5

Governance

5.1 Even with the paucity of data on the extent of FIFO in regional Australia, there can be no doubt to anyone who has visited regional communities such as Karratha and Moranbah that the prevalence of this practice is having a prfound impact on communities. The trepidation of resource communities like Kalgoorlie that are yet to feel the full force of FIFO is palpable.

5.2 On considering the Commonwealth's role in addressing the impacts of fly-in, fly-out workforce practices, it is important to acknowledge those jurisdictions which the Commonwealth can influence directly and those which remain the prerogative of state and local government.

5.3 This chapter will focus on key areas through which the Commonwealth can influence the use of FIFO workforces in regional Australia when reasonable alternatives could be available including:

- appropriate amendments to the taxation regime;
- clarifying electoral issues;
- the need for a comprehensive Commonwealth Government policy on FIFO workforce practices; and
- the need to develop a new approach to the governance of regional Australia.

Taxation

5.4 Taxation measures to support regional communities have always been an effective way of building them. There is significant concern that taxation measures are driving the move to FIFO workforce practices. Now that the fortune of resource companies is no longer tied to residential

communities, tax incentives should again focus on building regional Australia.

5.5 A range of taxation measures were identified as having encouraged the development of FIFO work practices. Furthermore, FIFO workers are eligible to claim taxation benefits that are intended to support those living in regional and remotes areas.

5.6 The primary issues of concern raised in submissions are:

- the capacity of companies to write-off FIFO expenses as a cost of production;
- the application of fringe benefits tax (FBT) favouring the development of work camps over community investment;
- the application of the living away from home allowance (LAFHA) to FIFO workers despite the workplace being in close proximity to an existing community;
- the appropriateness and application of the zone tax offset.

5.7 Broadly, the following tax benefits are available to companies utilising a FIFO workforce:

- costs associated with providing a FIFO workforce, including flights and accommodation are able to be 'written off' as cost of production;
- where flights and accommodation are paid by the employer rather than increased salary to fund these individually, the employee does not pay income tax or goods and services tax (GST);
- FIFO workers may be able to claim LAFHAs and remote area zone tax offsets; and
- housing subsidies paid to a permanent residential workforce attract FBT. In those communities where companies provide residential housing, to avoid FBT implications, companies can rent housing for a 50 per cent FBT concession, which contributes to the high residential rental market.[1] (See paragraph 5.19 for further discussion).

1 Western Australian Regional Cities Alliance (WARCA), *Submission 89*, p. 1.

5.8 Industry organisations recognise that tax incentives would be an effective way of encouraging relocation to regional areas. Industry employer group, the Australian Mines and Metals Association (AMMA) submitted that 95 per cent of respondents to a member survey on FIFO work practices believe that substantial tax incentives could be a useful tool to encourage relocation to regional areas. Survey respondents noted:

- Tax incentives related to home ownership in smaller communities would assist. …
- Tax concessions are fundamental as the cost of living is out of proportion.
- Resource industry base salaries generally are in higher tax brackets so tax incentives would be attractive.[2]

5.9 As a general rule, the Committee has few concerns about tax exemptions being granted to the use of FIFO for genuinely isolated projects. However, where established towns already exist, all tax incentives for FIFO operational workforces should be abolished and that all disincentives in the taxation system to provide for residential workers should likewise be removed.

Fringe benefits tax

5.10 FBT is applied when an employer provides a benefit for private use, for example, the use of a work vehicle for private purposes. The FBT was introduced in 1986 to capture as taxable income the non-monetary remuneration of employees. Employers rather than employees are subject to the tax.[3] In populous areas where there is reasonable competitive market supply, FBT meets its intended outcomes.

5.11 Housing is one non-monetary benefit that is subject to FBT. However, in regional areas where reasonable supply and competitive markets are not in place and housing supply is expensive, a case for FBT exemption on housing exists. The provision of housing is a necessity and failure of supply is a constraint on regional progress.

5.12 In the context of this inquiry and of most concern to regional communities, FBT is applicable to employer provided subsidies to permanent residential workforces to offset the high cost of housing, but it is not applicable to accommodation provided in work camps.

5.13 The Western Australia Regional Cities Alliance (WARCA) noted:

> If FIFO workers are housed in camp arrangements there are no FBT implications however, housing subsidies paid to a permanent

2 Australian Mines and Metals Association (AMMA), *Submission 77,* p. 24.

3 *Fringe Benefits Tax Assessment Act 1986*.

> resident workforce attract this tax. Further to this, to avoid FBT implications plus secure a 50% concession on rental costs, the companies can rent the house as opposed to purchasing it outright....
>
> The application of the FBT encourages companies utilising FIFO workforces to create work camps and FIFO to major metropolitan cities or even offshore.[4]

5.14 The City of Greater Geraldton noted:

> There are concerns with the current Fringe Benefits Tax (FBT) structure that encourages companies to create camps and FIFO to major metropolitan cities (or oven overseas to NZ and other places). Further, the provision of the camps, services and air travel is all a deductable expense for the mining companies. This effectively means the Government is subsidising to the tune of billions of dollars per annum a system which is anti-regional by nature. [5]

5.15 It was suggested that FBT was a major contributor to the development of FIFO and argued that the current tax arrangements penalised people becoming part of the community:

> We have had discussions with a number of the mining companies that are working in and around Broome and we talked to them about relocating their workers to Broome rather than having a fly in, fly out culture, and they all come back to the tax. Fly in, fly out, they claim, is a tax deduction and providing housing and accommodation for workers is an FBT expense ... Our concern is that at the moment the FIFO model gets a tax exemption but to live here and become part of the community is penalised. We would like to see equality there and then it becomes an option, a matter of choice both for the companies and the employees and their families.[6]

4 WARCA, *Submission 89,* p. [1].

5 City of Greater Geraldton, *Submission 111,* p. [11].

6 Maryanne Petersen, Executive Officer, Broome Chamber of Commerce and Industry, *Transcript of Evidence,* 30 March 2012, Broome, p. 14, 16.

5.16 The idea that companies are 'rewarded' for choosing a FIFO workforce was prevalent among host communities; it was generally considered that the FBT was an unstated Commonwealth Government policy that is pro-FIFO and anti-regional:

> Under the current system, companies are rewarded for having a fly-in fly-out workforce through tax cuts; what the city and the region want to see is the government penalising companies that solely exist on a FIFO workforce by charging fringe benefits tax on fly-in fly-out companies. They should be encouraged to provide a resident workforce in existing towns.[7]

5.17 AngloGold Ashanti also noted that FBT on housing was a consideration when building in regional areas:

> The cost of building and operating new resources towns is also prohibitive, with the development of infrastructure alone in remote WA areas estimated to cost twice as much as in Perth. This cost is further exacerbated by the Fringe Benefits Tax (FBT) which imposes a tax impost on the benefits received by employees in company-owned and operated towns.[8]

5.18 In Kalgoorlie, Ron Mosby of the Goldfields-Esperance Workforce Development Alliance noted that of the many hidden costs of FIFO, amending the application of the FBT is an easily rectified cost that would have significant benefits to both individuals and regional employers.[9]

5.19 In addition to the impact on large resource companies, regional small businesses also complained that the need to provide housing was made difficult by the FBT obligations:

> People in business are competing and they have got to provide similar facilities and pay. We have got to be able to provide housing, and FBT on housing is an issue. We cannot afford to provide housing at the moment.[10]

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7 Ronald Yuryevich, Mayor, City of Kalgoorlie-Boulder, *Transcript of Evidence,* 19 April 2012, Kalgoorlie, p. 12.

8 AngloGold Ashanti, *Submission 100*, p. 3.

9 Ron Mosby, Chairman, Goldfields-Esperance Workforce Development Alliance, *Transcript of Evidence*, Kalgoorlie, 18 April 2012, p. 16.

10 Donald Burnett, Chief Executive Officer, City of Kalgoorlie-Boulder, *Transcript of Evidence,* Kalgoorlie, 19 April 2012, p. 14.

5.20 As well as FBT not applying to FIFO camps, it does not apply to FIFO worker transport:

> An exemption is provided for transport costs from an employee's usual place of residence to their usual place of employment where the employee is employed under what is commonly known as a fly-in fly-out arrangement and the usual place of employment is a remote location in Australia or overseas or an oil rig or another installation at sea. This exemption covers employees who work in remote areas and who are provided with residential accommodation at or near the work site on working days and return to their usual residence on days off.[11]

Committee comment

5.21 The application of FBT should be subject to consideration of location and function so that exemption applies to FIFO travel and accommodation in genuinely remote areas and the construction phase of mining operations only.

5.22 There are real opportunities to build regional Australia with appropriate and targeted structuring of the taxation system. As well as reviewing the current definitions of 'remote' under FBT law as recommended below, there is a case to create a 'regional' definition that will allow FBT concessions to be utilised to create an incentive for regional residency.

5.23 Remote zoning definitions will need to be applied with an adequate and realistic notion of the definition of remote location. Any definition of 'regional' for the purposes of taxation law should exclude all communities that have reasonable ground transport access to a major urban area. This is further discussed below.

5.24 Stakeholders who supported the current taxation arrangements in relation to FIFO consistently argued that people could not be forced to live in a location and that they must be offered choice about where they resided and worked. However, as the current taxation regime discourages regional home ownership or the provision of housing to residential employees, it can be argued that far from offering a choice, the current arrangements only encourages FIFO work.

11 Martin Jacobs, Acting Principal Advisor, Indirect, Philanthropy and Resource Tax Division, Treasury, Canberra, *Transcript of Evidence*, 22 August 2012, p. 1.

5.25 The recommendations the Committee is making in relation to FBT are not intended to penalise workers or restrict choice in employment. The Committee intends that the Committee intends that the Commonwealth Government should not be subsidising corporate decisions in relation to their workforce practices.

Recommendation 12

The Committee recommends that the Commonwealth Government review the *Fringe Benefits Tax Assessment Act 1986* to examine the:

- **removal of impediments to the provision of residential housing in regional communities;**
- **removal of the exempt status of fly-in, fly-out/drive-in, drive-out work camps that are co-located with regional towns; and**
- **removal of the exempt status of travel to and from the workplace for operational phases of regional mining projects.**

Living Away from Home Allowance

5.26 The LAFHA is a fringe benefit under the FBT Act in the form of an allowance paid by the employer to 'compensate for additional expenses incurred and any disadvantages suffered because the employee is required to live away from their usual place of residence in order to perform their employment related duties'.[12]

5.27 The LAFHA does not have a set value, as long as it is determined to be 'reasonable'. The Australian Taxation Office (ATO) provides the following example of the payment and taxable value of the LAFHA:

> An employee living away from his family is paid a LAFHA of $440 per week. Of that allowance:
>
> - $200 is reasonable compensation for the cost of accommodation;
> - $160 represents reasonable compensation for the total cost of food while away from home; and
> - the remaining $80 is compensation for disadvantages associated with having to live apart from family and in a town without facilities that would normally be enjoyed at home.
>
> The taxable value is calculated as follows:
>
> Total allowance: $440
>
> Less:

12 Australian Taxation Office (ATO), *Living-away-from-home allowance fringe benefits*, <ato.gov.au/content/52023.htm>, viewed 15 October 2012.

Exempt accommodation component	$200	
and		
Exempt food component*	$118	$318
Taxable value		**$122**

*Food component less statutory food amount, that is $160 - $42 = $118.

The taxable value is:

- $80 paid for disadvantages suffered for living-away-from-home
- $42 statutory food amount.[13]

5.28 Under the definition, those eligible for the LAFHA are 'employees who move to a new locality with an intention to return to their old locality at the end of the appointment'.[14]

5.29 Recent amendments to the FBT Act[15] limit the exemption of the LAFHA to a period of no more than 12 (non-consecutive) months.[16] However, all workers under FIFO/DIDO arrangements are exempted from this limitation.

5.30 The recent House of Representatives Economics Committee inquiry on the Bill supported this exemption and a broadening of the eligibility of 'primary residence' to encompass those FIFO workers who maintain a residence other than an owner-occupied house (i.e. living with extended family, friends or overseas). The Economics Committee opined that this 'supported regional areas'. [17]

5.31 This Committee strongly disagrees with this opinion. The ongoing payment of allowances through the taxation system to encourage and support FIFO work practices is completely contrary to the aim of building regional Australia.

5.32 By providing a specific exemption for FIFO workers in the FBT Act, the Government has enshrined an ongoing disadvantage to those residing in regional Australia. The long-term eligibility of FIFO workers to access this tax concession is a contributor to the choice not to live in the region:

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13 ATO, *Living-away-from-home allowance fringe benefits*, <ato.gov.au/content/52023.htm>, viewed 15 October 2012.

14 ATO, *Living-away-from-home allowance fringe benefits*, <ato.gov.au/content/52023.htm>, viewed 15 October 2012.

15 Tax Laws Amendment (2012 Measures No. 4) Bill 2012, passed by both Houses on 19 September 2012 and given Assent on 28 September 2012.

16 Explanatory Memorandum, Tax Laws Amendment (2012 Measures No. 4) Bill 2012, p. 23.

17 House of Representatives, Standing Committee on Economics, *Advisory Report on the Tax Laws Amendment (2012 Measures No. 4) Bill 2012*, August 2012, p. 16.

> Some of the problems that we came across, in particular with the Whitsunday region with regard to existing mines in Collinsville, is that the living-away-from-home allowance is beneficial to those who are outside the region rather than to those who reside within the region.[18]

5.33 Workers living in the communities being most impacted by FIFO question why they are undertaking the same job for less take-home pay:

> I have examples of young blokes in Collinsville—we could be working side by side, he is from Brisbane and I am from Collinsville, and he is on $300 a week more than me because he gets a living away from home allowance. If the whole thing was flipped and the guy living in the rural community gets the $300 and the bloke flying in who wants to choose to fly in does not get it then it would build up regional communities and get workers out of the south east-corner.[19]

5.34 Those receiving the allowance could reasonably expect to receive an allowance of several hundred dollars per week. Despite the costs of living in resource communities that this allowance is intended to offset, from submissions to the Economics Committee inquiry, it is clear that workers receiving this allowance are not necessarily spending it on work-related living expenses, but consider it a 'top-up' to the household budget.[20]

5.35 Submissions to the Economics Committee argued that the 12 month limit was arbitrary and may lead to workers choosing not to work on construction projects where the project time exceeded 12 months.

5.36 Given that an employee may 'pause' their receipt of the allowance when at home (not on shift), the allowance will continue to be paid beyond a 12 calendar month period.

5.37 When in St John's, Canada, the Committee was told that, after significant local opposition to a 5 000 bed workers camp, the project operator offered a 'local allowance'. This allowance was paid to all of those who chose to live locally rather than FIFO. The camp has now closed and many of the employees have chosen to settle their families in the region.[21]

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18 Colin Thompson, Chair, Whitsunday Industrial Workforce Development Committee, *Transcript of Evidence,* Mackay, 23 February 2012, p. 28.

19 Michael Brunker, Mayor, Whitsunday Regional Council, *Transcript of Evidence,* Cairns, 21 February 2012, p. 16.

20 House of Representatives, Standing Committee on Economics, *Advisory Report on the Tax Laws Amendment (2012 Measures No. 4) Bill 2012*, August 2012, p. 12.

21 Meetings held 27 August 2012, St John's, Canada.

5.38 This demonstrates that with the appropriate financial incentives, individuals would prefer make to choice to settle with their families close to their work.

5.39 The market must determine worker availability and employers should be paying adequate compensatory salary, not relying on the Government to provide allowances. The Committee does accept that there may be a case for some construction FIFO workers to be paid the LAFHA beyond 12 months where there is a finite project life. However, this exemption should be given on a project, not industry-wide basis. This exemption should only be provided to projects in the construction phase or in a remote area where FIFO is unavoidable.

Recommendation 13

The Committee recommends that the Commonwealth Government review the *Fringe Benefits Tax Assessment Act 1986* to:

- **remove the general exemption for fly-in, fly-out/drive-in, drive-out workers from the 12-month limit of payment of the living away from home allowance;**
- **enable specific exemptions for construction projects that have a demonstrated limited lifespan; and**
- **enable specific exemptions for projects in remote areas where the fly-in, fly-out/drive-in, drive-out work practice is unavoidable.**

Zone tax offset

5.40 The zone tax offset is available to those who have lived or worked in a remote area for 183 days or more in given tax year.[22] The tax offset is applied in three zones – Zone A, Zone B and special areas within each zone. The entitlement amount varies depending on the relevant zone.[23]

5.41 Three concerns were raised with the application of the zone tax offset:

- the eligibility of FIFO workers to claim the offset despite not incurring the higher cost of living in the zone area;
- the payment level of the zone tax offset to adequately reflect the cost of living in regional areas; and

22 There are some circumstances where days may be 'carried over' to subsequent tax years.

23 Zones and special areas are listed on the ATO website, <ato.gov.au>.

- the definition of zone areas.

5.42 It should be noted that the zone tax offset and overseas forces tax offset are categorised together for the purposes of personal income tax assessment.[24] The below discussion does not refer to the overseas forces component of the tax offset.

Eligibility of claimants

5.43 The zone tax offset is claimable by anyone who lived or worked in a remote area, not necessarily continuously, for 183 days in a financial year. In some circumstances days may be 'carried over' from one financial year to the next. Under this definition, FIFO workers who work more than 183 days in a financial year are able to claim the offset.[25]

5.44 A number of submitters raised concerns that FIFO workers are eligible to claim zone offsets without incurring the cost of living in the remote area, which is the primary purpose for the remote area offset.

5.45 The Pilbara Regional Council submitted:

> The conditions for claiming this allowance, however, are such that a regular FIFO worker, based in a main centre, can almost always claim the rebate despite him or her not incurring any of the higher costs associated with living in a remote region due to the fact that their daily accommodation, food and transport expenses are met by the employer.[26]

5.46 For those eligible to claim the dependent spouse and child rebate, a 50 per cent additional rebate is available for those who are eligible to claim the special areas and ordinary Zone A with a 20 per cent addition for those eligible for ordinary Zone B. This rebate is available to the recipient of the zone tax offset regardless of where dependants are living.

5.47 Treasury provided the following scenario:

> Jack and Dianne live in Perth with their two children, Chris and Meg, aged 12 and 10. Dianne does not work and has no adjusted taxable income. Chris and Meg also have no adjusted taxable income. Jack has a taxable income of $70 000. Jack works in Marble Bar and spends two thirds of the year there. The rest of the family remains in Perth while Jack is working.
>
> Because Jack resides in Marble Bar for the majority of the year he is eligible for an ordinary Zone A zone tax offset comprising the

24 ATO, *T8 - Zone or overseas forces 2012*, <ato.gov.au>.

25 ATO, *T8 - Zone or overseas forces 2012*, <ato.gov.au>.

26 Pilbara Regional Council, *Submission 43,* p. 8.

> following components: a basic amount of $338 and 50 per cent of the 'relevant rebate amount' he is entitled to, which for him comprises the notional dependant spouse with child offset ($2 736) and two notional student offsets ($372 each), or 50 per cent of $3 488 which is $1 744. In total Jack is entitled to a zone tax offset of $2 082.[27]

5.48 Others submitted that despite the additional money being earned due to remote area work, FIFO workers 'spend their monies and invest in the area that their families reside, not in regional Australia.'[28]

5.49 It is the role of employers, not the government, to encourage non-resident employment through the payment of appropriate wages. The zone tax offset is not a tool to subsidise practices that are damaging to regional communities and it is a misuse of this allowance to support workers and their families who incur little or none of the additional costs of living in the zones. The zone tax offset should only be payable to those whose primary residence is in the eligible zone to offset some of the expenses incurred specifically due to remote residency.

Recommendation 14

The Committee recommends that the Commonwealth Government review the Zone Tax Offset arrangements to ensure that they are only claimable by permanent residents of a zone or special area.

Level of rebate

5.50 The tax zone rebate is applied in three zones with an additional percentage (20-50) paid for notional tax offsets. The offset is paid in a base fixed amount of $338 for zone A (50 per cent), $57 for zone B (20 per cent) and $1 173 for special areas (50 per cent).

5.51 For a family living in ordinary zone A, the following scenario was provided:

> Oscar and Lucinda live in Marble Bar with their two children, Thomas and Lydia, aged 12 and 10. Lucinda does not work and has no adjusted taxable income. Thomas and Lydia also have no adjusted taxable income. Oscar has a taxable income of $70 000.
>
> Oscar is eligible for a zone tax offset comprising the following components: a basic amount of $338 and 50 per cent of the

27 The Treasury, *Submission 229*, p. 5.

28 Shire of Mt Magnet, *Submission 12,* p. 4.

> 'relevant rebate amount' he is entitled to, which for him comprises the notional dependant spouse with child offset ($2 736) and two notional student offsets ($372 each), or 50 per cent of $3 488 which is $1 744. In total Oscar is entitled to a zone tax offset of $2 082.[29]

5.52 The zone tax offset may have been adequate in helping to offset the additional costs of living in a remote area many decades ago, however as Mayor Darryl Gerrity of West Coast Council in Tasmania stated, 'the [zone B allowance is] about a carton of beer.'[30]

5.53 Given the additional costs of living in regional and remote areas for services, such as the need to travel for medical services, the zone tax offset should be reviewed upwards.

5.54 A wide range of figures were suggested for upwards review of the zone tax offset. While the zone tax offset should be reviewed to more adequately reflect costs associated with living in remote Australia, it is not appropriate for the Committee to specify by what amount this allowance should increase.

Definition of zone areas

5.55 During the course of the inquiry it became apparent that the definition of zone areas is not determined by any modern concept of remoteness nor accurate population figures.

5.56 The 'Australia's Future Tax System Review' (the Henry Review) found that:

> The zones were established in 1945 and the boundaries have remained broadly unchanged since 1956. Given changes in population and the distribution of industry and transport infrastructure since 1956, many areas in the zones are not disadvantaged or isolated. On the other hand some remote areas fall outside the zones. For example while Darwin is in Zone A and Townsville and Cairns are in Zone B, Ivanhoe, in western New South Wales, with a population of around 250 and more than 200 kilometres from the nearest town with over 2 500 people, lies outside the zones.[31]

5.57 The current definition of 'remote' would encompass many regional centres that are not remote by modern standards. Some towns that are

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29 The Treasury, *Submission 229*, p. 1-2.

30 Darryl Gerrity, Mayor, West Coast Council, *Transcript of Evidence*, Melbourne, 14 June 2012, p. 27.

31 Australia's Future Tax System, *Report to the Treasurer, Part two: Detailed analysis*, Department of the Attorney General, Canberra, December 2009, p. 90.

genuinely remote are not included in any zone area. In addition, as well as the zones having been defined in 1956, the special areas are based on 1981 census figures and so do not reflect Australia's current population profile.[32]

5.58 The Henry Review also recommended that the zone tax offset should be reviewed 'based on contemporary measure of remoteness'.[33] The Committee supports this recommendation and further finds that the utilisation of 1981 census figures for defining the special areas is inappropriate and should be reviewed.

5.59 In addition, the offset should include a mechanism to ensure that it is regularly reviewed to reflect accurate population figures.

Recommendation 15

The Committee recommends that the Commonwealth Government review the Zone Tax Offset to ensure:

- **that it provides reasonable acknowledgement of the cost of living in remote Australia;**
- **that the zones are based on a contemporary measure of remoteness;**
- **that the zones are based on up-to-date census figures; and**
- **that it includes a mechanism for regular review to ensure that the offset reflects accurate population figures.**

Voting and electoral enrolment

5.60 FIFO workers spend a good proportion of their time in a different region to that in which they vote. This raises a number of concerns in ensuing that FIFO workers have suitable access to voting services during an election. These concerns include:

- accessibility to voting systems; and
- modernising the voting system.

32 Andre Moore, Manager, Personal Tax Unit, Treasury, *Transcript of Evidence,* 22 August 2012, Canberra, p. 2.

33 Australia's Future Tax System, *Report to the Treasurer, Part two: Detailed analysis*, p. 32.

Voting accessibility

5.61 The ability to cast a ballot is a fundamental right and responsibility of all Australians. It is the responsibility of the Australian Electoral Commission (AEC) to ensure that all Australians are able to access electoral services in order to exercise their democratic right and responsibility to vote.

5.62 The AEC noted that the increasingly broad geographic catchment from which FIFO workers are enrolled, together with fluctuations in populations in remote regions, makes accurately anticipating and planning for the provision of voting services in remote locations difficult.[34]

5.63 Peter Kramer, State Manager and Australian Electoral Officer for Western Australia, confirmed that: 'there would be a very, very small number of people who would not easily have an opportunity to vote,' and that, 'no-one would be prevented from voting, simply because there are so many different ways for them to cast their vote.'[35]

5.64 The voting services which are available to FIFO/DIDO workers include:

- mobile polling;
- postal voting;
- pre-poll voting at a designated pre-poll voting centre (PPVC); and
- static polling.

5.65 At the 2010 federal election, 682 PPVCs were established across Australia in a range of metropolitan, regional and remote locations where FIFO/DIDO workers live and work. [36]

5.66 PPVCs were established in:

- towns located near mining operations, such as: Nhulunbuy, Jabiru, Weipa, Cobar, Narrabri, Mudgee and Lightening Ridge;
- regional cities servicing mining operations, such as: Dubbo, Gladstone, Rockhampton and Mackay;
- mining accommodation centres located at: Coppabella, Dysart and Nebo;
- regional towns serving as FIFO transit points, such as Karratha and Port Hedland; and
- domestic and international airports, including: Kingsford Smith, Tullamarine, Brisbane, Cairns, Coolangatta, Perth, Adelaide, Darwin and Alice Springs airports.[37]

34 Australian Electoral Commission (AEC), *Submission 127*, p. 12.

35 Peter Kramer, State Manager and Australian Electoral Officer for Western Australia, AEC, *Transcript of Evidence*, Canberra, 23 November 2011, p. 9.

36 AEC, *Submission 127*, p. 9.

5.67 Pre-polling at airports is becoming increasingly popular. The AEC recorded significant growth in the number of votes cast at PPVCs at Perth airport over the last three federal elections: 3 188 votes cast at the airport in 2004 federal election; 4 544 votes cast in the 2007 federal election; and 9 012 votes cast in the 2010 election.[38]

5.68 The AEC, where possible, also facilitates on-site voting. Ed Killesteyn, Electoral Commissioner, stated that:

> ...by and large we find that mining companies are generally positively disposed towards cooperating with the Australia Electoral Commission.[39]

5.69 However, the AEC noted that the direct provision of voting services to larger mining operations can be challenged not only by the remoteness of the site but also by the willingness of the site's management to facilitate on-site voting. This issue is further complicated if a site's workforce includes a range of subcontracting companies.[40] Mr Killesteyn stated that the reluctance of resource companies to allow on-site voting usually stems from concerns regarding the occupation health and safety risks of allowing untrained AEC officers on-site.[41]

5.70 The AEC also noted that it is exploring new ways in which to modernise the electoral system, without compromising security or accuracy, to further increase accessibility for voters in remote regions, stating that:

> …for people who are in remote areas, our services are moving into increasing use of electronic facilities.[42]

5.71 Trials for electronically assisted voting for blind and low vision voters as well as remote electronic voting for Australian Defence Force (ADF) personnel serving overseas were held during the 2007 federal election, following the recommendations made by the Joint Standing Committee on Electoral Matters (JSCEM) of the 41st Parliament in its report into the 2004 federal election.[43]

5.72 The combined cost of the trials was over $4 million, with an average cost of $2 597 per vote for the trial of electronically assisted voting for blind

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37 AEC, *Submission 127*, p. 9.

38 AEC, *Submission 127*, p. 11.

39 Ed Killesteyn, Electoral Commissioner, AEC, *Transcript of Evidence*, Canberra, 23 November 2011, p. 8.

40 AEC, *Submission 127*, p.17

41 Mr Killesteyn, AEC, *Transcript of Evidence*, Canberra, 23 November 2011, p. 8.

42 Mr Killesteyn, AEC, *Transcript of Evidence*, Canberra, 23 November 2011, p. 8.

43 Joint Standing Committee on Electoral Matters (JSCEM) of the 41st Parliament, *The 2004 Federal Election: Report of the Inquiry into the Conduct of the 2004 Federal Election and Matters Related Thereto*, September 2005, p.vi.

and low vision electors and $1 159 per vote for the remote electronic voting trial for selected defence force personnel serving overseas. This compares with an average cost of $8.36 per elector.[44]

5.73 Whilst the trial was considered a success, its cost was deemed prohibitive and the JSCEM of the 42nd Parliament recommended that it be discontinued.[45] The AEC also noted that:

> Security concerns and the difficulty of providing electors with unique on-line identifiers are still seen as obstacles that have not yet been overcome.[46]

5.74 However, despite these concerns the AEC expressed its support for alternative mechanisms to modernise the system. Mr Killesteyn noted the recent introduction of remote electronic voting in New South Wales, stating that:

> In the New South Wales election this year [2011], some 40 000 people availed themselves of that facility, and I suspect that it is likely to become more popular as time goes on.[47]

5.75 Whilst the maintenance of the security and reliability of the voting system must not be compromised, it is important to consider the ease of accessibility offered to Australians living and working in regional and remote communities.

Committee comment

5.76 The Committee strongly advocates the right of Australians living and working in remote locations, including the FIFO workforce, to cast their vote and exercise their democratic responsibility with equal ease to those Australians living in metropolitan centres.

5.77 If companies are unwilling to allow site access to the AEC for whatever reason, this limits the capacity of those workers on long shifts to vote. However, as most accommodation sites have reasonable internet access as a core facility for workers, electronic voting may be the most accessible method of providing access to these workers to vote.

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44 JSCEM of the 42nd Parliament, *Report on the 2007 Federal Election Electronic Voting Trials: Interim Report of the Inquiry into the Conduct of the 2007 Election and Matters Related Thereto*, March 2009, p. 3.

45 JSCEM, *Report on the 2007 Federal Election Electronic Voting Trials,* March 2009, p. 27.

46 JSCEM, *Report on the 2007 Federal Election Electronic Voting Trials,* March 2009, p. 9.

47 Mr Killesteyn, AEC, *Transcript of Evidence*, Canberra, 23 November 2011, p. 10.

5.78 Despite the multiple methods provided by the AEC to facilitate voting, the rise in airport pre-poll votes is evidence that there is an increasing need to focus on ensuring that FIFO workers have adequate access to voting facilities.

5.79 While there might be high initial costs to develop and establish a remote electronic voting system, it is essential to preserve and support ease of access to voting for dispersed populations.

5.80 Therefore, the Committee recommends that the AEC develop an electronic voting system focussing particularly on facilitating easier access to those living and working in remote areas.

Recommendation 16

The Committee recommends that the Commonwealth Government charge the Australian Electoral Commission to develop an electronic voting system for voters living or working in remote areas to facilitate easier access and ensure more accurate population figures are recorded.

Commonwealth agencies' responses to FIFO

5.81 Due to the lack of data on the extent and impact of FIFO workforces, governments at all levels do not have the necessary information to develop effective policy on the issue. At present, except for the FIFO coordinator role, no Commonwealth initiatives even attempt to focus on the unique issues and impacts associated with the use of FIFO workforce practices. The Construction, Forestry, Mining and Energy Union (CFMEU) asserted that 'to date, both Federal and State Governments have not grasped the implications of FIFO it is time they did so'.[48]

5.82 Consistent, Australia-wide policy action is required on a myriad of subjects ranging from health service delivery to housing affordability and community support.[49] Whilst some of these FIFO related matters lie outside Commonwealth jurisdiction, there is a clear need for leadership at

48 Construction, Forestry, Mining and Energy Union (CFMEU), *Submission 133*, p. 5.

49 For examples see: Pilbara Regional Council, *Supplementary Submission 43.1*, p. 10-11; Queensland Resources Council (QRC), *Submission 125*, p. 5; remoteFOCUS, *Submission 169*, p. 4-6 and attachment A; beyondblue, *Submission 228*, p. 9; Regional Development Australia Far North (RDA Far North), *Submission 101*, p. 9; Maranoa Regional Council, *Submission 221*, p. 6; Melinda Bastow, *Submission 90*, p.1; Mary Attwood, *Submission 205*; Narrabri and District Community Aid Service, *Submission 206*, p. 3.

the national level in identifying the needs of FIFO affected communities and ensuring, as far as possible, a nationally consistent response.

5.83 In Port Hedland, local government stated that:

> Talking from the point of view of the Shire of East Pilbara, we probably have not seen the feds. We have a lot to do with the state, because they release land and a lot of the infrastructure is based around state issues. In my area, we have not seen the feds through this growth phase.[50]

5.84 In Perth, Deidre Willmott, Group Manager of Approvals and Government Relations at Fortescue Metals, stated that:

> the most important thing is that we [act] as a nation and the federal government, as our leader of the nation in the federal parliament, need to decide whether we actually want to promote regional growth and whether we want to encourage the labour movement that the resources industry gives us, fundamentally north and west.[51]

5.85 The lack of presence and initiative displayed by the Commonwealth on the issue of FIFO workforce practices were consistently demonstrated throughout the inquiry.

Department of Regional Australia, Local Government, Arts and Sport

5.86 The Department of Regional Australia, Local Government, Arts and Sport's (DRALGAS) clearly outlines the Department's responsibilities, stating that:

> The Department works to ensure that the Government has a coordinated approach to take into account the needs and priorities of regional Australia in the development of Government policies and programs.[52]

5.87 DRALGAS should be leading and coordinating the Commonwealth's response to the consequences of the use of FIFO workforce practices in regional Australia. However, the Department could only note that it had received a number of accounts from Regional Development Australia

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50 Allan Cooper, Chief Executive Officer, Shire of East Pilbara, *Transcript of Evidence*, Port Hedland, 29 March 2012, p. 16.

51 Deidre Willmott, Group Manager, Approvals and Government Relations, Fortescue Metals Group, *Transcript of Evidence*, Perth, 17 April 2012, p. 7.

52 Department of Regional Australia, Local Government, Arts and Sport (DRALGAS) *Submission 153*, p. 3.

(RDA) committees outlining some of the challenges being faced by regional communities.[53]

5.88 DRALGAS' submission, and appearance before the Committee, demonstrated that the department has a fundamental lack of understanding regarding the impacts of FIFO workforce practices. For instance, a detailed account of the National Disaster Recovery Taskforce was provided[54] which, whilst utilising mobile construction workforces, does not constitute FIFO workforce practices. The inability to articulate the issues or impacts of FIFO coupled with the lack of any mention of response to address the impact on regional communities is disappointing.

5.89 When asked by the Committee to explain why DRALGAS had not previously made any attempts to investigate the use of FIFO or its impacts on regional communities, an official responded:

> As the first port of call it is typically the state government that would do that work, because they obviously have the responsibility for the performance of local government. We have not, to my knowledge, done a study on that in the Commonwealth.[55]

5.90 While the primacy of state government in FIFO related matters is acknowledged, this statement exemplifies a lack of initiative and leadership regarding an issue that is radically changing the social fabric of regional communities.

Department of Sustainability, Environment, Water, Population and Communities

5.91 In 2011, the Department of Sustainability, Environment, Water, Population and Communities (SEWPaC) published Australia's first sustainable population strategy, *Sustainable Australia – Sustainable Communities: A Sustainable Population Strategy for Australia* (the strategy).

5.92 SEWPaC stated that the strategy aims to:

> Ensure that [FIFO] population changes are well managed to avoid possible impacts on the quality of life in our communities, our economic prosperity and our natural environment.[56]

53 DRALGAS, *Submission 153,* p. 8.

54 DRALGAS, *Submission 153,* p. 6.

55 Stephanie Foster, Deputy Secretary, DRALGAS, *Transcript of Evidence*, Canberra, 29 February 2012, p. 13.

56 Department of Sustainability, Environment, Water, Population, and Communities (SEWPaC), *Submission 135*, p. 2-3.

5.93 However, the strategy provides little insight into the impacts of FIFO in resource communities, nor does it provide any direction regarding possible strategies to address these impacts. Only three pages of the 88-page strategy mention FIFO (referred to as long-distance commuting) and this occurs as an aside in a chapter discussing regional populations.

5.94 Not only is little written about FIFO and its impacts on regional communities, but the strategy also demonstrates a disquieting lack of understanding regarding the nature of FIFO and its impacts, stating that:

> In considering these impacts it is important to recognise that non-resident workers are not unique to resource regions and that our cities and urban areas also have many non-resident workers.[57]

5.95 This statement dismisses the experiences of small regional communities who are struggling to accommodate, support and service large FIFO populations. It also demonstrates SEWPaC's lack of understanding of the challenges faced by resource communities. The Committee is disappointed in the lack of consideration and respect that this statement affords to resource communities.

5.96 The strategy also fails to provide any information or advice regarding how to address the impacts of FIFO populations on regional communities. It mentions 'plans', 'steps' and 'strategies' but does not elaborate on what these steps or strategies should entail. The document offers high level responses to FIFO that are of little practical value:

> Regional workforce plans that include strategies to manage the impacts of major resource projects on the community and maximise opportunities for local people, can ensure a more effective, sustainable, non-resident workforce.[58]

5.97 SEWPaC's apparent lack of understanding regarding both the nature and impacts of FIFO workforce practices on resource communities is alarming. While serving to raise awareness of FIFO related challenges, the strategy does not outline the issues, their causes or any possible solutions or strategies to limit the impact of FIFO populations on regional communities.

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57 SEWPaC, *Sustainable Australia – Sustainable Communities: A Sustainable Population Strategy for Australia,* 2011, p. 41.

58 SEWPaC, *Sustainable Australia – Sustainable Communities: A Sustainable Population Strategy for Australia,* 2011, p. 41.

Department of Resources, Energy and Tourism

5.98 In 2006, The Department of Resources, Energy and Tourism (RET) published a handbook titled *Community Engagement and Development: Leading Practice Sustainable Development Program for the Mining Industry*. RET presented this handbook as:

> The business case for, and leading practice on, community engagement and development, particularly in relation to regional and remote communities and mining operators' obligations in relation to it. The handbook includes coverage of FIFO operations.[59]

5.99 The handbook dedicates only a single paragraph to FIFO workforce practices and its claim regarding the degree of impact that FIFO practices have on regional communities is contrary to the evidence received by the Committee. Specifically, the handbook claims that:

> Although the social impacts of fly-in, fly-out operations on surrounding areas are likely to be less than for residentially-based operations; this does not absolve fly-in, fly-out operations for responsibility for supporting locally focussed community development initiatives.[60]

5.100 The statement relating to the responsibilities of FIFO operators to local communities is consistent with best practice. However, the claim that the social impacts of FIFO are less than residentially based operations highlights a lack of understanding of the nature these impacts. While residential workforces may have a greater impact on regional communities, evidence to this inquiry supports the positive impact of a residentially based workforce on a local community as opposed to the essentially negative impact of FIFO.

5.101 The handbook makes the assumption that FIFO is only present in very remote locations and, as such, only impacts small remote communities. It does not take into consideration the myriad of sizable regional communities such as Karratha, Port Hedland, Moranbah, Narrabri, Roxby Downs, Kambalda and Kalgoorlie which are impacted by FIFO workforce arrangements.

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59 Department of Resources, Energy and Tourism (RET), *Submission 128*, p. 3.

60 RET, *Community Engagement and Development: Leading Practice Sustainable Development Program for the Mining Industry*, October 2006, p. 41.

5.102 RET's intentions to provide a business case and leading practice on community engagement and development are commendable. However, a business case and leading practice which does not appropriately understand in all its facets such a commonly utilised work practice, such as FIFO, is counterproductive to addressing the impacts of FIFO on regional communities.

Committee comment

5.103 A gap exists in leadership at the national level with regards to the impact of FIFO workforce practices on regional communities, which requires the serious attention of Commonwealth agencies. The three agencies discussed above, which are responsible for regional communities and resources, need to put the impacts of FIFO workforce practices on regional communities on their respective agendas.

5.104 The failure of the bureaucracy to address the needs of regional Australia is a long-term systemic failure of successive governments to successfully identify and plan for the needs of the regions. Posited within this historical context, the continuance of the current governance model will only serve to fail to address the needs of regional Australia. FIFO is symptomatic of this ongoing failure.

5.105 There is general recognition that resource regions are significant economic drivers of the nation and that this will continue to be the case for the foreseeable future. Commonwealth and state governments need to recognise the pressure that the pace of growth has levied on essential services and infrastructure and work in a coordinated fashion to ensure that adequate planning and future proofing is put in place.

5.106 This issue crosses multiple portfolios and jurisdictions. However, little at present is being done to develop a coordinated response in support of affected regional communities and there is a need to overhaul the regional governance model.

5.107 Based on evidence of 'Royalties for Regions' in Western Australia, the Committee supports the concept of a dividend being returned to resource communities. The Committee believes there is an obligation on the Commonwealth to take responsibility for policy gaps relating to the mining industry and FIFO workforce practices and to ensure that policies are adequately funded.

Governance model

5.108 remoteFOCUS, part of Desert Knowledge Australia, an organisation sponsored by industry, the Commonwealth and Northern Territory Governments, provided compelling evidence about the inappropriateness of the structural governance arrangements affecting remote Australia.[61]

5.109 remoteFOCUS suggested that all of the issues raised through the course of this inquiry are symptomatic of 'the normal processes of government [not dealing] with the issues that are of concern to people in a satisfactory manner.'[62]

5.110 A remoteFOCUS report, released in September 2012, found that:

- It is not clear who, if anyone, is setting the priorities for remote Australia and what those priorities are.
- The current arrangements—comprising three tiers of government and a series of ad hoc regional arrangements—appear to be incapable of resolving both the priorities and the contests that need to take place around these arrangements.
- The structure and configuration of institutions across remote Australia are therefore largely not "custom-built" or fit for their particular purpose.
- Consideration of economic circumstances is crucial in establishing priorities in remote Australia and the private sector has been more successful in working through these issues than has government.
- Failure to innovate is most marked in the public sector.[63]

5.111 It is time for a radical rethinking of the governance model of regional Australia. Many of the concerns about the increasing FIFO workforce and lost opportunities for regional communities are primarily concerns about governments at all levels failing to develop the tools to understand and act on the needs and desires of the residents of regional Australia.

5.112 The limitations in the responses of Commonwealth agencies to this inquiry support the contention that current governance structures are inadequate to provide a considered and consistent response to regional concerns raised by FIFO work practices. The recommendations of this report refer to and seek action in relation to a specific issue. However, the

61 While the evidence focussed on remote Australia, it also addresses those communities referred to as 'regional' in this report.

62 Fred Chaney, Chairman, Desert Knowledge Australia, *Transcript of Evidence*, Canberra, 22 August 2012, p. 11

63 Desert Knowledge Australia, *Fixing the hole in Australia's heartland: How government needs to work in Regional Australia*, September 2012, pp. 60-61.

matters these recommendations identify are symptomatic of a far greater systemic failure to address the concerns of regional and remote Australia.

5.113 To this end, the Committee supports Desert Knowledge Australia's proposal that the Productivity Commission investigate how governance reform may act as a micro-economic stimulant in regional Australia and what institutional reform needs to take place in order for such governance reform to occur.

Recommendation 17

The Committee recommends that the Commonwealth Government charge the Productivity Commission with investigating a more appropriate form of governance for remote Australia that is flexible and responsive.

A case study in coordinated response

5.114 There is a clear need for a coordinated national response to the growth in FIFO work practices. Although the states and territories have the most significant responsibility for planning and service delivery to local government, the Commonwealth also has significant program responsibility for resource, environment and regional policy that is being delivered in an ad-hoc manner.

5.115 While in Alberta, Canada, the Committee met with representatives from the Alberta Oil Sands Sustainable Development Secretariat (the Secretariat). The Secretariat was established:

> … in the summer of 2007 to address rapid growth issues in the oil sands regions of Alberta. The Secretariat collaborates with ministries, industry, communities and stakeholders to address the social, infrastructure, environmental and economic impacts of oil sands development. It acts as a main point of contact for inquiries from the public, industry and stakeholders on the government's plan for managing growth in the oil sands.[64]

5.116 The oil sands are the biggest driver of Alberta's economy, however, as is the case in Australia's states, the provincial government was approving development in isolation from an overall view of the impact on local communities. Municipalities successfully argued that if the Province is

64 Alberta Energy, *Oil Sands Sustainable Development Secretariat*, <energy.alberta.ca/Initiatives/2314.asp>, viewed 3 December 2012.

approving development, it needs to do so with a coordinated view of the needs of local government areas.

5.117 The Secretariat is now responsible for:

- coordinating assessments for oils sands development;
- implementation of a long-term strategic plan to assess and improve local infrastructure and service needs as well as regional infrastructure sustainability plans;
- developing a social and infrastructure assessment model to 'determine the social investment required to provide public services and goods' in regional communities; and
- implementing the provincial policy, *Responsible actions: A Plan for Alberta's Oil Sands*, which outlines the roles for governments, industry and communities to address the 'economic, social and environmental challenges and opportunities' in the region.[65]

5.118 The Secretariat also coordinates its activities with an industry group of oil sands developers. The Mayor of Fort McMurray, the most significantly impacted town, told the Committee that the ability of industry to provide future planning data anonymously has greatly assisted in the capacity of impacted communities to develop more accurate growth plans.

5.119 The sensitivity of competition policy and movements in the stock market means that companies are often unable to release the information that governments need for appropriate future planning. By having a mechanism that allows companies to reveal this information anonymously and in a secure manner, Alberta's future-planning capacity has been greatly strengthened.[66]

5.120 The Secretariat was initially headed by a former industry vice president, which gained the essential support of industry, and has the authority to direct work across portfolios so that initiatives can be aligned and work is not duplicated. It is also underpinned by an extensive body of work that has identified the full impact of resource development on local communities.[67]

5.121 The Alberta initiative relies in part on the willingness of resource companies to cooperate in a process that assesses the collective and cumulative impacts of their operations in that province.

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65 Alberta Energy, *Oil Sands Sustainable Development Secretariat*, <energy.alberta.ca/Initiatives/3223.asp>, viewed 3 December 2012.

66 Meeting held 31 August 2012, Fort McMurray, Alberta, Canada.

67 Government of Alberta, Canada, *Investing in our future: Responding to the rapid growth of oil sands development*, Final Report, December 2006.

5.122 The Committee heard of a similar partnership in Newfoundland and Labrador where Rio Tinto subsidiary Iron Ore Canada initiated a partnership between itself and other companies operating in the region to engage with the local government on strategic planning issues. This is an approach that the Committee encourages companies in Australia to take.

5.123 A key concern expressed to the Committee by local governments in Australia throughout the inquiry the apparent lack of coordination between state and Commonwealth agencies responsible for mine approvals and grants funding is resulting in inadequate planning in local communities. The absolute dearth of empirical evidence about the real impact of a FIFO workforce on regional communities is also hindering the capacity of the Commonwealth to put in place any meaningful policy or programs on the issue.

5.124 There is an urgent need for a Commonwealth Government program area to address the needs of regional communities impacted by resource development. This program area should focus on:

- the collection of empirical data regarding the gaps in:
  - ⇒ housing;
  - ⇒ infrastructure;
  - ⇒ healthcare;
  - ⇒ education;
  - ⇒ social services, including emergency services; and
  - ⇒ forecasts for resource development and associated workforce needs.
- the development of regional social and infrastructure impact methodology that will assist resource companies and local governments in assessing the impact of current and planned resource projects including cumulative impacts;
- the development of regional infrastructure plans; and
- the coordination of community benefits agreements as discussed in Chapter 3.

5.125 The states have responsibility for many of these areas and any commonwealth agency charged with this responsibility would need to consult with state governments in its work. However, the resources industry is one of national importance, as is the health of our regional communities, and thus this issue needs a national focus.

Recommendation 18

The Committee recommends that the Commonwealth Government establish a dedicated secretariat, within an existing government department and based on the Province of Alberta Oil Sands Sustainable Development Secretariat, with responsibility for consulting with state governments and the resources industry in order to:

- **compile nationally consistent data regarding the impact of fly-in, fly-out workforces on housing, infrastructure, healthcare, education, social services and future planned resource development;**
- **develop a regional social and infrastructure impact methodology that will assist resource companies and local governments in assessing the impact of current and planned resource projects including cumulative impacts;**
- **develop regional infrastructure plans; and**
- **develop, promote and coordinate community benefits agreements.**