

Submission Number: 101
Date Received: 11/10/2011

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Monday, 10 October 2011

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

Dear Mr Windsor,

Inquiry into “fly-in, fly-out” (FIFO) and “drive-in, drive-out” (DIDO) workforce practices in regional Australia.

Please find attached submission from the Far North region of South Australia to the Standing Committee on “fly-in, fly-out” (FIFO) and “drive-in, drive-out” (DIDO) workforce practices in regional Australia.

This submission has been compiled by Regional Development Australia Far North (RDAFN) on behalf of and with input from the Far North Local Government Roundtable. The Roundtable consists of the five Local Government bodies in the region being; The Port Augusta City Council, The Flinders Ranges Council, The Municipal Council of Roxby Downs, The District Council of Coorbera and the Outback Communities Authority.

The information in this document has been compiled from the region and does not necessarily represent the specific view of RDAFN or members of the Roundtable group unless specified. I therefore request that all of this submission remains confidential.

Yours sincerely

Rob Gibb
Chief Executive Officer

A submission from the Far North region of South Australia to the Standing Committee on “fly-in, fly-out” (FIFO) and “drive-in, drive-out” (DIDO) workforce practices in regional Australia.

This submission has been compiled by Regional Development Australia Far North (RDAFN) on behalf of and with input from the Far North Local Government Roundtable. The Roundtable consists of the five Local Government bodies in the region being; The Port Augusta City Council, The Flinders Ranges Council, The Municipal Council of Roxby Downs, The District Council of Coober Pedy and the Outback Communities Authority.

We understand the Terms of Reference for the inquiry to be as follows:

The Standing Committee on Regional Australia will inquire into and report on the use of ‘fly-in, fly-out (FIFO) and ‘drive-in, drive-out’ (DIDO) workforce practices in regional Australia, with specific reference to:

1. the extent and projected growth in FIFO/DIDO work practices, including in which regions and key industries this practice is utilised;
2. costs and benefits for companies, and individuals, choosing a FIFO/DIDO workforce as an alternative to a resident workforce;
3. the effect of a non-resident FIFO/DIDO workforce on established communities, including community wellbeing, services and infrastructure;
4. the impact on communities sending large numbers of FIFO/DIDO workers to mine sites;
5. long term strategies for economic diversification in towns with large FIFO/DIDO workforces;
6. key skill sets targeted for mobile workforce employment, and opportunities for ongoing training and development;
7. provision of services, infrastructure and housing availability for FIFO/DIDO workforce employees;
8. strategies to optimise FIFO/DIDO experience for employees and their families, communities and industry;
9. potential opportunities for non-mining communities with narrow economic bases to diversify their economic base by providing a FIFO/DIDO workforce;
10. current initiatives and responses of the Commonwealth, State and Territory Governments; and
11. any other related matter.

The Far North region of South Australia as per the Regional Development Australia boundaries, covers approximately 80% of South Australia with a land mass of around 800,000sq km and contains 72% of South Australia’s Mineral Resources projects. As of August 2011, there were a total of 46 mineral projects in South Australia, seventeen approved and twenty nine developing projects. Of the seventeen approved projects; fourteen are located in the Far North region and of the twenty nine developing projects; nineteen are located in the Far North region.

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Given the tyranny of distance in the Far North region and the isolated location of resources, FIFO for some projects is the only option. There are two well established resource projects in this region where a town was established to service the mine; Leigh Creek which was built to service and house employees of the Leigh Creek Coal Mine (563km's North of Adelaide) and Roxby Downs which was built for the Olympic Dam Mine (595km's North of Adelaide). The Resources sector no longer construct these purpose built towns instead, they build employee village's onsite and utilise Fly-in Fly-out (FIFO) in most cases and Drive-in Drive-out (DIDO) where location allows.

FIFO & DIDO are well established practices in Far North South Australia with the following sites;

- Olympic Dam – started production in 1988, significant FIFO & DIDO workforce and town established to service the mine – current population 4,478 (ABS 2010 population).
- Prominent Hill – started production in 2009, mainly FIFO, low number of DIDO from Coober Pedy, employee accommodation village onsite.
- IMX Resources – started production in 2010, mainly FIFO, medium number of DIDO from Coober Pedy, employee accommodation village built in Coober Pedy.
- Beverly Uranium Mine – started production in 2001, entirely FIFO workforce, employee accommodation village onsite.
- Challenger Mine – started production in 2002, entirely FIFO workforce, employee accommodation village onsite.
- Honeymoon Uranium Mine – started production in 2009, mainly FIFO, medium number of DIDO from surrounding area, employee accommodation village onsite.
- White Dam Mine – started production in 2010, predominantly FIFO, employee accommodation village onsite.
- Moomba Gas Fields – started production in 1969, entirely FIFO workforce, employee accommodation village onsite.
- Leigh Creek Coal Mine – started production in 1943, low number of FIFO, purpose built town established to service the mine. The town is a “closed” town in that in order to reside in the town, you must work a minimum of 25 hours per week at the mine or are employed in a business that services the mine such as the school, hospital, grocery store or other service provision – current population 549. This mine is predicted to close by 2030.

Expected growth in the resources sector is significant with the following sites;

- Olympic Dam – BHP Billiton plans to expand the mine significantly, where it will be the largest open cut mine in the world, the Escondida mine in Chile currently holds that title. BHP Billiton's Supplementary Environmental Impact Statement (SEIS), which is currently awaiting SA, NT and Commonwealth Government approval talks of an increase of 8,000 to 10,000 people on top of current population during the construction stage and then once in full production an increase of approximately 4,000 employees. It is anticipated that around 70% of this workforce will be future FIFO employees. This will see a doubling of Roxby

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Downs's population in the long term. For more information please refer to BHP Billiton's SEIS which is available on their website.

- Prominent Hill – Initially this project consisted of an open pit mine only, however, in July 2010 the OzMinerals Board approved and construction commenced on the Prominent Hill Ankata underground project, the resource is a high-grade and located 800 metres away from the Malu open pit. It is expected that the project will commence production by mid 2012. OzMinerals has committed to spend \$70 million on exploration on further regional exploration this year. With the underground project and OzMinerals commitment to further exploration this company will see further growth in FIFO and DIDO in this region over the coming years.
- Developing Projects – currently there are nineteen developing projects in the far north region, these projects vary from exploration through to feasibility stages. Most of the locations are isolated and once the projects move onto the construction and production stage this will see further growth in FIFO and depending on location DIDO will also increase. More specific information on each of the projects can be found on the PIRSA Minerals website.
- Metals X Limited's Wingellina Nickel project, located just inside the WA boarder neighbouring the Anangu Pitjantjatjara Yankunytjatjara Lands (APY Lands), this project because of its location will utilise mainly FIFO. The company has expressed a will to work with the local APY Lands Indigenous population to create employment opportunities for residents on the APY Lands.

The most significant negative impacts of FIFO/DIDO can be seen in towns such as Roxby Downs, Coober Pedy and Andamooka. The majority of FIFO employee's do not spend locally in these communities and refer to them as a dormitory, somewhere they sleep in between shifts. FIFO employee's may spend small amounts of money locally i.e. purchasing a birthday gift for someone at home or buying a sandwich at the local coffee shop, but generally their spend is minimal. This puts a strain on these communities as FIFO employee's utilise infrastructure and services provided by the community but do not invest back into the community. This adds to the strain on the local governing bodies and service providers with the increasing needs and demands for services and facilities but no increase or pathway in which to source funds, so the community is left to foot the bill. There are also a number of other social issues that come hand in hand with large numbers of mainly men in stand alone mining camps which affect families in the communities.

FIFO/DIDO impacts upon the provision of services, infrastructure and housing availability in the Far North region using Coober Pedy and Andamooka as examples of significantly impacted communities:

Example: Coober Pedy – the development and ongoing production at the Prominent Hill (OzMinerals) and Cairn Hill (IMX Resources) mine's have seen an impact on the township of

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Coober Pedy, located 877km's north of Adelaide with an approximate population of 3,000 residents. Prominent Hill (130km's south east of Coober Pedy) house's employee's onsite in purpose built accommodation; IMX Resources (55km south of Coober Pedy) house's its FIFO employees in its recently completed purpose built accommodation located in Coober Pedy housing 90 employees. Prior to the completion of these accommodation facilities, employees were housed in rental accommodation and motels putting a strain on available accommodation. Further adding to the strain, both Prominent Hill and Cairn Hill projects utilise outside contractors who stay in motel accommodation in Coober Pedy also. Coober Pedy has a significant tourism industry given its uniqueness and location, with over 100,000 visitors per year also competing for accommodation.

Cairn Hill project has had a more significant effect on Coober Pedy infrastructure and services. IMX Resources up until recently utilise the local commercial air service provider, Regional Express (REX), to transport their FIFO market; this has limited the available of seats on the daily service. REX provides one return flight per week day between Adelaide and Coober Pedy, there is one return flight on a weekend. The airplane is a 34 seater and IMX Resources reserve 10 seats every Wednesday for their regular FIFO making it very difficult to access a seat to or from Adelaide on a Wednesday (people need to book a reasonable time in advance to ensure seat availability). Recently, the mining services company contracted by IMX Resources for their FIFO workforce has established a 50 seater dedicated FIFO service each Friday, freeing up the above mentioned 10 seats on the local commercial flights.

Following are some more specific dot points provided by the District Council of Coober Pedy:

- Coober Pedy property prices have increased significantly due to the increased activity in mining development in the region and cannot be directly linked to FIFO operations.
- Good standard property rentals are in high demand and there are very few if any currently available.
- Local infrastructure – FIFO workers use local infrastructure and there is no contribution to its maintenance or replacement by the mine companies. Admittedly, there is some sponsorship of organisations in Coober Pedy but in the overall scheme of things, it is insignificant.
- There is a very real impact on the availability of trades' people in Coober Pedy for local residents. The are low number of trades available in the community and when these trades are entirely utilised by mining companies they are no longer available for the local community.
- FIFO operations are dragging some trades and other professionally skilled people away from Coober Pedy to live in the metropolitan area where there are more opportunities for families, such as education and sporting facilities. This has created skills gap in the community and has a direct result on the availability of some services to the extent that some services are no longer available as there is no qualified person to fill the gap. This

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trend also has contributed to a significant drop in school numbers which in turn jeopardises teacher numbers.

- The local accommodation camp utilises the services of local businesses and it is already quite obvious that there are behavioural issues with these workers when in Coober Pedy and an apparent lack of respect for local issues

Example: Andamooka, an opal mining town with less than 500 residents is located approximately 30km from Roxby Downs and Olympic Dam mine (BHP Billiton) and is significantly impacted by FIFO and DIDO. BHP Billiton provide purpose built accommodation for their FIFO/DIDO employees, however, the company employs a number of contractors and accommodation for these contractors is not generally provided by BHP Billiton, leaving contractors to find other accommodation options. Rental prices in Roxby Downs are very high with an average of \$400 per week for a caravan up to \$800 per week and higher for a house. Land supply for development in Roxby Downs is limited and can only be released by BHP Billiton and both rental and motel accommodation is in short supply. Andamooka is seen as a more affordable option initially with lower rental prices, more accommodation available, and more affordable and available land for housing development.

Andamooka falls in the unincorporated areas of SA therefore is not governed by a Council with the ability to charge rates and is not recognised by BHP Billiton as part of its support infrastructure responsibility. The Outback Communities Authority (OCA) undertakes a limited local government role for the unincorporated areas but up until recently had no authority to charge rates or access to funds to provide much needed infrastructure. The rates OCA will be able to charge once a system is implemented will be minimal and will not come close to covering the costs of much need infrastructure. The town has a local progress association that undertakes a number of essential services that would normally be the responsibility of the State or Local Government. For example, there is no mains water supply in Andamooka; in 2009, a pipeline from Roxby Downs to holding facilities on the outskirts of the community was commissioned, providing residents with access to water via water tanker transport to their homes. Andamooka is a town that has been impacted upon as a direct result of a FIFO/DIDO workforce located near their community and as the town existed before the mine, the mine has little responsibility relating to the impact it has on the town. Adding further to this impact if the proposed Olympic Dam mine expansion is approved, a purpose built FIFO/DIDO accommodation camp to house up to 10,000 employees will be located 10km's from the town. This will add further pressure to infrastructure and services in Andamooka.

The increase in FIFO/DIDO employees utilising Andamooka as a more affordable option has put pressure on the town's infrastructure, services and accommodation supply. This has resulted in a demand driven, unrealistic price hike in properties, decreasing housing affordability for those not employed in the mines plus uncontrolled development adding to pressures on water and electricity supply. Essential services such as health and emergency services are also impacted

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upon with increased demand leaving the local community experiencing longer waiting periods and limited access to services. Some of these services such as emergency services and water delivery are undertaken by volunteers, the FIFO/DIDO increase puts further pressure on the need for these services but as stated previously, FIFO employees utilise infrastructure and services provided by the community but generally do not invest their time or dollars back into the community. The majority of FIFO employee's home location is in larger metropolitan areas where service provision and infrastructure is provided by state and local governments and its availability is expected and demanded, it is not reliant on a community pays or provides system as in most regional communities. This might explain a lack of understanding or knowledge of the real impact FIFO has on communities like Andamooka.

FIFO and DIDO also have positive effects for regional communities with companies such as OzMinerals (Prominent Hill) and Heathgate Resources (Beverly Uranium Mine) who pick up employees from the Port Augusta Airport, which allows residents from the southern part of the Far North region better access to employment opportunities in the resources sector. This benefits the employees and their families with less travel time between shifts and faster access to return home if the need arises. This also benefits the local economy and the future sustainability of regional communities, through access to other employment opportunities. For example, a number of pastoralists gain employment in the resources sector in slower times on the property and to sustain the business income in difficult years i.e. drought. Regional communities often have difficulty in keeping their younger generation in the area due to lack of employment opportunities. Access to FIFO employment opportunities allow younger people in regional communities to find meaningful employment and they can stay in their community. This in turn supports stronger regional economies and future sustainability through people investing in their community via spending their money locally and having the affordability to build a home and raise their family in their local environment.

Regional communities generally have a strong sense of volunteering and involvement in activities such as sport. When residents need to relocate for employment purposes it is difficult to attract them to return to their regional community on a regular basis as they settle into their new surroundings and gain other commitments. FIFO/DIDO employment opportunities allow people to gain meaningful employment and their home base remains in their local community, returning when off shift. In turn, they are often available on weekends to play sport and undertake other volunteering roles which are very important in smaller communities who often have volunteers running essential services such as SES, CFS, Ambulance, hospital boards and other community boards and groups.

Following are comments from the Port Augusta City Council

Commonwealth and State Governments should be placing more emphasis on promoting regional areas to families who have a parent working in the mining sector and to work with Local Government to "ready" these communities so that they can offer services not only to the

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mining companies, but also to those people working in the industry. Support such as ensuring there is sufficient industrial land developed and “market ready” to support new business opportunities within the region to meet the ongoing needs of the mining industry. Support residential development in these communities, and not play the “negative” hand when proposals are put forward for approval, using the reason that State Government infrastructure is not able to support future growth. Perhaps looking to the regions to support the predicted state population numbers would be a better outcome, than expecting it all to be within the metropolitan area. The State Government should be investing heavily in key areas of the state where mining activities are taking place and be pro-active in engaging with councils to assist in providing opportunities for those communities.

Perhaps offering incentives such as relocation support to a regional area including re-training to those who live in the metropolitan area and other areas of the county who have lost or are at risk of losing their jobs due to industry closure. The State Government should be pro-active in “selling” the regional areas within south Australia that have great opportunities for employment along with a great lifestyle and family support services. The state government should be working closely with all Council’s and the Outback Communities Authority in regional areas where mining is occurring to work together to promote the region and attract new families and businesses.

In summary the following dot points sourced from an article by Geoff Gallop, former Premier of Western Australia, with extracts from a study conducted by Susan Clifford, University of Western Australia remain valid for the Far North region of South Australia;

- Income earned in the region by FIFO/DIDO employees invariably goes back to the worker’s home of origin
- Lack of funding directed towards regional communities for infrastructure subsequently leads to a preference for FIFO as Regional Communities can’t replicate the standards of living enjoyed in the cities
- Where FIFO is preferred, terms and conditions need to be negotiated by Governments when drafting agreements (eg: impacts on nearby communities). Issues such as the nature of rosters and the role played by Regional Communities and towns in supporting the mine all need to be on the table
- If Governments encourage companies to use existing Regional Communities/Towns/Centres either as bases or nearby for the FIFO operations, they should indeed contribute to providing assistance with ensuring local infrastructure can support those operations
- Governments are quick to pat themselves on the back for encouraging and facilitating the ‘mineral resource boom’ under their watch, but they are very slow when it comes to supporting Regional Communities/Towns/Centres development of infrastructure when the mining companies come to rely on those communities/towns/centres
- The social impact of FIFO workers leads to greater relationship problems (alcoholism, binge drinking, Domestic Violence, relationship break-ups and other associated health issues)

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- There is a perceived 'rip-off' mentality by prospective residential employees who believe the local community is intent on making the best things whilst they can (*over inflated house prices as an example – Roxby Downs and Andamooka are good examples*)
- Governments may also be in a position to encourage companies to use existing regional centres as a home base for their fly-in, fly-out operations. Indeed the commitment to increase the number of indigenous employees is making this a necessity. It should be a case of mix-and-match on a case-by-case basis where governments and workers don't forget the powers they possess and companies don't forget the responsibilities they have.

FIFO is here to stay – and as the skills shortages issues increases in the future. It is obvious that the impacts and pressures on families, infrastructure and services across Australia will also continue to grow. Commonwealth and State Governments need to immediately start working more closely with local government in key strategic locations to identify future needs and more importantly start addressing these as soon as possible.

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