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REGIONAL COUNCIL



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18 June 2012

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



Dear Mr Windsor

Inquiry into the use of 'Fly-In, Fly-Out' (FIFO) workforce practices in regional Australia

Maranoa Regional Council welcomes this inquiry into the impact of the impacts of FIFO workforces on regional Australia. It is with great pleasure that I submit this report on behalf of Council for consideration by the House of Representatives Standing Committee on Regional Australia.

Currently, the Maranoa LGA is experiencing significant economic growth as a result of investment related to the Australia-Pacific LNG (APLNG) and Gladstone LNG (GLNG) Coal Seam Gas (CSG) projects. It is acknowledged that these projects provide a significant injection into the regional economy. This rapid economic growth has also created significant social and infrastructural side-effects that render this level of growth unsustainable.

FIFO workers' influence on the region is characterised by the required expansion of Roma Airport. This \$15 million project was successfully completed with the assistance of the Queensland Government, Santos and Origin Energy; however Council contributed the majority of funding. As discussed in this report, the \$7 million expense incurred by Council will not result in better availability of flights to the citizens of Roma; the sole purpose of the expansion was to cater for the CSG FIFO workforce. This project was not required prior to the commencement of the APLNG and GLNG projects.

The Maranoa region (particularly Roma) is currently faced with issues pertaining to infrastructure and housing availability and affordability. Future housing developments are being delayed due to the inadequacies of established water and sewerage infrastructure and housing stock cannot be increased without significant investment in this infrastructure. Housing availability and affordability issues have resulted from a combination of this infrastructure constraint and the rapid population expansion experienced during 2011. The overflow of workers being housed at local motels and caravan parks is severely restricting the movement of tourists and non-mining workers within the region.

Local business (including Council) is experiencing difficulties in attracting and retaining employees. The local retail and non-mining service sectors cannot compete with the wages that are offered to low-skilled employees. The aforementioned housing availability issues

Maranoa Regional Council
Cnr Bungil & Quintin Streets
Roma Queensland 4455
P 1300 007 662 F 07 4624 6990
www.maranoa.qld.gov.au

Postal Address
PO Box 42
Mitchell Queensland 4465
ABN: 99 324 089 164

contribute to this inability to attract staff - why would the metropolitan workforce consider relocating to regional centres when they quite simply cannot afford to pay the rent?

Once again, thank you for this opportunity. I am optimistic that this inquiry will result in a more complete view of the impacts of large FIFO workforces. A redistribution of mining royalties is required to sustain the citizens and townships of regional Australia.

If you require further information, please do not hesitate to contact me on 0427 233 776 or email robert.loughnan@maranoa.qld.gov.au.

Yours faithfully,

~~Cr. Robert~~ Loughnan
Mayor of Maranoa Regional Council

Maranoa Regional Council

Submission to

**INQUIRY INTO THE USE OF 'FLY-IN, FLY-OUT' (FIFO) WORKFORCE PRACTICES
IN REGIONAL AUSTRALIA**

June 2012

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LIST OF ABBREVIATIONS

APLNG	Australia Pacific LNG project
CSG	Coal Seam Gas
DIDO	Drive in – Drive out workforce
FIFO	Fly in – Fly out workforce
GDP	Gross Domestic Product
GLNG	Gladstone LNG project
GRP	Gross Regional Product
LGA	Local Government Area
LNG	Liquefied Natural Gas
MRC	Maranoa Regional Council
TAF	Temporary Accommodation Facility
ULDA	Urban Land Development Authority
WDLGA	Western Downs Local Government Area

EXECUTIVE SUMMARY

This report provides an analysis for the Standing Committee on Regional Australia's inquiry into the use of 'fly-in, fly-out' (FIFO) workforce practices in regional Australia. The terms of reference that will be addressed within this report are:

- The effect of a non-resident FIFO/DIDO workforce on established communities, including community wellbeing, services and Infrastructure; and
- Current initiatives and responses of the Commonwealth, State and Territory Governments.

The analysis included within this report will rely on historical housing and rental costs, historical and projected population figures, historical unemployment rates, Council infrastructure expenses and related data.

In conclusion it will be ascertained that more action needs to occur on behalf of the CSG companies, State and Federal Governments to ensure that towns in regional Australia remain sustainable during this resource boom. Towns such as Roma need accommodation for retail, farming and services staff, the town cannot experience sustainable growth without this workforce. To facilitate this, low-income earning families need greater support to enable them to reside in 'mining towns' and there needs to be significant investment in housing developments and related infrastructure. It is recommended that the following actions are taken to address the impact of CSG activities in the Maranoa Region:

- As outlined by the Hon Bruce Scott MP a 'royalties to the regions' program is required where by a minimum of 25% of royalties collected by the State Government would be injected into local communities to upgrade infrastructure and improve services in communities located in Queensland's resources regions.¹
- Research needs to be conducted into the holistic impact of CSG activities in the Maranoa region (including impact of contract workforces).
- An independent organisation should be commissioned to investigate the impact of mining activities (and FIFO workforce) on regional housing markets.
- A 'user pays' system needs to be introduced to prevent the disparity in infrastructure funding currently seen. The MRC has funded a majority of several projects that benefit mining and FIFO workers specifically.
- After implementation of housing and infrastructure initiatives a program should be introduced to encourage mining workers to relocate their families to the resource regions. This would reverse the side-effects of separation and would ensure that their income was injected into the local economy.

This report is limited by the data available at the time of publication. In some circumstances it does not allude to the difficulties felt by many low to medium income families in the Maranoa.

¹ The Hon Bruce Scott MP, 'RE: Inquiry into the use of 'fly-in, fly-out' (FIFO) workforce practices in regional Australia', 7 October 2011, viewed 31 May 2012, http://www.aph.gov.au/parliamentary_Business/Committees/House_of_Representatives_Committees?url=/ra/fifodido/subs/sub56.pdf

BACKGROUND

Theoretically, the APLNG and GLNG projects should greatly benefit the Maranoa regional economy. GRP has seen a 91.6% increase over a 3 year period², unfortunately due to FIFO workforce practices a majority of this GRP is attributed to leakages from the regional economy.

APLNG

The Australia Pacific LNG project involves the construction of CSG wells, a gas pipeline and conversion facility to provide LNG for the export market. The project has had a direct impact on the Maranoa Region due to the close vicinity of the CSG fields to Roma. Origin Energy is the upstream contractor for the project and is responsible for the construction and operation of gas wells and pipeline. The major project statistics are:

- The construction phase is predicted to last until 2014.³
- Additional gas wells and infrastructure will be required over the next 30 years.⁴
- Approximately 6000 jobs will be created during the construction phase and 1000 operational jobs over the life of the project.⁵
- APLNG will have a direct impact on Roma with the creation of Origin's central operations hub. It is expected that this \$18 million facility will have a capacity of 80 full-time staff.⁶ These staff will require housing in Roma.

The APLNG Social Impact Management Plan & Integrated Housing Strategy budgets are currently in the approval phase. It is known that \$1 million was contributed by Origin energy towards the upgrade of Roma's airport facility.⁷ It is predicted that the APLNG project will boost Queensland's GDP by \$2 billion annually for the life of the project.⁸ This GDP boost has not resulted in a significant increase in social impact funding or consumer spending in the Maranoa.

GLNG

Similarly to the APLNG project, GLNG will also involve the extraction and preparation of CSG for the international energy market. The project commenced on 13 January 2011 and is expected to have an overall timeline in excess of twenty years.⁹ GLNG employees have more of a presence in the Maranoa Region as a majority of their gas fields are located in this LGA. As such the Santos Employees in the Roma "area" had already reached 800 by March 2012.¹⁰

GLNG has pledged the following for social impact management within the Maranoa Region:

- \$13.2 million towards social and affordable housing schemes in the Maranoa and Gladstone regions,

² AEC Group, 'Maranoa Economic Update', April 2012, p.2.

³ Australia Pacific LNG, 'APLNG project timelines', www.aplng.com.au/pdf/factsheets/FS_Projecttimelines.pdf - APLNG project timelines. Field development 2011-14

⁴ Ibid.

⁵ Origin, 'Media Release – Australia Pacific LNG gets the green light to build central operations hub in Roma', 7 October 2011, viewed 31 May 2012, <http://origintogether.com/wp-content/factsheets/press/Roma%20Operations%20Hub.pdf>

⁶ Origin, 31 May 2012

⁷ Origin, 31 May 2012

⁸ Australia Pacific LNG, 'Project Benefits', viewed 5 June 2012, <http://www.aplng.com.au/pdf/factsheets/Projectbenefits.pdf>

⁹ Santos Limited, 'GLNG fact sheet – About the GLNG project', August 2011, viewed 30 May 2012, www.glng.com.au/library/About_the_GLNG_project.pdf, p.1.

¹⁰ JMRCC, 'Minutes and Actions – Joint Maranoa Regional Consultative Committee Meeting Minutes', 15 March 2012, viewed 31 May 2012, http://www.maranoa.qld.gov.au/c/document_library/get_file?p_l_id=6053949&folderId=6055851&name=DLFE-85091.pdf

- Approximately \$10 million community funding has also been committed to initiatives within the Maranoa Region.¹¹ Including Santos' \$2.5 million contribution to the Roma Airport upgrade.¹²

Current State of the Maranoa Region

Currently the Maranoa Region is facing issues such as housing affordability and availability, required infrastructure upgrades and labour shortages in non-mining sectors. These factors are all interconnected and can be correlated to the increase in CSG activities in the region. The state of the Maranoa Region will be discussed to greater depth later in this report.

DETAILED DISCUSSION

It has already been ascertained that significant CSG projects are in progress in the Maranoa Region and that these require a significant FIFO and resident workforce. It is widely documented that these projects will provide substantial benefits to shareholders, the labour market and the State Government. The Maranoa Regional Council is optimistic that this inquiry will redirect attention to the negative side-effects of these activities, funding is required to ensure that this economic growth is sustainable in regional economies.

Contract workforces

Both projects utilise significant contract workforces, their subsequent social impact is not officially acknowledge or mitigated. The utilisation of these tier 1, 2 and 3 suppliers has a large effect on the Maranoa region's housing, infrastructure and labour markets. It is important to state that the cumulative effects of these mining suppliers cannot be forecast by Council, which finds itself having to alleviate unplanned social/economic impacts. Anecdotal evidence of this exists in the 98-100% motel occupancy rates in Roma, when a majority of the APLNG and GLNG workforce is reportedly housed in TAF's.

Level of funding by industry and government

To this day Origin and Santos have contributed to the Maranoa Region in accordance with the recommendations of the Queensland Coordinator General. It is the belief of the Maranoa Regional Council that these contributions are not adequate and do not address the negative impacts experienced in the region.

Santos has publically stated that their funding towards local initiatives in the Maranoa Region is \$10 million. Given that Santos and Origin contributed \$2.5 and \$1 million respectively to the Roma Airport Upgrade it is assumed that the level of funding can be expressed as a ratio of 2.5: 1. Considering that the APLNG project is reportedly boosting the Queensland economy by \$2 billion annually it is absolutely necessary that Origin's funding within the Maranoa Region increase. APLNG has been granted 'significant project' status by the Coordinator General, a contribution of approximately \$4 million to the Maranoa Region can be considered insignificant.

GLNG has adequately expressed the flow-on-effects of their project. \$40 Billion of federal income taxation and \$6 Billion in royalties will be received by the Federal and Queensland Governments respectively.¹³ These figures can be compared to the meagre \$13.2 million that will be contributed to housing strategies in the Gladstone and Maranoa Regions and \$10 million community funding in the Maranoa Region.¹⁴

¹¹ Santos Limited, 'GLNG fact sheet – About the GLNG project', August 2011, viewed 30 May 2012, www.glng.com.au/library/About_the_GLNG_project.pdf, p.2.

¹² Mathew Doman, 'Santos Media Release', 18 March 2010, viewed 31 May 2012, www.glng.com.au/library/GLNG_news_announcement_100318_%20Roma_airport_funding.pdf

¹³ Santos Limited, p.2.

¹⁴ Santos Limited, p.2.

The current level of support by both industry and government is insignificant considering the royalties received by the Qld Government from the GLNG project equate to \$500,000/day assuming the project timeline is approximately 32 years.¹⁵ The Maranoa Regional Council was left to fund a majority (\$7 million of \$15 million) of costs associated to the Roma Airport upgrade. This is unjust considering the relative size of the organisations and that the major contributing factor behind the expansion was the increase in FIFO work-related travel. Far more damage is being done in the region than these contributions can negate. A possible cause to this is the cumulative impact of CSG projects as outlined in the Coordinator General's report on the APLNG project:

Consistent with previous Coordinator-General Report's, it is considered that multiple projects could if concurrent, add more pressure than a single project to: housing and housing affordability; demands on community facilities and services and have the potential to change community values as the workforce grows and economic activity increases.¹⁶

APLNG justify their relatively small contribution to Social Impact Management in the Maranoa Region by stating that a majority of their gas wells exist in the WDLGA. This is correct however they have not accounted for the cumulative effect of other CSG projects. The creation of the 80 person Origin logistics hub in Roma may not create a large impact on its own, as Roma could ordinarily accommodate an increase of 80 workers. However, its impact is greater considering the housing and infrastructure is at capacity due to GLNG's presence in Roma.

It is recommended that ALPNG and GLNG collaborate to determine the holistic impact of CSG activities (including any contract workforce activities). Each company's presence in the Maranoa Region may be considered manageable but once the combined impact of both projects is considered with the current capacity of housing and related infrastructure, the cost of social impact mitigation is multiplied.

It is also recommended that a 'royalties for the region' scheme is implemented that would see a portion of state royalties redirected to housing and infrastructure upgrades in resource regions. This will ensure that the economic growth in resource regions is sustainable and would not result in the destruction of the non-mining sectors.

HOUSING MARKET IN THE MARANOA REGION

The social impacts associated with the CSG activities in the Maranoa Region outweigh all estimates provided by Santos and Origin as Tier 1, 2 and 3 contractors are not mentioned within Environmental Impact Statements or mitigation policies. It is documented that a majority of FIFO workers are housed in TAF's, however Roma still experiences a near 100% motel occupancy rate due to the presence of contractors.

Census 2006 Data has been used by both Origin and Santos in their analysis of the housing markets. This was the latest national-level data available at the time of publication; however during this period state level housing statistics were available. RTA data revealed that flats and houses in Roma averaged \$228 and \$460 respectively for weekly rent.¹⁷ The strain experienced

¹⁵ Santos Limited, p.2.

¹⁶ Department of Infrastructure and Planning, 'Australia Pacific LNG Project – Coordinator-General's report on the environmental impact statement', November 2010, viewed 5 June 2012, <http://www.aplng.com.au/pdf/CG-Report-Australia-Pacific-LNG-Project.pdf>, p.48.

¹⁷ AEC Group, p.15

by low and moderate income earners is apparent once it is considered that flat and house rent increase by an average of 45.65% from 2010 and 88.4% increase over a five year period.¹⁸

Non-mining workers cannot afford rents in Roma at present. Nearly \$1000/ week rent for a 4 bedroom house is only affordable for mining employees. It is not justified that CSG companies are denying that their projects have any significant impact on housing affordability issues:

APLNG have assessed that the demand for housing is not expected to be significant as construction workers will be accommodated in temporary accommodation facilities, although the proponent acknowledges that the project will have a indirect impact on housing demand due to increased regional growth.¹⁹

Statements like these are misguided because the construction force may not be impacting on housing significantly, however the staff based within Roma (could number 120 – 180) still command high wages and demand housing in a constrained market. Secondly, increased regional growth cannot be attributed to non-mining industry on the whole because these sectors cannot attract workers to the region. For these reasons the main contributor to housing pressure in the Maranoa Region is the mining industry and they need to take responsibility for this. Both energy companies are stating that they are mitigating their impact on the housing market, this is disproven considering that it is nearly impossible for an individual or non-mining business to secure accommodation at motels or caravan parks in Roma due to the presence of contract mining employees.

The MRC's Housing strategy has been initiated and will consist of several developments that will be completed with the assistance of the ULDA and private housing construction companies. The roll out of this initiative will commence mid-2012 and is aimed to significantly increase affordable housing stock in Roma prior to mid 2013. The MRC requires more funding for these projects and associated infrastructure upgrades.

It is recommended that an independent consultative group be commissioned to research the impact of mining companies (and associated contractors) on housing markets within resource regions. Mining companies cannot be left to investigate their impact on housing affordability. Construction of TAF's is commendable; however, it does not prevent all housing market pressure.

State of Infrastructure

It is acknowledged by Origin that infrastructure constraints need to be alleviated in smaller towns such as Chinchilla and Miles; however, the infrastructure in Roma was nearing peak capacity prior to the commencement of the APLNG and GLNG projects. Origin has committed to infrastructure funding for the WDRC, at this stage no funding has been committed to the Maranoa Regional Council.

Santos has committed to alleviate the infrastructure constraints in Roma but have stated that funding will be diverted for the affordable housing scheme. It is absolutely necessary that funding be provided for both infrastructure and housing schemes. Improvements in both of these areas are required for sustainable population growth.

¹⁸ AEC Group, p.15

¹⁹ Department of Infrastructure and Planning, p.38.

It is recommended that a 'user pays' system is implemented in resource regions. Councils throughout Queensland are being forced to pay for construction and upgrades that are required to facilitate mining activity. The MRC appreciates that the energy companies have contributed to projects, however more funding should be provided by energy companies when upgrades are required due to increased vehicle load and employee levels.

Labour Market

The expansion of CSG activity (FIFO workforce) in the Maranoa Region has caused difficulties for the non-mining sector to attract and retain employees. This is caused by:

- Attractiveness of salaries provided by mining companies
- Availability and affordability of housing
- Other associated cost of living increases

The Maranoa Region is approaching a level of full employment. The Current 2.2% unemployment rate signals an abundance of job opportunities in a tight labour market.²⁰ In situations where there is a labour shortfall the mining sector is the attractive option. Employees in non-mining sectors and the MRC have been forced to leave Roma because of cost of living (including rent) challenges. The mining sector does need the support of the retail, hospitality, government and service industries. Simply put, CSG employees may lead a self sufficient life in TAF's however the companies themselves cannot continue operations without retail and support services. It may seem like a catastrophic assumption to state that all non-mining employees will be forced out of Roma, if swift action is not taken to influence the housing market this could be the case.

All previous recommendations are required to sustain the non-mining population of Roma. Roma cannot turn into a mining town, or there will be nothing left to support the established agricultural industry after the resources boom.

CONCLUSION/ RECOMMENDATIONS

The MRC is very thankful for the increase in FIFO workers attributed to the APLNG and GLNG projects. There have been many positives outcomes to this including rapid economic growth. The negative impacts of this growth are less documented, and will ensure that this level of expansion is unsustainable. The MRC seeks a 'fair go' when it comes to the redistribution of this mining wealth.

FIFO and DIDO workers who are housed in TAF's close to the work sites do not spend money in the LGA of their residence. Their daily requirements are catered for by their host company and they seldom travel to towns to spend their income. This is all spent in their home town on leave periods. It is unjust that this CSG activity is having a significant flow on effect on low and moderate income earners in townships, however the significant royalties and wages from these projects will never be considered injections into the Local Economy. The negatives of these projects and the increase in FIFO workers outweigh the measures taken by the industry to mitigate these effects.

It is recommended that:

- A 'royalties for the region' scheme is initiated that would redistribute 25% of royalties to allow for infrastructure and service upgrades in resource regions.
- Research is completed into the holistic view of the impact of CSG activities (Including APLNG, GLNG & associated contract workforces).

²⁰ AEC Group, p.6.

- An Independent consultative group must be commissioned to research the housing markets within resource regions. Mining companies cannot be left to investigate their own impact on housing affordability.
- A 'user pays' system needs to be introduced to prevent the current disparity between Industry and Council funding towards road, sewerage and water infrastructure.
- After housing stock is increased mining companies should direct efforts to encouraging employees to permanently reside near their place of work to prevent the leakages from the local economy that result from a large FIFO workforce.

With an increase in the level of industry and government funding and support the CSG boom will benefit all parties involved. Currently the required funding is not being spent in the Maranoa Region and it is time that the local citizens receive the support that they deserve as a result of the economic growth.

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