

**SUBMISSION TO THE HOUSE STANDING COMMITTEE ON
REGIONAL AUSTRALIA INQUIRY INTO FLY-IN FLY-OUT AND
DRIVE-IN DRIVE-OUT IN THE AUSTRALIAN WORKFORCE**

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Introduction

AngloGold Ashanti Australia Ltd (AGAA) is based in Perth, Western Australia, where it operates the Sunrise Dam Gold Mine and is constructing a new mine at the Tropicana Gold Project (70% AGAA, 30% Independence Group NL).

The company is a subsidiary of AngloGold Ashanti Ltd, a leading global gold company with 20 operations in 10 countries, and extensive exploration activities in the new and existing gold regions of the world.

AGAA employs approximately 400 people in Australia, of whom 218 are employed on a fly-in fly-out (FIFO) basis at the Sunrise Dam Gold Mine, located 220 km north-east of Kalgoorlie. Sunrise Dam has been in operation for 16 years and its total workforce includes a further 400 contractors. The Tropicana Gold Mine, 330 km east-northeast of Kalgoorlie, will begin production late in 2013 and will employ approximately 150 AGAA employees and a further 300 contractors on a FIFO basis, with employees likely to be based in both Kalgoorlie and Perth.

Employees work 12 hour shifts when on site.

This submission will address the costs and benefits for companies and individuals choosing FIFO/DIDO workforce as an alternative to a resident workforce (the second of the Inquiry's Terms of Reference).

Background

The gold industry represents Australia's third largest export earner and is expected to contribute almost A\$17 billion to Australia's export income in 2011-12¹.

Australia is the world's second largest producer of gold behind China. Of the 8.5 million ounces produced in Australia in 2010² an estimated 4.8 Moz³ or 56% is produced from remote FIFO sites.

In the early years of the modern gold mining era, which began in the 1980s, new technology made open cut mining of lower grade ores feasible. The obvious place to look for this lower grade ore was around the historic mines that had once been exploited by underground methods. Referred to as "headframe prospecting" this mining frequently occurred near old gold mining towns, of which Kalgoorlie is a good example.

As the easy-to-find ore was exploited, exploration methods had to become more sophisticated and by the early 1990s discoveries were being made in remote locations, often hundreds of kilometres away from major towns or cities and FIFO arrangements for gold operations evolved.

1. ABARES, *Australian Commodities*, March 2011, p 189
2. GFMS *Gold Survey 2011*
3. AGAA estimate.



The Australian gold sector had the ability to move quickly from discovery to development and was characterised by an approach that involved proving up adequate ore reserves to secure bank finance to fund development and achieve payback within a few years. This model used cash flow to continue to explore and expand reserves and resources if possible.

Today the situation has not changed much. Because of the significant capital and time involved in drilling out an ore body, it is still unfeasible to fully define the extent of resources prior to beginning production, and the amount of gold that can be economically extracted is always dependent on the gold price. This means that it is rare for a mining company to know precisely what the mine life will be at the start of mining.

Many gold mines in Australia have had lives of 10-15 years or less, due to the size of the deposits they are exploiting, and frequently because falling gold prices have made them uneconomic.

The relatively short lives of these mines, their remote locations and the cyclical nature of the gold price has meant that development of a company town alongside an operation has rarely been an economically feasible option, let alone a social one.

Costs and benefits of FIFO for the Employer

Attracting skilled personnel is always a challenge for mining companies, and never more so than in the current environment of skills shortages as major investment continues in the resources sector. FIFO enables AGAA to access the number and type of workers it needs to effectively run its mine, something that would be impossible in a residential arrangement, which does not appeal to the majority of workers.

Developing residential facilities requires the security of long-term employment – something not possible in a cyclical sector and with the relatively short mine lives typical in gold mining. Individuals would not see it as desirable to own houses in a town with an uncertain future, and if a town was developed around a single operation in a remote location, with no other reason for existence, it would die as soon as mining ends. In addition employees would require significant inducement to live there.

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.

FIFO accommodation enables employers to adapt to the shifting sizes of workforces through the lifecycle of a mine – with expanded facilities during construction, down to complete removal of the facility at the end of operations. A FIFO facility has a much lower environmental impact than a residential facility.



Costs and benefits of FIFO for the Employee

The most critical issue for an employee in working at a FIFO operation is that it provides choice and flexibility. The employee is able to earn an attractive income, whilst living in an area that suits their lifestyle and family needs.

For many workers with families, a stable environment and access to schools is critical. The worker can access a well-paying job, and indeed change jobs, without disruption to the family. Being based in a major centre also allows a worker's partner to access work, something frequently not possible in a mining town.

Improvements in telecommunications and air transport along with modern facilities at mine site villages, has made FIFO more manageable for employees who can communicate online with families and engage in distance education and training.

Comments from AGAA FIFO employees at Sunrise Dam

1. Matthew Mason, Mechanical Maintenance Technician

Place of residence: Perth, Western Australia

Personal situation: De facto relationship with one child (2.5 yrs)

Roster: 8 days on, 6 days off

How long working on a FIFO basis: 16 years

Length of time with AGAA: 7 years

Why this FIFO working arrangement suits individual: "I have a decent break when I come home to Perth (6 days), allowing me extended quality time with my son and family. It also gives me the opportunity to go on short holidays and complete projects around the house, which would be protracted if I worked in Perth. I like the flexibility that the FIFO roster affords me. When it is time to take holidays, taking 8 annual leave days, combined with my R&R gives almost 3 weeks' vacation time, twice a year if needed. I earn a good salary at the sacrifice of being away from home for just over a week, then I get to come home and enjoy my break in a relatively civilised and cosmopolitan society; away from red dust, flies, snakes, dry boiling heat and every other reason not to live permanently in a remote area."

The benefits of FIFO: I have an extended break that allows me to do several activities during my time off, without hindrance. It allows me to study reasonably effectively, giving me access to classes at least once a fortnight. I have plenty of time for family commitments and it also allows me to be involved in my son's daily routine more frequently and effectively

Would the person live in a remote town site next to a mine: Not in a million years. The thought of living in some small town in the middle of nowhere is not a realistic option where services and amenities are next to non-existent. I wouldn't live in a remote area to work on a mine site. I work FIFO for the above benefits, not the drawback of living in a small community.



2. Penny Wood, Underground Administrator

City/town of residence: Bunbury, WA

Personal situation: Married with 2 children, 15 and 17

Roster: 8 days on, 6 days off

How long working on a FIFO basis: Approximately 3.5 years

Length of time with AGAA: Approximately 3.5 years

Why this FIFO working arrangement suits individual: The financial reward is the key reason. A Monday to Friday working week is too regimented and a FIFO roster offers more flexibility time-wise. There are a lot more opportunities within the mining industry for this type of role than in city-based employment. Ms Wood has worked in a vast variety of environments and finds the mining environment to be a lot more friendly and relaxed.

The benefits of FIFO: Financial stability and flexibility of rosters.

Would the person live in a remote town site next to a mine: Yes – previously resided in a remote mining town (Leinster) for 4.5 years.

3. Matthew Ridley, Permit to Work and Training Officer

City/town of residence: Perth, WA

Personal situation: De-facto relationship

Roster: 4 days on, 3 days off

How long working on a FIFO basis: Approximately 8.5 years

Length of time with AGAA: Approximately 6.5 years

Why this FIFO working arrangement suits individual: On this roster, there is a good balance between personal/home life and work life. Mr Ridley likes being near the city for the services and entertainment it offers every weekend (his weekends are effectively are 3 days long). He has previously also enjoyed the benefit of working an 8/6 roster as there is a significant break during R&R to go on trips. Even though Mr Ridley is degree qualified he believes he wouldn't get the same money if he was working in Perth as a semi-skilled worker.

The benefits of FIFO: See above.

Would the person live in a remote town site next to a mine: No – Mr Ridley has done it before and prefers the city. He's also cognisant the impact such a move would have on his partner - that is, whether there would be opportunities for her career and how comfortable they'd be living in a small town where there may be limited services or entertainment. This wouldn't appeal to them.



4. Caroline Rouse, Flights and Accommodation Administrator

City/town of residence: Perth, WA

Personal situation: Single

Roster: 8 days on, 6 days off

How long working on a FIFO basis: Just over 3 years

Length of time with AGAA: Just over 3 years

Why this FIFO working arrangement suits individual: FIFO suits Ms Rouse because she has no ties. The money is better than for a comparable role in Perth. FIFO allows a balance between the hustle and bustle of city life and the relaxed atmosphere of the country. Ms Rouse can work hard for 8 steady days and then have 6 days off (she views this as a mini-break). As the R&R coincides with weekdays, she can get to do things which can't be done on weekends. Caroline is conditioned to working under FIFO conditions and sees herself continuing to do so.

The benefits of FIFO: See above.

Would the person live in a remote town site next to a mine: No. This is not an attractive option but it could depend on what town it is.

5. Mark Lancaster, Senior Geology Technician

City/town of residence: Perth, WA

Personal situation: Married with 2 children, aged 3 and 14

Roster: 8 days on, 6 days off

How long working on a FIFO basis: 10 years.

Length of time with AGAA: Approximately 6 years

Why this FIFO working arrangement suits individual: Allows Mr Lancaster to spend more quality time with his children. He's been doing FIFO for so long now that he's completely used to the lifestyle. The 8/6 roster allows him to only work 208 days of the year and, as his wife is a teacher, he can have time off during school holidays. The money is also better on-site.

Would the person live in a remote town site next to a mine: Yes – but only if there was a high school in the town.

6. Michael Erickson, General Manager SDGM

City/town of residence: Perth, WA

Personal situation: Married with 1 child aged 14

Roster: 4 days on, 3 days off

How long working on a FIFO basis: 20 years

Length of time with AGAA: Approximately 9 years

Why this FIFO working arrangement suits individual: FIFO worked well for Mr Erickson with no children and it now allows him to have quality time with his child and to be involved in school activities that would never have been possible with a Monday-Friday residential arrangement. He noted that FIFO allows a good quality of life provided the spouse is supportive and independent.



“The benefits of FIFO are that you can live in, and establish a home in, a larger centre with access to good schools from primary through to high school – something that is a serious limitation in the vast majority of residential situations. It also means that you have the ability to change jobs and not disturb the family by requiring them to move towns.

FIFO enables a good separation of work from home and you can be fully engaged in each location, yet you also get to know your workmates better in a FIFO environment.

Would the person live in a remote town site next to a mine: Yes – has previously lived in a mining town and enjoyed the community spirit and socialising with a broad group of people.

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