



7<sup>th</sup> October 2011

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

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Dear Mr Windsor

Vale is pleased to provide a submission to the House of Representatives Standing Committee on Regional Australia inquiry into the use of fly in/fly out (FIFO) and drive in/drive out (DIDO) work practices in regional Australia (the inquiry). This submission is structured to respond to the inquiry's key terms of reference that are directly relevant to Vale's current and potential future use of FIFO/DIDO practices.

As you may be aware, Vale is the second largest mining company in the world and one of the 16 largest publicly traded companies globally. Active on five continents in 38 countries Vale employs over 128,000 people worldwide. Vale is a relatively new entrant into Australia and is primarily focused on coal mining, with a large proportion of our operational and exploration activities occurring in Queensland.

By 2021 Vale's Global Coal Division, headquartered in Brisbane, has the vision to become the world's second largest exporter of seaborne coal, and one of the top four producers of coal in Australia. It is anticipated that the majority of coal production to support this vision will come from new Greenfield projects that Vale plans to develop in Queensland over the next 10 years.

As with any investment pipeline of this size and nature, there exist significant challenges associated with its successful development and in turn the ultimate realisation of Vale's vision for its Australian operations. These challenges include environmental and regulatory factors, obtaining a social licence to operate, adapting to new legislation governing the resources sector, and many more.

However, in the context of an already tight labour market, an unprecedented boom in investment in the resources sector, and increasing competition with other industries for labour, Vale considers securing sufficient quantities of skilled labour to be one of the most significant challenges affecting the organisation's ability to achieve its goals in Australia.

In the face of this challenge, the use of FIFO/DIDO work practices is viewed by the organisation as an essential element of the strategy employed by the industry as a whole to attract sufficient quantities of skilled labour to meet the requirements of the current investment boom.

Vale acknowledges that, relative to the employment of permanent residents of local towns, FIFO/DIDO practices have the potential to be linked in certain circumstances to adverse social outcomes. It is recognised that in all instances, resources companies have a responsibility to, in partnership with all levels of government, implement programmes to address and minimise adverse social impacts associated with their activities. This extends, but is not limited to, those impacts associated with FIFO/DIDO practices.

Vale submits that it is essential for this collaboration to involve more effective information gathering regarding the non-resident workforces of regional communities as part of the Census process. This would provide both government and industry with a vital information source upon which to base their social impact management activities.

It is clear that as perhaps the most visible and measurable example of the interaction between resources companies and regional towns, the use of FIFO/DIDO practices is referenced extensively in determining the impact of the resources industry on regional Australia. However, whilst recognising the established parameters of this inquiry, Vale submits that the impacts of the resources industry on regional towns are best assessed in a holistic manner, rather than simply by focusing on one specific element of this interaction such as FIFO/DIDO practices.

Vale believes that a holistic approach to assessing the interaction between resources companies and local communities will result in a much broader and more valuable engagement that is focussed on the full range of potential interfaces, rather than purely on those elements associated with mitigating the impacts of FIFO/DIDO practices. Examples of broader interaction include greater engagement of local suppliers, and assistance with development and implementation of local economic development strategies.

### **Factors affecting increased use of FIFO/DIDO**

In providing evidence to the inquiry Vale believes it is important to acknowledge those factors which are contributing to the necessary increase in FIFO/DIDO practices. These include:

#### **1. Labour Quantity/Quality**

With the resources sector set to invest over \$75 billion in Australian projects in 2011-12, and a national resources investment pipeline of \$430 billion, it is clear that the Australian economy is currently experiencing an unprecedented resources boom. In order to meet the labour demands associated with this investment pipeline, industry forecasts suggest the resources sector will require an additional 170,000 workers over the next 5 years.

In addition to the significant number of workers required, skill requirements are also increasing as the level of technology applied to the resources sector grows. As a result, as well as those challenges associated with available quantities of labour, the quality of available labour is also increasingly becoming an issue for resources companies.

In the context of an already constrained labour market where resources companies are unable in many instances to source sufficiently skilled local labour, it is clear that the resources industry must increasingly turn to non-traditional geographical sources of labour, including coastal metropolitan areas, to satisfy their requirements.

Based on the remuneration and other benefits on offer, residents of these metropolitan areas are willing to undertake employment within the resources sector, however remain largely unwilling to forego those benefits associated with living in a metropolitan area, which include:

- Lifestyle factors – shopping, restaurants, nightlife, cultural facilities etc.
- Children’s education – choice of alternatives, access to higher quality as a general rule, maintaining continuity rather than removing children from existing schools, access to secondary schooling
- Childcare facilities – availability and choice relative to regional areas
- Medical facilities – access to specialists
- Spousal employment – inability for the spouse of a resources company employee to find equivalent employment in a regional area
- Available housing – addressed further below
- Employment security – if a job is lost, the ability to find new employment within a metropolitan area without having to relocate is greater than in regional towns with limited employment opportunities

As a result, in order to attract the necessary labour, resources companies are now required to offer employment conditions which provide employees with a choice to live locally or use FIFO/DIDO practices.

As well as the “pull” factors outlined above, Vale notes that unemployment rates in several coastal metropolitan areas in proximity to its current and future Queensland operations (including Cairns, Townsville, Sunshine Coast and the Gold Coast) are significantly higher than those in the regional towns which these operations immediately surround. The Isaac Regional Council Local Government Area for example had an unemployment rate of 1.3% for the June Quarter 2011 compared with Queensland’s rate of 5.5%.

As a result, Vale submits that FIFO/DIDO practices within the resources industry have the potential to assist in reducing unemployment rates in these areas, and addressing the well defined social impacts associated with high unemployment. Further, the employment of labour from a range of geographic areas inherent in the use of FIFO/DIDO practices helps to spread the economic impacts of investment in resources projects to areas otherwise unlikely to experience such benefits.

In this respect, Vale acknowledges the positive contributions of the “Work for Queensland Mining and Gas Jobs Expos” recently implemented by the Queensland Government, and the FIFO Coordinator Program developed by the Federal Government based on the recommendations of the National Resources Sector Workforce Strategy.

## **2. Housing Availability**

Vale notes that in many of the regions where investment in resources projects is occurring, land appropriate for development of new housing falls under the jurisdiction of regional councils or state government, and responsibility for planning approvals typically rests with the regional council.

In many cases where large scale residential developments are necessary to meet the housing demands of resources projects, small regional councils may lack the capacity to ensure appropriate planning outcomes are delivered within an appropriate timeframe for the housing development to proceed. In addition to planning restraints, the lack of key infrastructure to support development is also likely to impact the

industry's ability to deliver appropriate housing. Similarly, lack of available land in proximity to some regional towns has the potential to make development of appropriate housing in sufficient quantities nearly impossible.

Vale further submits that the pre-determination of acceptable percentages of certain housing types within communities, as has been suggested by a number of regional councils, is not likely to impact the proportion of employees from the resources sector choosing to live locally, and is therefore not an effective response to the use of FIFO/DIDO work practices.

Vale notes that if surplus housing is not available within a community to meet the needs of a project, and council approval for new residential development is not obtained within the necessary timeframe, then resources companies must commit to FIFO/DIDO practices to ensure the project proceeds.

### **Vale's Current FIFO/DIDO Work Practices**

Of Vale's current Australian operations, which employ approximately 1,500 people, only the Carborough Downs underground coal mine, located roughly 20km from Moranbah in Queensland's Northern Bowen Basin, currently utilises a partial FIFO workforce.

It is worth noting that Carborough Downs operates a 7-day-on, 7-day-off roster which is seen as being supportive of a FIFO workforce, and this is evidenced by the increasing number of job applications Vale is receiving from locations throughout Queensland and interstate. In addition, Vale considers such rosters, which are employed widely throughout the Queensland industry, to be very family friendly, and would encourage the inquiry to differentiate between these rosters, and rosters that involve significantly longer periods away from home such as those employed widely in Western Australia.

The structure of the Carborough Downs workforce of 385 employees can be broken down as follows:

<b>Employment Type</b>	<b>Employees</b>
FIFO	<b>60</b>
DIDO	<b>282</b>
Local (live within 55 kilometres)	<b>13</b>

The places of residence for the operational workforce at Carborough Downs are:

<b>Local Government Area (LGA) / Region</b>	<b>Employees</b>
Elsewhere in the Bowen Basin (Whitsunday, Central Highlands, and Banana LGAs)	<b>18</b>
Mackay Region (incl. Mackay, Sarina, Whitsunday Coast)	<b>190</b>
Rockhampton / Gladstone Region (incl. Rockhampton, Yeppoon, Gladstone, Calliope)	<b>11</b>
Townsville / Cairns Region (incl. Townsville, Cairns, Innisfail, Ingham, Home Hill)	<b>15</b>
Wide Bay-Burnett Region (incl. Bundaberg, Hervey Bay, Maryborough)	<b>3</b>
South East Queensland Region (incl. Brisbane, Sunshine Coast, Gold Coast)	<b>66</b>
Elsewhere in Queensland	<b>33</b>
Interstate or overseas	<b>19</b>
Location of usual residence is Unknown	<b>0</b>
<b>TOTAL</b>	<b>355*</b>

(\* there are currently approx. 30 vacancies at Carborough Downs which accounts for the discrepancy between this figure and the total workforce)

The high-level skill-sets present within the Carborough Downs workforce are as follows:

- 256 underground coal miners, including 42 electrical and 46 mechanical tradesperson
- 36 Statutory ERZ Controllers
- 30 Technical professionals (electrical, mechanical, processing, mining, environmental and geotechnical engineers, ventilation officers, geologist, surveyors, specialist planners)
- 20 specialist superintendents and managers

The average annualised salary for a mineworker at Carborough Downs is \$120,000, whilst those employees holding a statutory or professional qualification will typically earn in excess of this amount.

For the Carborough Downs operational workforce working a 7-day-on, 7-day-off roster, Vale provides return transport from Mackay airport to the site/accommodation village, where employees are provided single occupancy accommodation. Vale also facilitates the salary sacrificing of flights from an employee's place of residence to their work location.

### **Projected Growth in FIFO/DIDO Practices**

Based on Vale's portfolio of growth projects, it is anticipated that the organisation's workforce will be required to grow to roughly 5,000 by 2016, with much of this growth anticipated to occur from 2013 onwards. This workforce will be required to support Vale's existing operations, in addition to the following growth projects:

- **Northern Bowen Basin (Moranbah)**
  - Eagle Downs
  - Ellensfield
  - Red Hill
  - Broadlea West
  - Isaac Plains South
- **Southern Bowen Basin (Moura)**
  - Belvedere
- **Galilee Basin**
  - Degulla

Given that all of Vale's growth projects as outlined above will occur in areas where other organisations are also investing in the development of new mining operations, Vale anticipates that the competition for what is an already scarce supply of local labour will in all likelihood result in a situation whereby only a very small element of Vale's labour requirement will be satisfied by local residents.

In addition, for reasons that have been previously outlined, the ability to employ permanent residents of local towns or attract employees willing to become local residents is likely to remain constrained. For this reason, Vale anticipates that in order to meet the labour requirements of the aforementioned projects, it will be necessary to offer working conditions which allow employees to make a choice between living locally and using FIFO/DIDO practices.

Vale acknowledges that in some circumstances, local communities have called for a mandated percentage of locally based employees to be included in the approval conditions for resources projects. Whilst Vale recognises that policies aimed at encouraging resources companies to employ local residents may have a place in the current situation, mandated percentages of locally based employees are not practical, and have the potential to prevent valuable resources projects from occurring.

This is due to the unacceptable level of risk for resources companies associated with being unable to adhere to set percentages, and as a result failing to conform to the guidelines within their licence to operate. In practice, this would result in a situation where either surplus labour was employed as a contingency, hence significantly decreasing the efficiency of the industry as a whole, or resources companies would be forced to compromise on the quality of labour they employed, giving rise to significant safety and environmental risks.

### **Conclusion**

Vale is committed to achieving its goal to become one of the top four producers of coal in Australia by 2021, however in the context of an already tight labour market, and an unprecedented boom in investment in the resources sector, considers securing sufficient quantities of skilled labour to be one of the most significant challenges affecting the organisation's ability to achieve this goal.

Based on the factors outlined in this document, Vale considers the use of FIFO/DIDO work practices to be an essential element of the strategy employed by the industry as a whole to attract sufficient quantities of skilled labour to meet the requirements of the current investment boom.

Finally, Vale acknowledges the potential for adverse social outcomes as a result of FIFO/DIDO practices, recognises its obligation to work proactively with government to address these impacts, and to this end encourages government to engage with and involve Vale in the development and implementation of appropriate strategies.

I thank the Committee for its consideration on this matter, and would encourage you to contact me directly should you require further information relating to this submission.

Yours sincerely

Jason Economidis  
Director - Growth Projects