



Appendix A – Articles published in the *West Australian*



Windsor declares tax war on 'cancer' of FIFO

EXCLUSIVE

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Federal Political Editor

Resources companies are at risk of losing lucrative tax perks worth hundreds of millions of dollars as a result of a Government-dominated committee report likening fly-in, fly-out work practices to cancer.

The West Australian understands that the committee headed by rural independent MP Tony Windsor will recommend that fringe benefits tax exemptions be scrutinised, with a view to eliminating them. Removing FBT exemptions could risk making some mining operations unprofitable, threatening jobs.

The regional Australia committee's majority report, to be made public on Wednesday, is sub-titled "Cancer to the Bush or Saviour to the City?" and is critical of the social and economic effects of FIFO and drive-in, drive-out workforces.

It says tax policies, especially the FBT exemptions introduced from 1986, have contributed to the explo-

sion in FIFO workers in places like the Pilbara in WA and the Bowen Basin in Queensland. FBT exemptions apply to transporting, accommodating and catering for FIFO workers and can be worth thousands of dollars for every employee.

Fortescue Metals Group has calculated the flights and accommodation costs for a FIFO worker in the Pilbara is \$48,000. This cost would be about double if FBT exemptions were removed. FMG told the committee that the cost of employing a residential employee was \$150,000 because the company paid "substantial" tax on housing subsidies which were not FBT-exempt.

According to the Chamber of Energy and Minerals WA, about 52 per cent, or 46,800, of the almost 90,000 workers in the State's minerals sector in 2011 were employed on FIFO rosters.

WA Liberal MP Barry Haase is one of the three coalition MPs on

the committee. It is understood that Victorian Liberal Dan Tehan wrote a dissenting report.

Mr Windsor signalled several months ago that FBT exemptions and other tax incentives were in his committee's sights. "We want to ensure that Australians living in regional and remote communities are assisted, not disadvantaged, by taxation policy," he said in August.

Some remote councils have complained that FIFO employees do not pay rates in their place of work yet use all of the local infrastructure.

Minerals Council of Australia's chief executive, Mitch Hooke, said it was a myth that mining was "hollowing out" regional Australia.

Mr Hooke said a study by KPMG had debunked this idea, showing that in mining regions there were higher incomes, greater education-

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al attainment, lower unemployment and more families and working-aged residents than in regional Australia. In the Pilbara, the permanent resident population grew 7.3 per cent per year between 2006 and 2011 compared with 0.8 per cent

for the rest of regional Australia.

"Any report on FIFO that likens it to a cancer on regional Australia should be treated with deep scepticism," Mr Hooke said. "Far from being a cancer, FIFO is one of the principal mechanisms for spreading the benefits of the boom."



EDITORIAL

Stripping tax perks from FIFO puts resources industry at risk

A Federal parliamentary committee headed by the independent New England MP, Tony Windsor, will tomorrow release a report on fly-in, fly-out work practices in the resources industry. His majority report has been given the dichotomous sub-heading “Cancer to the Bush or Saviour to the City”.

FIFO is neither a cancer nor a saviour, it is a way of getting people from where they reside to where they work. It just happens to be that a lot of people like living in cities, with all their amenities, access to education and culture, as well as proximity to their extended families or communities. Also, a lot of mines are in places with limited social infrastructure and expensive accommodation.

Mining delivers substantial employment to regional areas that, often, would otherwise have little or no industry. FIFO arguably reduces the potential local benefits and imposes localised costs that should arguably be born by the wider community, or by the resources companies.

The committee report is likely to recommend the potential elimination of exemptions from the fringe benefits tax for company spending on transporting, housing and feeding FIFO workers.

A decision by the Labor government in 1986 to impose the FBT on housing subsidies for workers in remote communities has been blamed, in part, for the creation of massive FIFO workforces. It is one thing to point to an historical mistake, it is another thing to rush headlong into a new mistake that could endanger the future viability of an industry.

Any debates about the development of projects worth billions of dollars cannot be started with the assumption that they are going to happen and will keep going. Bankers, investors and boards have to be convinced that the numbers stack up, risks are as well known as possible and things can be done to mitigate most possible dangers.

If a Federal Government makes changes to the tax regime to encourage more investment in remote housing and to discourage FIFO, they had better do it in a way that does not damage the viability of projects and gives the industry plenty of time to adjust.

While we have an advantage in being close to China, Australia is facing tough competition from Africa and the Americas for resources dollars and we have to be careful about artificially inflating costs.

It is often not viable to build a town around a remote mine and any such community becomes highly vulnerable to fluctuations in the fortune of the project. Resources companies are vulnerable to sudden shifts in international markets and have highly variable labour demands.

Any changes to tax laws aimed at promoting development in the bush must not be punitive but recognise the myriad factors affecting the industry, including the difficulty of getting access to serviced lots in remote areas and poor planning policies.

Rather than broad generalisations, there will be answers in the detail. As a starting point, we look forward to the contributions of Mr Windsor’s committee.