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23 September 2011

Secretary
Standing Committee on Regional Australia
House of Representatives
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Secretary,



I write to you in relation to the House of Representatives Standing Committee on Regional Australia's *Inquiry into Fly-In, Fly-Out and Drive-In, Drive-Out Workforce Practices in Regional Australia*.

Business SA is South Australia's leading business membership organisation, representing thousands of businesses through direct membership and affiliated industry associations. We represent businesses across all industry sectors, ranging in size from micro-business to multi-national companies. Business SA advocates on behalf of business to propose legislative, regulatory and policy reforms and programs for sustainable economic growth in South Australia.

Agriculture and mining are the key drivers of economic development in remote and regional Australia. Most people who work in agricultural industries live on farms or in townships within driving distance of their workplace. In contrast, the workforce of the mining industry increasingly commutes long distances and work on rosters where they are based at the minesite for a set period, before they go back to their home, which is often in a major city.

While Business SA's submission will focus primarily on mining, as a result of the prevalence of fly-in, fly-out operations in that industry, there are important policy implications for broader regional development which are discussed later.

The mining industry has been very important in South Australia in the past and is once again growing in importance. While mining contributes just 3.8 per cent of the State's gross value added and employs only one per cent of the State's workforce, the industry is currently experiencing a minerals exploration boom and a number of new mines have been commissioned over the last few years.

The level of mineral exploration expenditure in South Australia increased from an average of \$38.2 million over the six years from 1999-2000 to 2004-05 to an average of \$234.3 million over the six years from 2005-06 to 2010-11.

Eighteen mines are either operating or expected to be operational in South Australia this year. This is up from four mines in the first half of the previous decade.

Given the cost of establishing new communities near minesites, particularly in remote areas, many mining companies opt to develop temporary housing and other facilities and fly their workers in and out on a rotating basis. This is usually done from major urban areas, but can also be done from regional locations. Having workers based at already established regional townships also provides the opportunity to drive workers in and out if the distances are not too great and the roads are adequate.

It is then easier and less costly for mining companies to dismantle temporary facilities once the end of the life of the mine is reached rather than abandon entire communities, which can be left to decline if there are no other major industries in the vicinity.

On the other hand, there have been many regional towns established in the past because of mining that have continued to exist and in some cases have thrived and prospered after the mines have closed down. This usually reflects diversification into other industries. Examples in South Australia include Burra and Moonta, where both tourism and agriculture play major roles. Fishing is also important in Moonta.

A number of other major factors have contributed to the rising use of fly-in, fly-out operations by mining companies. These include:

- Technology – the mining industry has become more capital intensive, using new methods of extraction and processing and the labour force required for a given level of output has fallen.
- Skills shortages and poor perceptions of living permanently in remote locations – attracting skilled staff has become more difficult as mining growth has occurred and allowing workers to live with their families in their home towns or major urban areas has enabled mining companies to more easily source skilled labour.
- Cheaper and safer air travel and advances in communication.
- Increased time and cost in achieving new town approvals.
- More stringent environmental regulations associated with new towns.

However, the use of fly-in, fly-out operations, relative to the establishment or expansion of a town in the vicinity of a mine, is negative from the perspective of regional development.

A resident population will retain income and expenditure in the region, rather than take the majority of it with them back to their families and/or home town. This will stimulate activity in the region and encourage other businesses to set up or expand and provide additional goods and services for the population. This will have a further beneficial effect by raising employment and incomes. In some cases, mine workers will bring spouses and family members with them, which can add significantly to the labour supply for the region.

A resident population will also require local infrastructure, such as roads, water and electricity supplies, schools and hospitals, which will again stimulate activity and raise employment and incomes in the region. It will also place pressure on public expenditure and may create shortages in and unaffordable housing if there is not adequate investment in the residential building stock.

That said, some mineral resources would not be exploited if mining companies did not use fly-in, fly-out operations. This would hurt export revenues and both royalty and company tax revenues for State Governments and the Commonwealth Government, respectively.

There are a number of public policy implications. The first and most important is that a choice should not be made between fly-in, fly-out mining operations and the development of regional towns. Both should be encouraged and in some cases, can work hand-in-hand.

Indeed, improving infrastructure and other amenities in and around currently existing regional centres, that have a wider economic and industry base, could increase the use of such townships as the base for mining companies that still prefer to use fly-in, fly-out or drive-in, drive-out operations. Roads and airports, in particular, would need to be improved in such centres to facilitate this.

Consideration needs to be given to identifying already existing towns that could be expanded and provided with improved infrastructure to support new mines, as well as expansion in other sectors, such as agriculture and value adding manufacturing. In the case of South Australia, this could include towns in the Riverland, such as Renmark, in the mid north, such as Port Augusta, in the far north, such as Coober Pedy, on the Eyre Peninsula, such as Port Lincoln, and in the south east, such as Mount Gambier.

There are also important cross-border regional links that could be further developed. One example is between the Riverland and Sunraysia, where an expansion of the airport at Mildura could benefit both regions.

More broadly, the provision of sufficient infrastructure is a key contributor to economic and regional development. Revenues from the Mineral Resource Rent Tax (MRRT) should be used to improve infrastructure in regional areas, including roads, rail, ports and airports, as well as electricity, water, schools, hospitals and community services. Better quality and affordable housing is also required in regional and remote communities.

There is a need for greater encouragement of private sector investment and involvement in the provision of infrastructure. This could include better utilisation of Public Private Partnerships, tax incentives and accelerated depreciation and infrastructure bonds.

Given the skills shortages in the mining industry, skilled migration needs to be further encouraged. Business SA supports recent initiatives to improve the skilled migration program and the current review of the Permanent Employer Sponsored Visa Categories. The Regional Sponsored Migration Scheme needs to be maintained and the recent increase of 16,000 people under this Scheme is appropriate. New programs announced in the 2011-12 Federal Budget – Enterprise Migration Agreements and Regional Migration Agreements – are also a positive step.

In addition to skilled migration, education and training systems need to be improved further and measures announced in the 2011-12 Federal Budget, including investments in the apprenticeship and traineeship systems, are supported. The South Australian Government released the *Skills for All* vocational education and training (VET) package in early 2011 and many of these reforms are expected to improve the VET system. COAG reforms in this area should follow similar lines. For regional towns, ensuring that young people can access training in trades will assist in retaining such people, instead of them moving to major urban centres. Greater investment in education and training facilities in regional centres is therefore required.

The South Australian Government also launched the Science, Technology, Engineering and Mathematics (STEM) Skills Strategy in August 2011. This is aimed at increasing the supply of people taking up STEM occupations to meet the growing needs of our local industries, including mining and defence. Such a strategy should be considered nationally.

Another important policy implication is that regional townships usually need more than one industry to be vibrant. Encouraging regions to diversify their industry and economic base will encourage activity, including in important upstream and downstream industries, such as mineral exploration, food services, value adding manufacturing and agricultural supplies (such as farm machinery and chemicals). Tourism can also play an important role in regional towns.

Should you require any further information or have any questions, please contact Rick Cairney, Director of Policy, Business SA on (08) 8300 0060 or rickc@business-sa.com.

Yours sincerely

Peter Vaughan

Chief Executive Officer