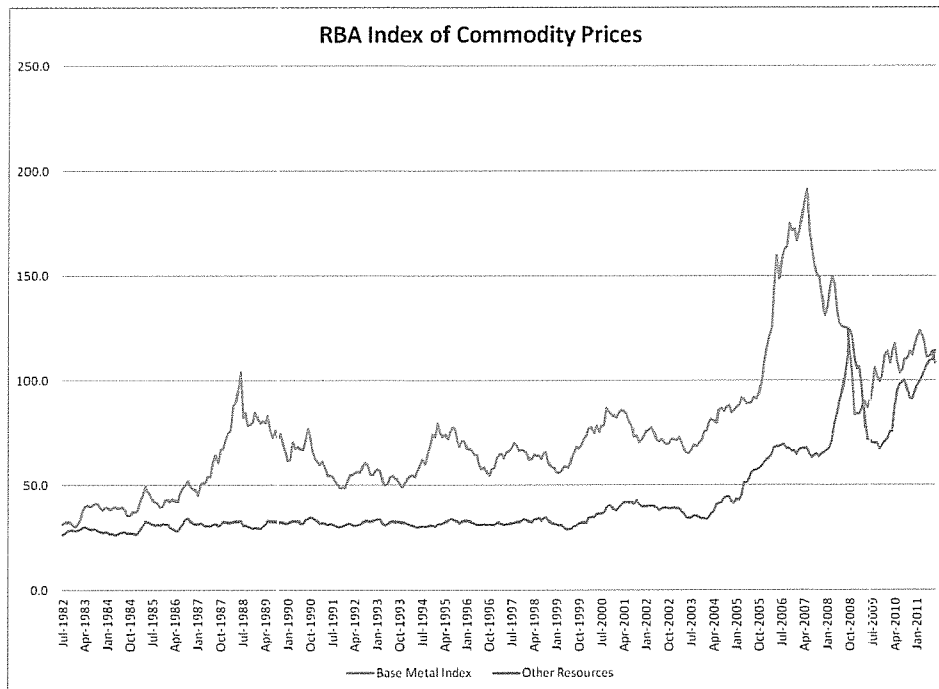


Figure 1 Source- RBA Index of Commodity Prices²

Mine life cycle

16. The basic phases of a mine life cycle are: discovery, development, construction, production, closure, and reclamation/rehabilitation. Each phase requires a different size workforce of skilled and unskilled labor. Typically the higher labor requirements are needed during the construction phase (if required). In addition, these phases for different lengths of time, often with many years between one phase and another which increases the complexity of workforce planning.
17. In addition, in normal circumstances mine lives vary significantly, from between 5 years to 20 plus years depending on a range of factors; such as exchange rates, commodity prices, competitive forces and quantity and quality mineral deposit.

Skilled Workforce

18. A modern Australian mine requires a diverse range of skills to efficiently and economically extract a mineral resource. The skills required and the length of time they are required depends on the stage of the mine life cycle. In addition, access to these skills often means sourcing them from larger labor pools, i.e., urban population centres far from the location of the operation.

Transient Workforce

19. The combination of the mine lifecycle and the skills required means that a mining workforce can be highly transient in nature. Employees are often not in one location, the one job or even the mining industry for long periods. For those employees, settling in a community may not be justified, or they may prefer to have a central residential base from which to commute from.
20. The industry also has an increasing incidence is the use of contracting companies to manage mine sites and the provision of a variety of services during the life of a mine. The responsibility for the

² <http://www.rba.gov.au/statistics/frequency/commodity-prices.html>

workers is therefore with the contracting service provider and not the mining company. The application of FIFO suits these circumstances and the period of the 'contract', which could only be for short-term and specific tasks.

Summary

21. The complex and interacting nature of these factors means that no two mine workforces are the same. This complicates the discussion around workforce practices, with every individual and community having different experiences. The Committee needs to recognise these important factors in its deliberations.

Social Infrastructure Investment

22. AMEC considers social infrastructure (such as healthcare, schools, police and emergency services and community facilities) is the primary responsibility of Government.
23. AMEC does not consider policies that force companies to invest in social infrastructure in communities through regulatory measures is appropriate. Indeed, mining companies already pay for these services through royalties and taxes. Where this revenue is directed is the decision of the relevant Government.
24. Mining companies also contribute significant direct and indirect resources towards regional community, welfare, sporting and philanthropic organizations.
25. However, companies should be free to provide these services and facilities at their volition, either independently or through private public partnerships, should the circumstances arise. Furthermore, there should be no regulatory or mandatory requirements for companies to provide social infrastructure. AMEC considers that these voluntary commitments to the community are more likely to have the most enduring legacy.

Recommendation

26. **AMEC recommends the Committee in its deliberations does not recommend that Governments should force mining companies via regulatory measures to invest in social infrastructure in the communities in which they operate.**

Build Resilience and Adaptive Capacity

27. AMEC considers that appropriate strategies for managing transient mining workforces from a social perspective are those that build resilience and/or adaptive capacity in individuals (employees and residents) and communities (mining and labor source).
28. AMEC considers that having these capacities would allow individuals and communities to successfully manage the cyclical and transient nature of the mining industry workforce.

Recommendation

29. **AMEC recommends that the Committee in its deliberations recommends that Governments should implement strategies that build resilience and/or adaptive capacity in mining communities.**

Sustainable Communities

30. Recognising the cyclical nature of the mining industry, it will be inevitable that some communities will expand and contract, with some perhaps disappearing altogether. This is not a new phenomenon. For every Australian mining community that exists today, there are many that do not.
31. Therefore policy and decision makers will need to decide which communities require increased social and physical infrastructure investment because they have been determined to have a future. That is, which communities will become long-term sustainable communities? It is clear that not all of them will be able to be supported to the same levels.
32. AMEC considers that these tough strategic planning and investment decisions (for both social and physical infrastructure) need to be made sooner rather than later in order provide certainty for all stakeholders and allow the appropriate allocations of resources.

Recommendation

33. **AMEC recommends the Committee in its deliberations recommends that Governments should identify communities in which it will invest for the long-term future of those communities through strategic planning processes.**

