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Australian Government
**Department of Resources,
Energy and Tourism**

GPO Box 1564, Canberra ACT 2601
Phone (02) 6276 1000
www.ret.gov.au

ABN 46 252 861 927

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

Dear Mr Windsor

Submission to House of Representatives Standing Committee on Regional Australia inquiry into the use 'fly-in, fly-out' (FIFO) and 'drive-in, drive-out' (DIDO) workforce practices in Regional Australia

The following submission is made by the Department of Resources, Energy and Tourism (RET) in response to the House of Representatives Standing Committee on Regional Australia inquiry into the use 'fly-in, fly-out' (FIFO) and 'drive-in, drive-out' (DIDO) workforce practices in Regional Australia, announced by the Hon. Simon Crean MP, Minister for Regional Australia, Regional Development and Local Government on 24 August 2011.

The Department of Resources, Energy and Tourism (RET) provides advice and policy support to the Australian Government on Australia's resources, energy and tourism sectors.

Meeting Resource Project Workforce Requirements

The resources sector satisfies its increasing workforce requirements from:

- local residential communities and workforces;
- establishing a new permanent residential workforce by bringing in workers and accompanying families to live;
- bringing in workers on a 'fly-in, fly-out' (FIFO) and 'drive-in, drive-out' (DIDO) basis; and
- supplementing domestic engagements with workers recruited from overseas where labour requirement cannot be met from the Australian labour force.

The effect of the growth on demand for skilled labour in the resources sector was comprehensively reviewed by the National Resources Sector Employment Taskforce

(NRSET) report *Resourcing the Future* (July 2010)¹. The Skills Australia *2011 Interim Report on Resources Sector Skill Needs*² found demand for skilled labour is likely to further accelerate and be more protracted than was projected in the NRSET report, with employment in mining operations to rise from 187 700 persons in November 2010 to 270 600 persons in 2016, a rise of 83 000 persons or 44 per cent.

The Australian Government has accepted all recommendations of the NRSET report and these recommendations are being implemented through the National Resources Sector Workforce Strategy (NRSWS), including the appointment of a FIFO coordinator for Cairns. The NRSWS seeks to promote workforce planning and sharing of information; increase the number of trade professionals; graduate more engineers and geoscientists; meet temporary skills shortages with temporary migration; strengthen workforce participation; forge stronger ties between industry and education; and address the need for affordable housing and community infrastructure.

Mining in Australia is generally conducted in regions that are remote from major population centres and the advantages that they enjoy in social and physical infrastructure. Traditional mining practice was to establish a purpose built township at the site for the duration of the life of the mine.

More recently, a combination of the increasing price for remotely located social and physical infrastructure and reductions in time and cost of travel, together with rising lifestyle expectations of miners and their families and, in many cases, mine life being measured in years and not decades, has made FIFO an increasingly attractive option. For mining projects with short life cycles, the economic advantage of FIFO/DIDO can improve project financial performance. In challenging market conditions, this may be a consideration for determining project viability.

The economic benefits of FIFO operations to resource projects financial performance are demonstrated by the Argyle diamond operation in northeast Western Australia, which was estimated to have saved some \$50-70 million in capital expenditure through the use of FIFO/DIDO rather than a residential workforce.³

While FIFO/DIDO is ideally suited to short to medium term responses to the imbalance between the demand for a skilled workforce and its availability in regional and remote Australia, the fact that FIFO is the primary basis of operations, does not absolve FIFO operators from responsibility for supporting locally focussed community development. Where mining persists at a location in the medium to longer term, it becomes more sustainable if it is integrated with the development of the local community and develops in consultation with it.⁴ FIFO/DIDO, in this context, can be a useful vehicle for smoothing the transition to a locally sustainable mining community over time.

¹ <http://www.deewr.gov.au/Skills/Programs/National/nrset/Pages/default.aspx>

² http://www.skillsaustralia.gov.au/PDFs_RTfS/InterimReport.pdf

³ Pilbara Regional Council (2004) *Best of Both Worlds?*, http://www.prc.wa.gov.au/main/index.php?option=com_docman&task=doc_view&gid=15&tmpl=component&format=raw&Itemid=

⁴ Leading Practice Sustainable Development Program for the Mining Industry, Community Engagement and Development, Department of Resources, Energy and Tourism, June 2009, refer p3 & p31

RET has worked with the mining industry and independent experts to publish a *Community Engagement and Development* handbook that covers 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. The *Leading Practice Sustainable Development of the Mining Industry* handbooks are available in hardcopy by emailing sdmining@ret.gov.au or can be downloaded from www.ret.gov.au/sdmining.

New permanent workforces can increase regional economic activity and provide increased critical mass for services, particularly education, health and transport, generating new business opportunities, enhancing social capital, and provides education and employment for local community members that would not be otherwise possible. However a rapid imposition of a large new permanent workforce also presents challenges in terms of social, economic and environmental integrity and sustainability, particularly for projects that move through a large construction phase, then onto an operational phase where workforce requirements might be reduced by 70%.

Social and economic disadvantage in some local residential areas can be exacerbated through inflation arising from increased competition for services in high demand and where there are significant disparities in income, as is commonly the case where there are resource project developments. This has become particularly evident in relation to housing affordability, for example in central Queensland and the Pilbara (WA) where the demand for housing cannot be met from local supply, and land releases often cannot keep pace with demand. In some mining regions, renting a modest house can be more expensive than the exclusive suburbs of Sydney and Melbourne.

The NRSET recognised that non-mining communities with a narrow economic base and significant spare workforce capacity can benefit by facilitating FIFO/DIDO opportunities for their skilled workers.

FIFO/DIDO has been more recently considered as a measure to address unexpected structural adjustment challenges some regions are facing, for example, the downturn in tourism that has adversely affected the Cairns regional economy, which has been further exacerbated by the recent flood disaster; and the need for structural adjustment measures for displaced forestry works arising from the recent restructuring of the forestry sector in Tasmania.

Recognising this need, the Australian Government has funded a FIFO Coordinator in Cairns, for a two year trial, to facilitate FIFO opportunities for Cairns-based workers. This action is part of the National Resources Sector Workforce Strategy (NRSWS) that the Australian Government is implementing in partnership with industry, state and territory governments, and other stakeholders, to address an expected shortage of skilled workers in the resources sector. On 21 September 2011, a further four regional FIFO coordinators were announced by the Australian Government. The locations for these four additional FIFO coordinators will be determined in consultation with state and territory jurisdictions and industry.

For appropriately skilled workers seeking work, FIFO/DIDO can be a preferred option. Anecdotally, when mine workers are given the option to work on a FIFO-basis or to reside in a remote town, the majority choose FIFO.⁵ Families may prefer the lifestyle benefits of remaining in larger population centres, rather than relocating their whole family to live in a remote location. Conventional mining towns often cannot provide the same level of services in terms of health, education, social, and recreation and retail. By having a family reside in a large regional or metropolitan centre, mine workers are able to maintain or gain employment in a well paid industry, without having to relocate their family.

However, FIFO/DIDO arrangements will not suit all workers. The periods of absence from a family associated with FIFO/DIDO arrangements can also present challenges for FIFO/DIDO workers and their families, particularly in regard to balancing work and family responsibilities. Ideally, workers and their families will be able to choose between FIFO/DIDO and other employment options.

Complementary Workforce Opportunities in Tourism from FIFO/DIDO

Expenditure in domestic and international tourism sectors, particularly for leisure travel, remains under pressure by the stronger Australian dollar and the uncertain global economic environment. However, some industries within the tourism value chain are benefiting from the FIFO/DIDO component of mining, including regional aviation, commercial accommodation and food service industries. For example, aviation and accommodation businesses located in northwest Western Australia or accommodation businesses in Perth. This stronger demand from business tourists is 'crowding out' access to tourism services for leisure travel in the short term, but is securing key parts of the value chain that leisure tourism may access at a later date.

Tourism Research Australia (TRA) is currently undertaking research to estimate the benefit that the mining boom is bringing to parts of the tourism value chain, such as higher returns and investment in accommodation (in key areas where FIFO/DIDO workers are based or commute from) and for regional aviation (including charter flights) in parts of Western Australia and Queensland. This research will inform dynamic state-based Computable General Equilibrium (CGE) modelling, to estimate the wider impact of changes in higher domestic aviation and accommodation revenue and investment (relevant to FIFO) and from stronger high-value business travel demand. Preliminary results from this work are expected to be finalised in October 2011.

Conclusion

FIFO/DIDO: A partnership between communities

In considering FIFO/DIDO the importance of a long term and mutually beneficial relationship between FIFO/DIDO provider communities and the resources project community is becoming increasingly significant as FIFO/DIDO increases. This suggests

⁵ Chamber of Minerals and Energy Western Australia (2005) *Fly in / Fly out: A Sustainability Perspective* (pg 17) http://www.peopleforthefuture.com.au/files/files/20_FIFO_Report.pdf

that both communities need to be involved in considering relevant social, economic and environmental considerations that will affect them. In doing so, consideration will also need to be given to the phases of regional development in Australia, particularly where resources development opportunities are present.

The different stages of community development needs over the long term also suggests there is a need to consider where FIFO/DIDO may have particular relevance, for example during the construction phase, after which the emphasis may shift as projects mature and local communities seek to expand or consolidate or take advantage of longer term economic opportunities, for example tourism. For the resources sector, consultation and engagement with partner communities can be expected to become increasingly relevant to its social licence to operate.

Economic development and diversification

FIFO/DIDO present opportunities for regions with spare labour market capacity and industries undergoing restructuring, to diversify their economic base by re-deploying skilled workers to other parts of Australia's economy. FIFO/DIDO are important tools to enable workforce mobility and flexibility to adapt and adjust to changing workforce needs in different regions in Australia, faster than would be possible with residential workforces.

The development of sustainable regional communities can be assisted through the use of FIFO/DIDO in a way that provides balanced economic development in partner communities. For example, a community near a mine may leverage economic growth through the provision of services and through other economic activities, such as tourism, that can continue to support that community after the closure of the mine.

Yours sincerely,

Tania Constable
Head of Division
Resources

21 October 2011