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Parliamentary National Party of Australia (WA)

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

Dear Committee

Inquiry into the use of Fly-In, Fly-Out workforces in regional Australia

Please find enclosed a formal submission to the Committee from the Parliamentary National Party of Western Australia.

Please contact the office of Hon Mia Davies MLC with any queries regarding this.

Yours sincerely

Hon Mia Davies MLC
Party Secretary
Parliamentary National Party of Western Australia

07 OCT 2011

**House of Representatives Standing Committee on Regional Australia
Inquiry into the use 'fly-in, fly-out' (FIFO) workforce practices in regional Australia**

**Submission by the Parliamentary National Party of Western Australia
Friday October 7, 2011**

Introduction

Fly-in, Fly-out (FIFO) workforces have come to represent the majority of the workforce in Western Australia's mining industry over the past 10 years and become our most significant source of revenue with WA earning \$4.231 billion in royalties alone in the 2010-11 financial year.¹

While FIFO has been utilised by the mining sector in Western Australia for over four decades, The Nationals WA are concerned that the scale and number of current and planned projects in the State in recent times has magnified some of the social and economic impacts of a metropolitan based, FIFO workforce. Furthermore, Governments of all persuasions are facing the challenge of balancing the need to cater for population growth with opposition to urban sprawl in our major cities and opposition to increased density in established suburbs. Until recent times, the absence of a strong regional development agenda from Government, coupled with tax incentives favouring a FIFO workforce has led to a proliferation of FIFO employees, as there have been no viable alternative options for residential workforces due to lack of physical and social infrastructure in regional Australia.

The FIFO lifestyle not only has the potential to damage family and personal relationships, it also damages the social cohesion of communities, has adverse economic repercussions and can lead to fatigue and low morale in the workplace. The Nationals WA welcome the Committee's inquiry into FIFO workforce practices in regional Australia.

The mining industry in Western Australia

The majority of FIFO workers in Western Australia are employed in some capacity by the mining and petroleum sectors and the majority of Australia's mining income is based in Western Australia. In the 2010-11 financial year, WA's total mining and petroleum industries employed 92,564 personnel with the largest sectors being iron ore, nickel, bauxite - alumina and liquefied natural gas production.² Latest commodity figures, as compared to global output, indicate that Western Australia produces 21 per cent of the world's iron ore, 12 per cent of global nickel, seven per cent of global gold, nine per cent of global liquefied natural gas and 15 per cent of the world's bauxite - alumina.³

The Pilbara region of Western Australia sits roughly 1,300 kilometres north of Perth and covers some 50,000 square kilometres of land. With a landscape estimated as being some

¹ http://www.treasury.wa.gov.au/cms/uploadedFiles/Treasury/State_finances/2010-11_arsf.pdf

² Western Australian Government, Department of Mines and Petroleum: <http://www.dmp.wa.gov.au/7846>. Accessed 26.09.2011* Does not include third party contractors. ** Includes operational personnel as well as Gorgon and Wheatstone development personnel as estimated by the WA Department of Mines and Petroleum and based on information provided by government and private corporations.

³ *Ibid.*

2.5 million years old, the Pilbara is one of Australia's most remote and beautiful locations.⁴ The Pilbara region is also home to approximately 89 per cent of Australia's Economic Demonstrated Resources (EDR) of iron ore, with the majority of produce being exported. The volume of iron ore being exported from WA has increased consistently in the past decade with iron ore exports alone from WA being worth \$91.6 billion in the year ending December 2010.⁵ Projects operated by Rio Tinto and BHP Billiton now account for 80 per cent of Australia's iron ore production.⁶

These statistics are indicative of the significance of the mining and petroleum sector in the WA and Australian economy. The workforce that forms the basis of the sector is the key to its continuing productivity. The Nationals WA contend that a greater focus on a residential workforce is not mutually exclusive to productivity gains for the sector.

The FIFO lifestyle

FIFO employees reside outside of the area in which they work, and live in mining camps whilst they are working on site. Their family, friends and assets are in an area removed from where they earn their money, and in some cases they spend more time on-site than at their 'home.'

The majority of mining operations function 24 hours a day, seven days a week with two teams working rotating 12 hour shifts. Work rosters can vary from eight days on site and six days off, to six weeks on site and one week off. Salaries are high and reflect the need to compensate workers for the nature and length of the shifts and rosters. In addition they are structured to compensate for the fact that the workplace is far removed from a 'normal' community with basic physical and social infrastructure.

Impact on personal relationships and families

Many FIFO workers are attracted to the mining sector because of the remuneration packages. In a time of global financial instability, the attractive salaries can often render people blind to the impact their lifestyle is having on them and their family.

As part of our research into this submission, The Nationals WA had a discussion with Fiona McDonald, Senior Manager of Education Services at Relationships Australia (WA). Fiona explained that their FIFO Relationship Education Courses are consistently seeing between 6 and 25 people attend regular sessions, and the dominant reason for people entering the lifestyle is money. She states that people with low qualifications in particular often feel that there are no viable employment options for them outside the mining industry, and so they only realise too late, that their relationships have deteriorated significantly.

Impact on mental health and well-being

The Nationals WA submit that the impact of the FIFO lifestyle on the mental health of workers and measures to counter this should be considered as part of the inquiry.

⁴http://www.westernaustralia.com/en/Destinations/Australias_North_West/The_Pilbara/Pages/The_Pilbara.aspx (accessed 21.09.2011)

⁵ 2011-12 Budget Papers, Chapter 3 Part 4, Mines and Petroleum at p171:
http://www.treasury.wa.gov.au/cms/uploadedFiles/State_Budget/Budget_2011_12/2011-12_bp2_v1.pdf

⁶ Reserve Bank of Australia, Quarterly Bulletin March 2011 accessed at
<http://www.rba.gov.au/publications/bulletin/2011/mar/1.html>

OzHelp is a suicide prevention organisation funded by the Federal Government to help combat suicide. They estimate that suicide rates in the mining industry are some 70 per cent higher than the national average.⁷

According to recent statistics published by the Australian Bureau of Statistics in their 2011 *Causes of Death Report*, 76.6 per cent of all suicides are males, and people living in rural and remote locations are three times more likely to suicide than their metropolitan counterparts.⁸ According to Lifeline and Suicide Prevention Australia in their 2009 report "*Breaking the Silence*"; suicide is the leading cause of death for males aged under the age of 44 years and women aged 34 and under.⁹ The report lists social and geographical isolation and lack of support as two of the main suicide risk factors.¹⁰

The problems also trouble the top end of town, where Rio Tinto's head of iron ore, Sam Walsh, openly discusses his concern about the suicide risk among his workers, mentioning two incidents in 2009. He also sits on the WA Ministerial Council for Suicide Prevention. His right-hand man and new president of Rio's Pilbara iron-ore operations, Greg Lilleyman, can recall at least two attempted suicides by employees in the past year.¹¹

As competition for workers increases, employers have installed gyms, movie theatres, bars and sporting facilities on-site to provide some aspects of a 'normal' community. In the short term this would go some way to improving staff retention, but there is still a strong sentiment amongst workers that they're "here to make money, not friends". At the most extreme end of the scale, the tragic death of a 55 year old man employed at Woodside's Pluto LNG gas project in a North West WA mining camp in December 2010 reflects this lack of normal interaction when he was found dead in his room at the camp some 14 days after his time of death.¹²

Loss of social cohesion in communities

A transient workforce, working on shift rosters means much of the population is unable to commit to out of work activities. In regional Western Australia this is keenly felt as the social fabric of a community is often held together by volunteers. Sporting clubs are a key example – they play an essential part of regional towns in Australia, providing a social context and focal point for residents as well as physical and mental health. FIFO workers are often unable to commit to regular sport due to their shift patterns and due to this local clubs are finding it increasingly difficult to field teams from year to year.

Economic impacts

There are currently an estimated 92,564 people working in the mining sector in WA, a

⁷ http://www.outofthepit.org/Resources/Documents/Depression_mining_article.pdf at p 2.

⁸ House of Representatives, Standing Committee on Health and Ageing Report "Before it's too late: report on early intervention programs aimed at preventing youth suicide" July 6 2011.

⁹ <http://suicidepreventionaust.org.tmp.anchor.net.au/wp-content/uploads/2011/07/Breaking-the-Silence.pdf> accessed 28.09.2011. It is estimated that these statistics from the Australian Bureau of Statistics are some 30 per cent lower than actual figures but due to factors such as religious beliefs, burden of proof for coroners and stigma, accurate data collection is difficult.

¹⁰ *Ibid* at p54.

¹¹ http://www.outofthepit.org/Resources/Documents/Depression_mining_article.pdf at p 2.

¹² *Ibid*

considerable percentage of whom are FIFO workers. The fact that so many people work in regional WA but list their home as their metropolitan base, distorts both statistics and political representation. These FIFO workers are spending the majority of their time and earning their money in regional WA and need services and amenities in those regional areas. No Government of any level will invest money in roads, hospitals, schools and recreational facilities if they do not have the statistical evidence to support the need. If the statistics show low resident population then government expenditure and services will reflect these statistics.

Taxation

There are a range of taxation considerations that encourage mining companies to build their accommodation camps outside of local townships. Fringe Benefits Tax is paid on certain benefits that employers provide in addition to salaries. Certain items are exempt from this tax. These are items normally provided solely for use in the course of employment such as a mobile phone, laptop, vehicle and protective clothing.

Housing provided as part of employment, where it is not the usual place of residence of the employee, is also exempt from Fringe Benefits Tax. Thus, mining companies are in many cases reluctant to reduce their FIFO workforce and pay for the worker to permanently relocate to the nearest regional town, as they would then have to pay fringe benefits tax on any accommodation provided. However, the remote area housing benefit allows an exemption to fringe benefit tax and a tax benefit is provided where accommodation is not near or in an urban centre; as set out below:

- less than 40 kilometres from an eligible urban area with a census population of 14,000 to less than 130,000; or
- less than 100 kilometres from an eligible urban area with a census population of 130,000 or more.¹³

Thus, the Australian Government is encouraging mining companies, through taxation policy, to build large, self-contained accommodation camps away from the nearest regional town.

If this taxation impediment to building accommodation villages in regional towns was removed, mining companies would have more incentive to build accommodation in regional towns. Those accommodation facilities, once vacated by mining employees, would be vital infrastructure for other uses such as tourist parks, aged care facilities or social housing in the local town. Once the construction phase of a mine has shut down and the workers departed, the town would be left with a usable resource that would benefit the community rather than be faced with the burden of having large accommodation units some distance from town.

An example of this is in Hopetoun on the southern WA coastline when in January 2009 BHP Billiton closed the Ravensthorpe Nickel Mine and the vacated accommodation units were purchased and have since been converted into Wavecrest Retirement Village; a successful business contributing to the local community.¹⁴

The Nationals WA submit that these tax impediments to regional development must be addressed as part of this inquiry. The long term impacts of having abandoned mining

¹³ www.ato.gov.au

¹⁴ <http://www.wavecrestvillage.com.au/index.htm>

infrastructure throughout regional Australia in decades to come must be considered. In order for both our mining sector and regional communities to be sustainable in the long term, there needs to be support in terms of taxation and financial incentives as well as planning support.

Regional development

The National WA submit that the reliance of the mining sector on a FIFO workforce is detrimental to the State and National economy, and unfavourable to employees and the communities they reside in. The Liberal-National State Government has a strong regional development agenda, as highlighted by the *Royalties for Regions* policy. The *Royalties for Regions Act 2008* was passed by the WA Parliament in 2008 and commits the State Government to quarantining 25 per cent of WA's mining and onshore petroleum royalties each year to be spent on projects, infrastructure and social services in regional Western Australia. This equated to \$1.2 billion in the 2010-11 State Budget forward estimates. It is focused on improving physical and social infrastructure in the regions and is starting to address some of the barriers preventing private investment in regional WA. A number of the projects within *Royalties for Regions* are focused on addressing the barriers identified by the mining sector for employing a residential workforce.

Pilbara Cities

In recent years, the Pilbara region has experienced a record population growth along with higher costs of living which placed extreme pressure on services and infrastructure in the region. The vision for Pilbara Cities is for modern vibrant cities and regional centres that can support and deliver a skilled workforce for major economic projects in the Pilbara. Funded through *Royalties for Regions*, Pilbara Cities is focused on key delivery initiatives involving health, energy, water, housing and community development and supports initiatives including industry diversification, Aboriginal participation, cultural enhancement and infrastructure development. This flagship program provides a focus for Government to invest in fundamental infrastructure. Initial State and Federal government funding has been essential to attract long term private sector investment to create regional communities with amenities that meet expectations of a workforce with a relatively high disposable income.¹⁵

District Allowances

This is an allowance paid by the WA State Government to public sector employees living in remote areas. On July 31, 2010 the Minister for Regional Development, Brendon Grylls announced that \$110.8 million in *Royalties for Regions* funds would be used to substantially increase district allowance payments for eligible regional public sector employees. The offer assisted more than 7,000 eligible public servants located in regional areas and was paid specifically to assist with the higher cost of living, climate and isolation that workers in remote and regional areas face and to prevent the loss of these important people. Employees in Karratha received a district allowance rate of \$9,393 a year from July 1, 2010 which was up from the previous rate of \$3,953 a year. This rate also applied to public sector employees in the Roebourne-Wickham-Point Sampson area. Employees in the Kimberley received increases from \$2500 to \$4500 per year. Eligible employees with dependents received double this amount.¹⁶

¹⁵ <http://rdl.wa.gov.au/royalties/r4rpilbara/Pages/default.aspx>

¹⁶ <http://www.mediastatements.wa.gov.au/Pages/WACabinetMinistersSearch.aspx?ItemId=133830&search=District+Allowance&admin=Barnett&minister=Grylls&portfolio=®ion=>

Zone rebate scheme

Section 79A of the *Income Tax Assessment Act 1936* provides tax concessions for people residing in special zoned parts of Australia for more than six months of the year. Unfortunately, these zone boundaries have not been reviewed since 1956 and the base amount has not changed since 1993-94 financial year.¹⁷ As the WA Chamber of Commerce and Industry stated recently, the zone allowance is 'so insignificant most tax payers [do] not know they receiv[ed] it and it [does] not work as an incentive for people to move to qualifying areas.'¹⁸

The Nationals WA submit that the federal zone allowance tax concessions be reviewed as part of this inquiry and that the committee refer to the WA district allowance scheme as a successful model. We also submit that any such allowance should only be paid to persons who live *and* work in regional and remote locations. There is a considerable disparity between salaries earned by FIFO employees and those living in regional Australia working for small business and in essential services. That disparity provides the reason for rebates such as the district allowance and zone rebate scheme, and it is vital they are regularly reviewed to ensure that the amount paid provides incentive for workers to move to regional Australia.

Conclusion

The Nationals WA welcome the opportunity to make a submission on the use of FIFO workforce practices in regional Australia. This submission highlights a number of issues that could be addressed by the Committee as part of the enquiry.

The FIFO lifestyle can be a lonely one, with long working days in extreme weather conditions. Workers are often separated from their families for long periods of time, and accommodated in large mining camps some distance from the nearest town. This lifestyle can have far-reaching impacts on family and personal relationships, the physical and mental health of the worker and social and economic impacts for the regions, State and Nation.

It is imperative that this Committee consider what measures can be put in place at all levels of Government to encourage mining companies to base permanent workforces in regional towns. The Nationals submit that Government has a key role in underpinning investment in regional Australia to make it a better place to live, work and invest. Mining will not continue forever, and we need to ensure that when our mines start closing down, we are left with populous, vibrant and self-sustaining regional municipalities with usable infrastructure.

Measures such as taxation incentives, financial grants and employment programs to move FIFO workers into our regions to live permanently near their place of work will not only assist workers in terms of health, happiness and reduced fatigue but also boost mining productivity and our national economy. It is in the national interest to disperse our population into regional areas to ensure the balanced development of Australia.

Thank you for the opportunity to put forward our views to the committee.

¹⁷ <http://www.aph.gov.au/library/pubs/rn/2000-01/01RN26.htm>

¹⁸ *Harvey Mail* 5/10/2011 "WA business chamber calls for tax incentives to move to bush."