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FIFO/DIDO Enquiry

Regional Submission

October 2011

Executive Summary

In the current environment, work practices such as FIFO are underpinning investment in our region as there are no viable large scale expansions possible without the inclusion of FIFO at this time. This is because of the environment that has been created which does not allow the local market to supply the necessary labour due to ineffectual investment in infrastructure in regional communities that underpin the resource sector. In order to ensure mining investment is sustainable, major structural change needs to occur.

Jobs in mining in the Bowen Basin are expected to double over the next decade. This has a major flow on effect to all other industries. Every one job create in mining, creates two more jobs in other industries in the region. With a regional workforce of approximately 100,000 currently, the additional 30,000 jobs expected will put even more pressure on housing, wages rates, and cost of living.

Analysing labour requirements for new and expanding mines, and the mine closures over the next decade we are predicting the following shortfalls.

Year	New Jobs	Lost Jobs	Difference
2013	50	10	(40)
2014	300	300	0
2015	2,995	210	(2,785)
2016	5,720	1,145	(4,575)
2017	350	395	45
TOTAL	9,415	2,060	(7,355)

Should all planned mines and expansions meet the current target dates for commencement, then we will not see additional labour pressures until 2015. This gives the region, and Government, **4 years** to put in place strategies and actions to ensure that we will be able to accommodate accelerated growth in order to resource these mines. These figures do not include the Galilee Basin mines.

This cannot be done in isolation, and requires commitment from all levels of Government and the mining companies, otherwise we run the risk of having 100% FIFO for all new mines.

Established neighbouring communities should factor into this approach as population growth in areas such as Mackay and Whitsunday will increase the level of services and facilities available to the direct communities in Isaac.

The development of FIFO workforces for areas such as the Galilee Basin from coastal communities such as Mackay and the Whitsundays should also be considered in order to increase the provision of facilities and services in regional Queensland.

Urgent action needs to be taken, otherwise the resource industry will be at risk, and we will have created an unsustainable environment that support disconnected communities.

The following table outlines our recommendations:

Number	Recommendation	Reference
1	Priority needs to be given to resource workers living in the direct communities. Alternative priority would be the employment of workers living within the resource region, who would make up the DIDO workforce.	2, 3, 8
2	FIFO should only form a minority percentage of resource workers.	2, 3
3	Medium to long term strategies should be formulated to ensure FIFO does not increase through a combination of legislature change and funding injections (eg. Royalties for the Region)	8, 10
4	A study is required into the extension of FIFO outside of direct mining jobs, and potential impact of increased FIFO on the service industries to mining.	1
5	A change in the Census data to better recognize the impact of FIFO workers in resource communities and a better allocation of funding and service provision.	3
6	Stronger legislative conditions around “local content” and a narrowing of the definition.	5
7	Development of a strategy to transition FIFO workers to permanent residents within the resource regions.	8
8	Tax reform and initiatives for resource regions.	10
9	Change to the EIS process to address the multiplier effect of mining jobs created in other industries and the challenges created around housing	1, 7
10	The Senate should conduct an enquiry within the Mackay-Isaac-Whitsunday region	
11	The terms FIFO and DIDO should be treated as mutually exclusive	

REDC supports “choice” for all people, and therefore does not support mandatory 100% FIFO in our region, which will limit employment options for our residents.

Eddie Westcott

Chairman

FIFO/DIDO Enquiry Submission

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Introduction

REDC is the peak economic development agency for the Mackay-Isaac-Whitsunday region, responsible for supporting the continued economic growth of the region. Our board represents all of the major industry sectors in the region, and we have a member base of 59 businesses across the region. The three regional Mayors sit on the REDC board, as does the CEO of our RDA.

This response has been compiled based on a whole of region basis, which we acknowledge may differ from the community or LGA based responses which will respond to the needs of their direct communities.

In particular this submission is made in conjunction with the Mackay Airport, who has the ability to facilitate the transportation of a FIFO workforce into the region, or a FIFO workforce into the Galilee Basin.

The enquiry asks us to respond to the experience of fly-in, fly-out (FIFO) and drive-in, drive-out (DIDO) workers in Australian work practices. We feel that these **two terms are mutually exclusive**, and therefore should not be responded to as a collective.

“FIFO” is an acronym for “Fly-in Fly-Out”, and refers to workers who fly in on an aircraft to their place of work, and then fly out on an aircraft to their place of residence. Generally FIFO does not support the movement of people within statistical divisions, given the shorter and potentially less economical distances of flight times.

“DIDO” is an acronym for “Drive-in Drive-out”, and refers to workers who drive to their place of work, and then drive back to their place of residence. Generally these workers will reside in the statistical division in which they also work.

Since the incorporation of Regional Development Australia (RDA) there is now a greater focus on “regions” which in most cases will resonate with the boundaries of the statistical division, and certainly does in our region. LGA’s are being asked to come together to overcome challenges on a regional basis, and our submission is based on this proposition. Governments are asking LGA’s in these regions to support each other, and we are requesting that Governments lead this approach particularly in relation to issues such as FIFO/DIDO.

The difference between FIFO and DIDO from a macroeconomic perspective is simplistic. FIFO does not wholly support the regions where the resource assets are located. DIDO however, does support the resource regions. We acknowledge that FIFO workers do spend money in the local communities, but it is the opportunity cost of what they are not spending in the communities in which they are earning their wages which is the concern.

This submission will address the practices around FIFO and DIDO, and will outline both the opportunities and challenges that Regional Australia is facing.

Enquiry Specific Sections

The submission has been based on areas where we feel REDC holds expertise, and from consultation with the directors and broader community.

As per the terms of reference, stakeholders have been asked to respond to a number of sections or issues.

Section 1

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

DIDO has been a long term practice within the resource sector. The assets relevant to our region are located in the Bowen Basin which covers both the LGA’s of Isaac and Whitsunday Regional Councils. A large number of mine workers reside in the largest regional centre which is the city of Mackay, and the communities within the Whitsunday LGA. Mine workers currently either drive out in work or private vehicles, or utilise the bus services provided by the mining companies.

A survey recently released by Queensland Treasury indicated that “Mackay Whitsunday region supplies 61% of non-resident workforce into the Bowen Basin”.

DIDO also extends to the mining services and supply industry located in the region, and primarily located at Paget in Mackay. These supply companies contract to the large mining companies and have a large contingency of staff travelling from Mackay to Isaac. Smaller industrial bases are located in Bowen, Moranbah and Clermont, supplying contractors to the nearby mines.

There are no FIFO workers residing in the region. There are, however, a number of mine workers who travel by air to Mackay through the Mackay airport, who are then taken by road out to the resource towns.

The following table summarises the current mining investment proposed for the region by different mining companies.

Mining Company	No. of Mines	Investment	Construction	Operational
Adani Mining	2	\$11 billion	2,580	2,660
BHP Billiton *	6	\$9.45 billion	4,500	1,850
Anglo American	3	\$3.22 billion	1,700	1,135

QCoal **	3	\$1.85 billion	900	1,450
Peabody	1	\$1.4 billion	650	700
Aquilla Resources	2	\$988 million	500	760
Vale	2	\$760 million	460	340
Xstrata **	2	\$700 million	400	300
Macarthur Coal *	2	\$680 million	80	160
Bengal *	1	\$450 million		300
Other **	5	\$653 million	100	50
TOTAL	30	\$31.43 billion	12,070	10,365

* Indicates either data missing for Investment dollars or job numbers. ** Indicates both numbers may be missing.

This submission refers to the operational workforce, rather than the construction workforce. The figures above do not relate to mine operations in the Galilee Basin, and it is considered that the Galilee Basin will also be serviced out of Paget.

A study is required into the extension of FIFO outside of direct mining jobs, and potential impact of increased FIFO on the service industries to mining.

Section 2

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

The Mackay-Isaac-Whitsunday region has struggled to attract and retain skilled workers over a number of years in order to supply workers into the rapidly expanding workforce across all industries. The 2009 Liveability Audit conducted by REDC highlighted the benefits of living in the region, in close proximity to the resource assets. The research indicated a high level of loyalty from people living in the region, and this included the DIDO workforce.

All resource communities across Australia are dealing with the same skills shortages, and this has resulted in upward pressure on wages across all industries to compete. Unless people have a vested interest in a community, then there is a high risk of employee turnover. This in turn increases the cost to businesses in recruiting and training new employees.

A study undertaken by the University of Queensland’s Centre for Social Responsibility in Mining on Employee Turnover noted that *“the average turnover rates of company employees at the seven FIFO sites in the study was 20.2 per cent”*. The study further noted that some of these sites had, in the past, experienced *turnover in excess of 60 per cent*.

If a worker is willing to fly from Brisbane to Moranbah, then there is no reason why they would not be willing to fly from Brisbane to Perth for higher wages. This is not the case for people who have families in the region with strong community ties. The mobility of workers

based on achieving higher wage rates will only mean upward pressure on inflation and interest rates for Australia, putting more pressure on the two-speed economy.

Cost to companies with regard to FIFO include higher turnover of staff, increased fatigue due to longer travel requirements, potential negative impact on productivity, decline in corporate image and social licence.

Section 3

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

The long term issue is the allocation of services and infrastructure to communities where the FIFO/DIDO workforces are not counted as resident population although they may spend more than 50% of their life in those communities. Whilst they are in residence, they use local roads, medical facilities, police services, and other community facilities, however there is little monetary compensation with respect to the use of these services.

The FIFO workforce certainly has a detrimental effect on community wellbeing, services and infrastructure. Safety concerns have been expressed by residents due to the large percentage of transitory workers with no commitment to the community, and therefore no sense of ownership.

There is little data currently available with respect to the safety issues, and we recommend that a study be undertaken to assess the impacts. There is, however, a high perception in the direct communities that an increase in transitional workers increases safety concerns. The flow on effect of this perception is that there is a risk that people living in these communities will leave.

This issue also extends to DIDO workers, however, the interrelationships between regional communities can potentially marginalise these effects. Having large centres such as Mackay, and large tourism destinations such as the Whitsundays in close proximity to the resource communities improves liveability, as it provides residents with options. By having the DIDO workforce reside in adjacent communities, the provision of services and facilities which can be utilised by the direct mining communities' increases.

Section 4

“The impact on communities sending large numbers of FIFO/DIDO workers to mine sites”

The social impacts of shift workers living away from home are well known, particularly the impacts on families. It is important that there are strong social and community networks that support families with family members who work away from home. Emotional health issues due to separation of workers from their family is also a concern.

The health issues also extend to physical effects due to factors such as separation anxiety, work-life balance, increased alcoholism, and relationship pressures.

The communities which receive these workers also suffer, as the FIFO workers have no accountability to the community where they reside, nor do they have a vested interest in the community in which they reside during their rostered time on.

There is also a flow on effect to future generations due to the long separations and absence of a “father figure” in their lives. Higher rates of divorce are also noted.

The main problem with FIFO is that it separates families for long periods, making relationships unmanageable (Brereton, Beach & Cliff, 2003). A study undertaken by Murdoch University’s School of Psychology found that FIFO impacts negatively on both job and life satisfaction.

Section 5

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

The key to long term sustainability is the ability to leverage off the mining boom. The resource sector creates high paying job opportunities, and this requires support from other industries. The development of service centres to mining is important, and there are concerns that local industry will suffer and plateau if FIFO is extended to the service industries. There is an opportunity for economic diversification, however it is detrimentally affected by issues such as housing prices, and cost of living in the resource communities. Unless there is fundamental structural change which supports indirect industries, then we are concerned that the resource communities will be at risk.

Communities must develop long term post mining visions in partnership with local and state governments, business and industry, that diversifies and value adds to the current industries. This should be undertaken in conjunction with State and Federal Government, by local government, business and industry, to develop legislation that focuses on post mining economies.

A clearer definition of “local content” is also required as the current definition includes businesses in Queensland, Australia and New Zealand, and is therefore too broad in its scope. The key is to develop the capacity and capabilities of local industry in order to take advantage of the resource boom in building long term sustainability which will increase investment.

Section 6

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

Key skills sets for “mobile workforce employment” should be focus on the construction side of the resource sector, rather than the operational workforce which should not be considered “mobile”.

It is essential that we ensure the supply of skilled labour to the resource sector is future proof. Currently the education levels within the region are below State averages, primarily due to the fact that unskilled workers can earn significant salaries without educational qualifications. We need to see a turnaround in these statistics in order to ensure long term sustainability of job options for these workers. Multi-skilling is essential, particularly in terms of trade qualifications such as electricians for example. The ability to move between the commercial and domestic markets in differing economic times will ensure mobility of people.

A focus on financial management skills for employees is also necessary in order to future proof individual economic circumstances against economic events such as the global financial crisis.

Section 7

“Provision of services, infrastructure and housing availability for FIFO/DIDO workforce employees”

If FIFO workforces are to increase then provisions need to be made with respect to essential services, in order to ensure the permanent residents are not disadvantaged. Services such as police, ambulance, social workers, medical staff etc, need to be increased to cope with an increased transitional workforce.

In order to attract these service providers, affordable housing must be provided. Under the EIS process, the mining companies should be required to address these issues, and provide solutions.

The resource sector is having a negative impact on the cost of living in these communities which widens the gap of the two speed economy. The result is that people in lower paid sectors cannot afford to live in the communities which then reduces the number of services and facilities available. This is not sustainable, and will result in the cannibalisation of local industries.

Section 8

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

The benefit of FIFO to families is monetary, but it comes at a personal cost. There needs to be a balance between company outcomes and community outcomes. The best option for a win/win situation is to have workers residing in the mining communities with the ability to live with their families. This option also means that family members also provide resources to other industries within the region which underpins their long term sustainability.

The next best option is DIDO, however, more efficient transport systems need to be considered, as well as the timing of rosters. The notion of a high speed train to connect the resource and coastal communities should be considered which would allow workers to travel to and from work on a daily basis. This could also extend to “close proximity” FIFO, which obviously comes at a higher cost to the company.

Whilst FIFO might be necessary in the short term, strategies need to be put in place to decrease its medium to long term effects. The focus needs to be on transitioning from FIFO to “FIAS” (Fly In and Stay). This could be achieved through a number of initiatives:

- Advocate for workforce participation in community and social recreation and events
- Encourage families to stay for short term stay in communities in order to experience the region
- Promote tourism experiences to FIFO families
- Design community events to encourage participation by FIFO workforces
- Provide necessary infrastructure and services to FIFO workforce to enhance the quality of their stay, and their understanding of regional livability.

Section 9

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

This statement is misleading, because in essence, all mining communities have narrow economic bases and this is a significant risk. This is demonstrated by the location quotients in the below table. A location quotient greater than 1 indicates a greater importance of an industry to the region’s economy as to the national economy.

Location Quotients – Employment		
	Mackay-Whitsunday-Isaac	Queensland
Agriculture, forestry & fishing	2.17	1.1
Mining	10.28	1.42

Manufacturing	0.78	0.94
Electricity, gas, water & waste services	0.88	1.04
Construction	1.14	1.17
Wholesale trade	0.89	0.9
Retail trade	0.98	1.03
Accommodation & food services	1.38	1.11
Transport, postal & warehousing	1.24	1.08
Information media & telecommunications	0.33	0.74
Financial & insurance services	0.41	0.75
Rental, hiring & real estate services	1.08	1.24
Professional, scientific & technical services	0.58	0.85
Administrative & support services	0.7	0.97
Public administration & safety	0.56	1
Education & training	0.78	0.99
Health care & social assistance	0.68	0.97
Arts & recreation services	0.44	0.97
Other services	1.11	1.01
Source: ABS 2006 Census, Lawrence Consulting		

Diversification of economic bases needs to be focused on the resource regions in order to ensure sustainability. In order to do this, we need to ensure that we have a labour force available to non-mining related industries. The only way we can do this is to utilise the skills of other family members who have moved to the region because one family member has taken up a job in mining.

The risk of FIFO is that when the industry the person moved from gains strength then we will see loss of workers out of the resource industry as they make decisions to return to their primary skill set, and family.

Section 10

“Current initiatives and responses of the Commonwealth, State and Territory Governments”

The Royalties for the Regions initiative being undertaken in Western Australia has been very successful. In order to encourage increased private investment, and the provision of strong infrastructure in the mining communities, this initiative should be extended to Queensland.

In the last few decades we have experienced a paradigm shift in work practices. In the past people would relocate to where the jobs were, however we have seen a 180 degree turnaround and are now seeing industry relocate to where the people are. This is

demonstrated by BMA's decision to move its supply centre from Mackay to Brisbane, although the assets are situated over 1,000 km away from Brisbane.

Up until the 1970's, mining companies were required to build mining towns, which facilitated critical mass and sustainability in towns such as Mt Isa. We are not suggesting that mining companies include housing construction as part of their core business, however, changes in legislation that facilitate the locality of mining workers within say a 500km radius of the assets would underpin private investment in housing, and create strong communities.

Tax reform is another option to facilitate migration to mining communities. This could be based on tax incentives with respect to zone rebates, and/or a review of the current "living away from home allowance".

Creation of special economic zones with attaching tax incentives would also create strong returns to government. We propose that the Mackay-Isaac-Whitsunday region is granted an FBT exemption for housing payments for a set period of time. This would allow employees to salary sacrifice housing payments from gross income, which in turn would see an increase in the amount of housing stock coming onto the market through private investment, as well as providing an incentive to people to move to the region to take advantage of the tax incentive. This initiative also has the potential to deal with the housing affordability issue.

Section 11

"Any other related matter"

A number of other matters need to be considered under this review.

1. **Social Integration** – The greatest disparity created for communities is with the FIFO workers who are flown in from either other centers in Australia, or internationally. There is the potential to create greater social divides within communities particularly around social and cultural values. Consideration needs to be given to how FIFO workers will be integrated into domiciled workforces and resident communities.
2. **Language Barriers** – Increase in international workers under FIFO arrangements also raises safety concerns around language barriers. There needs to be safeguards put in place to ensure any foreign workers have strong English skills in order to ensure they are safe within the working environment, and do not put other workers at risk. There is a potential opportunity around this issue that will create new economic opportunities in education and language skills training.
3. **Under-utilised Rail Options** – The current rail system provides movements predominantly for coal taken from mines to port. This unilateral use of the rail system puts more pressure on the regional road networks, and has a detrimental effect on road safety. Currently fuel is moved by road and is considered to be "dangerous goods". There

needs to be a more balance approach taken with respect to passenger, and freight movements along this corridor.