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

The Pilbara Committee of Regional Development Australia (RDA Pilbara) welcomes the undertaking of this Inquiry by the Standing Committee on Regional Australia, believing the 'Fly-in, Fly-out' (FIFO) practice to be one of the most challenging issues to be facing the Pilbara and at the centre of a range of critical social and economic factors which, if left unresolved, will strongly militate against the development of Pilbara cities and townships as sustainable, welcoming, attractive and vibrant places in which to reside and work and to lead a fulfilling life. While FIFO is to an extent recognised as unavoidable in the current resources boom in Western Australia, its ongoing use, growth and expansion is in fact counter-intuitive to the regional development objectives of both the State and Australian Governments, and the cause of considerable financial and other pressures for the Local Governments affected – and compromises the future sustainability of their respective communities.

Key points of this Submission

RDA Pilbara seeks to briefly address the following Terms of Reference of the Inquiry in this Submission:

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;
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;
10: Current initiatives and responses of the Commonwealth, State and Territory Governments.

The RDA Pilbara Committee is hopeful that there will be an opportunity to add to and support this Submission through a Public Hearing, preferably in the Pilbara, during the course of the Inquiry. The Committee’s submission is necessarily couched in overview terms, recognising that the Region’s four Local Governments and their representative organisations are likely to provide additional and specific details of their experiences and cost estimates with the implications of FIFO for them.

*The RDA Pilbara*

Regional Development Australia is a partnership between the Australian, State, Territory and Local Governments to support the growth and development of Australia’s regions. RDA Committees build partnerships between governments, regional development organisations, local businesses, community groups and key regional stakeholders to provide strategic and targeted responses to economic, environmental and social issues affecting the regions of Australia. RDA is delivered through a national network of 55 committees and has redefined the role that the organisation plays in the delivery of regional development. Within this network, Regional Development Australia Pilbara aims to build partnerships between governments, regional development organisations, local businesses, community groups and key regional stakeholders to provide strategic and targeted responses to economic, environmental and social issues affecting the Pilbara Region.

*The Pilbara Region*

The Pilbara Region has rightly been described as the economic powerhouse of Australia and is on the threshold of another period of significant expansion.
The Region is within one of the world’s most significant time zones, being located close to key markets in Asia. By 2035, the Region is targeted to have a resident population of some 140,000 due to a more diverse economy that has capitalised on its competitive advantages.

The Chamber of Minerals and Energy WA indicates the value of resources production from the Pilbara was over $71 billion in 2010, contributing to approximately 78% of the State’s total. The Region was responsible for $49 billion of minerals exports, with offshore petroleum (largely concentrated off the North West coast) accounting for $22.8 billion. Taken together, this accounts for approximately 29 per cent Australia’s merchandise exports. Indicative of the growth in the resources sector, the CME notes that approximately 400 million tonnes of iron ore were exported in 2010/11 from the Pilbara, with a total sales value of nearly $47 billion, while the Pilbara Development Commission has identified the potential for iron ore exports to grow to 1 billion tonnes by 2020.

Under the State Government’s Pilbara Cities Vision the Region will have two cities: Karratha City (consisting of the Karratha and Dampier town sites) and Port Hedland City (consisting of Port Hedland and South Hedland) - each expected to have a population of 50,000 by 2035, supported by the Newman sub-regional centre (population 15,000). Other settlements (e.g. Paraburdoo, Tom Price and Onslow) will be planned to accommodate growth largely associated with expansion of the mining and oil and gas sectors.

The larger population in the Region’s main urban centres are expected to support a more diversified economic base, providing a much wider range of employment opportunities. It is envisaged mining and oil and gas companies will support local supply chains. The vision encapsulates the Pilbara cities having a locally based construction industry, defence facilities, and higher education facilities that will provide significant employment opportunities.

It is intended that more affordable housing and a greater housing choice, together with access to higher standards of education, health, recreation and other community services and a general improvement in amenity will result in many workers who might otherwise be fly-in fly-out - and especially those with families - choosing to live in the Pilbara on a permanent basis. The Pilbara’s natural and cultural heritage assets, such as its coastline, Karijini and the Burrup Peninsula’s rock-art galleries, are planned to be ‘conserved, celebrated and cherished’. In particular, the tourism sector has significant
development potential, and strategies must be found to facilitate this expansion notwithstanding the various impacts, some detrimental, that resource development activities have on accommodation and services costs to visitors.

**The Fly in, Fly out (FIFO) Workforce**

The ‘Fly in, Fly out’ labour engagement and professional services model is clearly a widely accepted and necessary approach and is in use in a wide range of circumstances around the world. In relation to the Pilbara – and other Australian mining locations - it is, however, viewed from a variety of different perspectives, ranging from strong opposition from local governments and communities through to it being an appropriate practice with the right of employers and employees to choose it. A particular concern is that the next wave of resources development in the Pilbara, already underway, appears likely to be undertaken primarily by further growth in the numbers of FIFO workers.

As highlighted in this Submission, the RDA Pilbara considers that the practice is appropriate in certain circumstances, however it should not be open to resources companies in particular to utilise it without some form of regulation and consideration of its impacts, short- and long-term, on both local communities and their future sustainability, and on the future economy and ‘liveability’ of the particular region. RDA Pilbara considers that a two-pronged approach is necessary, based on both constraints on the extent to which FIFO may be utilised, applied through government licence regimes, and incentives for workers and others to live in the more remote areas of Australia, for example, zone tax and other allowances. These latter provisions have become contorted over time, and currently favour FIFO worker taxpayers more than serving the purpose for which they were originally intended.

**Comments on specific Terms of Reference (ToR)**

ToR 1: The extent and projected growth in FIFO/DIDO work practices, including in which regions and key industries this practice is utilised

All of the information readily available, including that produced by and for the Chamber of Minerals and Energy WA/Pilbara Industry’s Community Council
indicates that FIFO will continue to grow for both construction and operations in the resources sector. The CME has indicated that up to 90% of employment growth to 2015 will come from FIFO sources. In that respect, possibly the most detailed report accessed for reference in preparing this Submission was undertaken by Heuris Partners - Planning for resources growth in the Pilbara: revised employment & population projections to 2020. This report estimates that (excluding construction) residential employment would increase by 28% between 2010 and 2015, with growth moderating thereafter, while FIFO projections would grow by 83% between 2010 and 2015 and by a further 23% to 2020.

This Submission does not intend to present or debate a variety of statistical data and projections; suffice to say there is considerable concern that without intervention by government the FIFO practice will continue to grow in the Pilbara’s resources sector, and at an accelerated rate. There is a variety of reasons for this, as outlined later in this submission. It is clear that unless there is this major intervention by government(s), either in the approval processes or otherwise, the FIFO growth situation in Western Australia will continue unabated. The consequences of this will prove difficult, if not impossible, to rectify at some later point. Australian Bureau of Statistics data indicated that Western Australia has a much higher FIFO representation in WA than its proportional contribution to national outputs in minerals and petroleum. Amongst other questions, this raises the issue that mining operations elsewhere in Australia appear to be able to operate profitably without such heavy reliance on FIFO.

While it is acknowledged that the lack of locally available labour is the impetus for introducing a FIFO workforce, it would appear that the sector – and perhaps government – has not been proactive in responding to the ongoing projected skills shortages. Considerably more collaborative work must be done if the key stakeholders are serious about moving from a vicious circle to a virtuous circle in terms of the necessary investment in training, particularly in local communities where mining and other resources activities are at levels such as they are in the Pilbara Region. This issue is not only around employment in the sector; it must also consider the employment needs and potential economic contributions from the spouses, partners and children of resident resources workers – thus further reducing the reliance on FIFO in other employment fields.
The RDA Pilbara Committee notes the Australian Government’s recent action in forming the Resources Advisory Council, to be chaired by the Skills and Jobs Minister, and comprising a membership which includes some of the world’s major resource companies – most of which are active in the Pilbara Region. While the reported objectives of the new body are commendable in terms of actions to counter emerging skills shortages in the sector, there would be some significant concerns if the focus on stronger FIFO arrangements overshadowed the pressing need for a more balanced approach to establishing stable, sustainable, liveable cities and communities in the Pilbara. Left to a ‘business as usual’ approach, with a single dimensional focus, this is a likely outcome – with longer term consequences for the Pilbara communities the resources sector is unlikely to see any major responsibility to help resolve.

Whilst the revenue growth for State and Australian Governments associated with the exploitation of resources in the Pilbara Region will continue to be rapid and ongoing, the regional and local social and economic impacts can only be detrimental, as indicated later, with particular challenges and funding issues for the Region’s local and regional governments. This will represent a significant loss of opportunity for the benefits of the so-called mining boom to be more evenly distributed across the State and national economies, and just as importantly, in the further development of sustainable communities in the Pilbara Region.

ToR 2: Costs and benefits for companies, and individuals, choosing a FIFO/DIDO workforce as an alternative to a resident workforce

In its simplest form, the financial equation for companies predominantly utilising a FIFO workforce in the Pilbara Region is approximately $1m to provide a company house, together with its administration, holding and maintenance costs, compared with (say) $40 000 per year for airfares per worker. Added to the equation are the taxation impacts, with it being understood the impacts of capital gains and write-off provisions militate against company housing provision and make mining camps financially more attractive for the sector.

As mentioned later in this submission, current Queensland Government policies require mining companies to meet a local workforce requirement of 30%, and the veracity with which this requirement is opposed indicates there is a powerful financial preference by the mining sector for labour engagement
by FIFO rather than fostering local residential growth in and around mining centres to aid recruitment.

Clearly the detail of the ‘costs and benefits’ aspects within the sector are known only to the companies themselves. From the individual’s perspective, any initial career stigma of FIFO as a way of life is probably long gone; the growth of FIFO has created a camaraderie amongst employees, a social network for their partners and families, and - amongst the growing casualisation of the national workforce – an acceptance that shift and weekend work is no longer unusual but part of a changing ‘24/7’ world.

Resource companies are quoted as saying that the advantages of utilising FIFO workforces include:

- lower worker turnover levels than in residential situations
- versatility of modern aircraft and relatively lower air travel costs
- worker and family preferences to live in metropolitan areas.

And it is an increasingly compelling argument that the skills shortage means that resource development in the State would be severely constrained without ongoing growth in labour availability via FIFO. With the recognition that ‘company towns’ are not a sustainable way in which to create new communities, in addition to the lengthy timelines and costs associated with this previous practice, FIFO is regularly portrayed as the overall solution, rather than as one of the measures which are required to be taken in the short-term to provide the workforces necessary.

Recent work undertaken for the Regional Development Council on FIFO and regional impact assessments provides a framework and suggested models recommends that as resource projects frequently have major direct and indirect implications for policy makers as well as the local and wider economy and community, regional impact analysis should be undertaken for major projects. It was also recommended that the economic assessment should include FIFO and permanent residential workforce analysis where existing community infrastructure makes a residential workforce feasible.

ToR 3: The effect of a non-resident FIFO/DIDO workforce on established communities, including community wellbeing, services and infrastructure

This is an area where the perceptions are as strong – and perhaps more so – as the realities. A recent financial columnist’s review of housing in a mining
centre as a personal investment decision quoted a small business operator as saying that (if a mining company was allowed 100% FIFO in a new venture in Queensland) ‘It will be the death of us. When people reside here, they add to the community. They buy products from the town and support other industries...’. Another community leader described FIFO as bad for families, bad for communities and bad for the State because 100% of any economic benefit will fly out (of the community).

In a study published several years ago by the Pilbara Regional Council, local businesses interviewed were likewise vocal about the adverse impacts of FIFO on Pilbara communities. Evidence was presented that local business closures were prevalent and the growth of new businesses was considerably behind the State average. ‘The small business/local business community perceived the FIFO workforce as a threat to their survival, growth and diversity. Many different stakeholders demonstrated the level of discontent caused by this perceived threat, when asked about their understanding of FIFO and its impact.

“Fly-in/fly-out will kill regional business....”

“Business is suffering because of these guys… who just don’t give anything back to the community.”

“….we had a lot more business diversity in the region before FIFO came in, now it just bleeds the region dry...”

“We’ve lost a lot of small businesses, little things like, they start up for a while then fizzle out...you can tell how many men live here with all the sporting and fishing shops, look at (business issues and opportunities given)’.

Businesses were concerned that FIFO employee numbers would continue to grow exponentially, and many believed the State Government should ‘cap’ the number of FIFO workers. The issues for them went beyond resident employees versus FIFO however, with resource companies’ purchasing and supply policies and procedures viewed as favouring city-based and large businesses. As is noted in the PRC report, resource companies purchase goods and sometimes services from large well-known suppliers in the metropolitan regions, often through pre-existing supply agreements/collaboration. Economic opportunity is therefore lost from the Region and local economy is adversely affected.
Earlier studies and reports indicate that concerns in the mining regions about the impacts of mining construction and operating utilising a significant FIFO element centre around:

- not delivering training and employment opportunities for local people
- young people leaving the towns to seek employment
- lack of population growth and hence less local facilities and services
- additional costs of providing services for FIFO/transient workers, without corresponding revenues
- government decentralisation objectives not met, e.g. more people living in and around capital cities
- Resource companies’ purchases made in larger and metropolitan centres, rather than locally.

An added, and regularly occurring bitter pill for business and other organisations outside of the resources sector is both the latter’s wage structures attracting workers away from local services and other sectors, and creating a local economy of ‘have s’ and ‘have nots’ through the impacts of inflated costs of housing and rents, entertainment, goods and services and other costs of living in the Region.

ToR 5: Long term strategies for economic diversification in towns with large FIFO/DIDO workforces

Potentially the cornerstone of planned and positive change in the Pilbara Region is a new approach by the State Government, encapsulated in its Pilbara Cities Vision and in the Royalties for Regions initiatives and funding programs. These are intended to change forever any remaining perceptions of the Pilbara as a group of mining towns and with little to offer lifestyle-wise apart from the richness of the Region’s natural attractions.

The creation of larger and sustainable cities in Port Hedland and Karratha, supported by a major centre in Newman and the development of other townships is central to these new initiatives. A broad range of planning and construction activities is already underway, and some key projects have been completed or are nearing completion. Exciting and engaging State-wide media coverage highlights this progress, with impressive artists’ illustrations of projects to be commenced and completed. In relation to a major new residential/mixed use development in South Hedland, the attractive illustration
The State Government has earmarked $1 billion to be spent on its Pilbara cities scheme to end the fly-in, fly-out cycle and encourage people to settle permanently in remote towns servicing the resources boom. While in some ways reflecting the colourful language used in the property development arena, these sorts of messages are necessary and positive adjuncts to the change in perception, as well as the new reality, of the desired Pilbara lifestyle, present and future.

The Pilbara’s Local Governments and regional organisations are actively planning for and involved in a wide range of initiatives to foster local economic diversity, community development, additional community infrastructure and services, and collaborations and partnerships designed to enhance the liveability of the future cities and growing townships in the Region. The Australian Government’s agencies and Regional Development Australia have a special and yet to be fully developed role in this new era of transitioning both the perceptions and realities of the Pilbara as a significant player in national wealth creation and prosperity, by supporting and working with the local communities to secure their future as desirable places to live and work. Any previous lack of confidence by government or the private sector as to the longevity of the Pilbara towns is now completely dispelled by the current and projected future levels of resource development and the growing population – as well as the potential of other avenues of economic development, including tourism.

Tor 6: Key skill sets targeted for mobile workforce employment, and opportunities for ongoing training and development

The Pilbara Region has recognised the critical importance of education, training and ‘lifelong learning’ generally for resident families and individuals present and future, as well as for on the job and targeted training initiatives in the FIFO workforces. At secondary school level, the focus and pathways to training and higher education options are oriented towards future career opportunities both local and elsewhere. As an example, the Pilbara TAFE – with more than 7000 students - has developed a strategic plan which identifies a range of innovations and initiatives to cater for these diverse needs, present and future, recognising the changing nature of work, specific regional circumstances and the impacts of technology. These latter impacts are especially relevant in the mining sector, where remote, technology
controlled operations are no longer science fiction but becoming a reality in some operational settings.

Contemporary and developing information and communications technology innovations are obviously critically important in a region such as the Pilbara. Its relative isolation through the distance to other major centres and the challenges in recruiting and retaining high quality teachers, lecturers and training experts are recognised and receiving consideration through potential new sources of funding.

Importantly, tertiary education needs and opportunities are also to the forefront of the discussions. One of the limiting factors in attracting and retaining residents in the Region is the current absence of a tertiary institution, the ‘bricks and mortar’ so important in having communities recognised – both at home and externally – as centres which offer a full range of education and training opportunities. A university offers a sense of arrival and achievement for a developing region, and a level of recognition simply not achievable through tertiary courses only being available through partnerships with other education institutions and/or on-line.

Housing, health and education are the recurring themes in forums discussing what is needed in the Pilbara Region to achieve the objectives for building sustainable communities and diversity in their economies so that they become more than being regarded elsewhere as mining towns, linked solely to the economic trajectories of the mining economy and its various cycles of new projects, market movements and construction and operations phases.

Earlier comments in relation to ToR 1 refer to the need for a more proactive and collaborative approach between industry and government in relation to workforce planning and skills development for the growing labour requirements of the resources sector.

ToR 7: Provision of services, infrastructure and housing availability for FIFO/DIDO workforce employees

Understandably, attitudes and the level of facilities and services provided by governments, particularly local councils, vary considerably – and are doubtless affected by local circumstances and attitudes, and particularly by the contributions of the mining sector operators to various local infrastructure and services, ventures, events and other activities. The accommodation
camps are invariably somewhat self-contained and often some distance from townships, and the nature of the work and the long hours combine to be unconducive for most workers to have any significant social or other connection with the closest local residential community.

FIFO workers are often likely to reserve their community engagement activities, time, participation and financial support for activities associated with family and home life in their main place of residence, in the case of Pilbara FIFO workers, most usually a city or regional location to the south.

As indicated earlier, there is considerable concern and frustration by regional Local Governments that they must meet the demand for additional facilities and services from FIFO and transient workforces, without a corresponding increase in their revenue base.

ToR 8: Strategies to optimise FIFO/DIDO experience for employees and their families, communities and industry

The personal and family relationships issues mentioned earlier – in the short term at least – are a key focus of mining companies, networks formed around the FIFO workers and their families, and other supports have grown significantly in recent years. Several studies of the impacts of FIFO appear to be consistent in their conclusions that while the FIFO life carries a certain amount of disruption in relationships, there is currently little or no evidence that this has any detrimental impacts on personal and family relationships back home. Any deleterious effects of FIFO on the worker and family are more likely to be around factors of long hours and occasional boredom in the routine nature of the work rather than the interruptions in home life, absences etc.

FIFO workers point to the willingness of employers to meet any special needs which they raise, and to provide various supports, observing that the portability of their skills and a competitive employment situation means that inflexibility on the part of a company results in workers moving to a company regarded as more accommodating.

ToR 10: Current initiatives and responses of the Commonwealth, State and Territory Governments
Broadly speaking, the Australian and WA State Governments have not been proactive in monitoring the issues arising from the new and growing emphasis on the FIFO approach to labour engagement and acting on them. As indicated in the comments on ToR 2 & 7, there is the vehicle to address a range of issues in terms of local funding, identified by Local Governments and their peak bodies, through State Agreements.

At the Commonwealth level, the RDA Pilbara Committee and other Regional organisations have been disappointed with the lack of response to the ways in which the Zone Tax Allowance and living-away-from-home allowance provisions are, somewhat perversely, operating to encourage the expansion of FIFO. The Income Tax legislation provides income tax concessions for people residing in certain zones of Australia for more than half of an income year, in recognition of ‘uncongenial’ climatic conditions, isolation or relatively high living costs. Taxpayers (only) are eligible regardless of income, and there is a major anomaly in the eligibility of FIFO workers. An analysis of Australian Tax Office data some years ago indicated that around 11% of all recipients of the rebate live outside the eligible zones. At that time, around $35 million of the $190 million cost to the Australian Government was provided to taxpayers working under FIFO arrangements.

The Henry Tax Review recognised that these arrangements have not been kept relevant to changing employment circumstances like FIFO, and are actually an incentive to employees to take the FIFO option. Conversely, the tax implications are a disincentive for those living in the mining regions in particular and those contemplating a move there for employment or other opportunities.

It is noted that the proposals submitted to the Australian Government’s October Tax Forum include both more generous allowances for remote workers and changes to fringe benefits tax ‘to deter fly-in, fly-out workers’. At this point there is no indication that these are likely to receive attention, nor that similar recommendations in the Henry Tax Review will be implemented.

Concluding comments

Growing references to a ‘two speed’ and more recently ‘three speed’ economy reflect growing concerns across the wider Australian community that the so-called resources boom is creating a socio-economic divide between those who directly or indirectly share in the benefits and wealth
creation, and those who – for a variety of reasons – are excluded. At another level, talkback radio and other forums regularly sees opinions aired about the perceptions that Australia is becoming a giant mine, its manufacturing sector is disappearing, and that the majority of the financial and economic benefits are being reaped by large international companies. There is a strong view and indeed often anger that the ongoing expansion of the resources sector is not translating into benefits for the mining regions’ communities across Australia, in Queensland and the Pilbara Region in particular. The current and developing ‘local content’ debate is just one aspect of this.

Business owners and community members consistently express the view the ‘prosperity’ associated with the resources boom should be being shared more equitably rather than being appropriated unequally by big business. While the lack of additional funding to the Local Governments to match their infrastructure and services provision with rapidly growing populations and expectations is critically important, the community concerns also reach beyond this and include the impacts on small businesses in these communities such as rapidly rising rents, difficulties in recruiting workers due to competition from the resources sector, and company orders going overseas or to much larger, metropolitan-based operations.

This Submission should not be construed as direct criticism of the major players in the resources sector in the Pilbara or elsewhere in Australia; it is acknowledged that FIFO is going to be an ongoing feature in the resources sector in the Pilbara, and in the provision of some associated support services. However there must also be recognition by governments and employers that FIFO does not contribute sufficiently nor appropriately to the sustainability of the Pilbara communities, present and future, and an acceptance that urgent action is required to curtail its unimpeded growth. FIFO constitutes a negative, self-perpetuating circle, which in the medium and longer term creates losers rather than winners – it fails to serve any of the participants and the stakeholders well (aside from the airline sector). By continuing, and by omission fostering, the ‘mono-economy’ situation which has held back mining region communities for so long, it is a feature which must be addressed – and appropriate, creative solutions developed in a collaborative fashion – if communities in the Pilbara are to develop and thrive, sharing equitably in the prosperity they are hosting and creating. Failure to do so would sentence these communities, including the indigenous communities, to a future seriously compromised and much reduced on expectations appropriate for regional residents, present and future.
The RDA Pilbara acknowledges and welcomes the contributions to a wide range of activities in the Pilbara communities by companies active in the resources sector. However these are often uncoordinated, somewhat ad hoc, and absorb considerable time and other resources in negotiations. This fragmentation makes the assessment of outcomes difficult and inaccurate. New approaches are needed and possible to secure outcomes that are in the interests of all stakeholders – and result in the sharing of the Region’s prosperity much more equitably. Indicators must be developed and targets established to ensure that the outcomes contribute the maximum benefits in the formation of long-term sustainability in the communities across the Pilbara, as well as to the future Pilbara Cities.

Clearly, from the RDA Pilbara’s perspective, it is difficult – if not impractical - to endeavour to plan for and manage growth to build ‘world class’ cities when a third of the community is transitory. Time is of the essence, and governments should not be delaying in responding to the challenge – as is their responsibility, and before it becomes too late – in ensuring the local and wider communities benefit and develop sustainably from this unprecedented opportunity.

References

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