

Isaac Regional Council (IRC) provides this submission regarding the Productivity Commissions draft report into geographic labour mobility to highlight key areas of interest and concern. While IRC broadly supports the Productivity Commissions approach and methodology and considers the draft report reflective of a balanced perspective there are some critical geographic labour mobility issues which do not appear to have received a level of emphasis commensurate with their capacity to distort and undermine the ongoing sustainability of regional economies.

DRAFT FINDING 8.1

The main impediments to geographic labour mobility relate to personal factors and in particular, family circumstances. Attempts by government to act in contradiction to these factors are unlikely to be effective or improve community wide well-being.

The Productivity Commissions report suggests efficient job matching involves

‘The process of matching workers to jobs takes place through employers deciding where to locate their activity (labour demand) and individuals deciding where to live and work (labour supply)’ p8.

However, individual workers are no longer guaranteed genuine choice in geographic labour mobility decisions.

Recently the resource sector made unprecedented changes to workforce arrangements which removed genuine choice from the labour market. BHP Mitsubishi Alliance not only secured Queensland government approval for a 100% FIFO workforce for its Caval Ridge and Daunia Mines, near Moranbah in the Bowen Basin, but further specified potential employees would only be recruited from Cairns or Brisbane, metropolitan areas. These locations have little historic association with the resource sector other than (as in Brisbane’s case at least), house corporate offices and benefit greatly from the wealth generated from the resource sector to the Queensland Government.

The Caval Ridge and Daunia mines example cited above is inconsistent with the finding of the report and demonstrates impediments to Geographic labour mobility are further attributable to industry determined settlement patterns. In light of the Queensland Government’s apparent determination to pick the cream from resource regions and communities in a bid to sustain metropolitan areas, it is not unreasonable to assume further resource sector projects will be able to secure approval for similar workforce arrangements to the extent that FIFO will become the only geographic labour mobility choice for workers regardless of ‘personal factors and particular family circumstances’.

Further, the current tax regime incentivises FIFO work practices over permanent residential moves. The productivity commission’s draft report suggests ‘Much of mining is located in remote areas, so employer provided accommodation can be eligible for FBT concessions for both FIFO and resident employees.’ However it is not only FBT exemptions and concessions that serve to skew the tax system in favour of a non-resident workforce.

IRC strongly urges the productivity commission to uphold the following recommendations from the House of Representatives FIFO inquiry in order to remove distortions to the labour market and assist with re-establishing genuine choice in the labour market:

Recommendation 12

The Committee recommends that the Commonwealth Government review the *Fringe Benefits Tax Assessment Act 1986* to examine the:

- removal of impediments to the provision of residential housing in regional communities;
- removal of the exempt status of fly-in, fly-out/drive-in, drive-out work camps that are co-located with regional towns; and
- Removal of the exempt status of travel to and from the workplace for operational phases of regional mining projects.

Recommendation 13

The Committee recommends that the Commonwealth Government review the *Fringe Benefits Tax Assessment Act 1986* to:

- remove the general exemption for fly-in, fly-out/drive-in, drive-out workers from the 12-month limit of payment of the living away from home allowance;
- enable specific exemptions for construction projects that have a demonstrated limited lifespan; and
- enable specific exemptions for projects in remote areas where the fly-in, fly-out/drive-in, drive-out work practice is unavoidable.

Recommendation 14

The Committee recommends that the Commonwealth Government review the Zone Tax Offset arrangements to ensure that they are only claimable by permanent residents of a zone or special area.

Recommendation 15

The Committee recommends that the Commonwealth Government review the Zone Tax Offset to ensure:

- that it provides reasonable acknowledgement of the cost of living in remote Australia;
- that the zones are based on a contemporary measure of remoteness;
- that the zones are based on up-to-date census figures; and
- that it includes a mechanism for regular review to ensure that the offset reflects accurate population figures.

DRFAT FINDING 11.1

‘Geographic labour mobility has been an important mechanism for adjusting to the demographic, structural and technological forces shaping the Australian economy. It has been assisted by the considerable flexibility shown by employers and employees in overcoming the effects of impediments to mobility. The increase in long-distance commuting and temporary immigration has been particularly important, and should not be impeded by excessive regulation.’

However, while an increase in FIFO/DIDO (long-distance commuting) may have been necessary in the short term, embedding the FIFO model into resource regions is likely to diminish the economic

viability of the regional economies that continue to underpin Australia's economic outputs over the long term and represents an unsustainable approach to economic growth.

The unsustainability of FIFO workforces over the long term has been recognised by industry. Rio Tinto's Clermont Mine was one of the first projects to recruit a predominantly FIFO workforce. Interestingly, Rio Tinto discovered this recruitment strategy to be unsustainable in the long term and subsequently changed their workforce solution to a local residential model, supported by FIFO practices to enable genuine choice for their employees.

The introduction of 457 visas as a replacement for investment in education and skills development poses a significant threat to the Australian Labour markets capacity to respond to market signals through geographic labour mobility. An under-skilled workforce cannot meet the needs of industry regardless of employment options available.

DRAFT FINDING 12.1

'Where this has not already occurred state and territory governments should remove or significantly reduce housing related stamp duties and increase reliance on more efficient taxes such as broad based land taxes.'

and

DRAFT FINDING 12.2

'State and territory governments should ensure there is a responsive housing supply through efficient planning and flexible land release. In its benchmarking study on planning, zoning and development assessments, the Commission identified a number of leading practices that can significantly improve the governance, transparency, accountability and efficiency of these processes. Where this is not already occurring, state and territory governments should implement these leading practices.'

IRC agrees housing availability and affordability can be a key impediment to geographic labour mobility and broadly supports the productivity commission's draft recommendations 12.1 and 12.2.

However, many multi-national resource companies monopolise and influence regional housing markets to support their preferred FIFO/DIDO workforce practices. After skills shortages, lack of available land for residential development is cited as a justification for recruitment of a non-resident workforce. In reality, resource companies have enacted 'land-banking' practices whereby they purchase land zoned for residential development in order to remove it from the market with no immediate intention to develop it to permit permanent relocation options for workers. An undersupplied housing market ultimately impacts housing affordability. In the case of resource communities the level of capital investment required to break into the market was beyond the scope of average income earners and private housing stock is largely controlled by investors seeking greatly inflated return on investment through greatly inflated rents.

While a shift from stamp duty to broad based land taxes should, in theory, drive down housing prices and reduce the attractiveness of retaining undeveloped land or un-utilised housing stock, the

extent to which this will influence the behaviour of multinational mining companies, with a strong agenda to shift to an embedded FIFO model, is questionable.

In terms of recommendation 12.2, the Queensland government may consider that Economic Development Queensland (EDQ) is already fulfilling the role of ensuring 'there is a responsive housing supply through efficient planning and flexible land release'. However in the Isaac experience at least, state government planning efforts appear to largely support industry objectives, with residential land being given over to the development of large scale mining camps. Furthermore, EDQ planned housing developments have demonstrated poor understanding of the local community needs, imposing tightly spaced, camp-like residential housing that is not at all family friendly, nor particularly desirable living conditions for even single or double occupants.

As such, appealing to state government and industry to adopt a 'best practice' approach, without legislative reinforcement, is likely to be ineffective.

DRAFT RECOMMENDATION 12.6

State governments should ensure that local governments have the capacity to manage the effects of population change in their areas. In particular, state governments should:

- **review the restrictions imposed on local governments capacity to raise own-source revenue**
- **emphasise early local consultation as part of their planning and approval processes**

It is not enough to simply emphasise early local consultation in state government planning and approvals processes. In fact, many resource communities become over consulted since the same government and community stakeholders are being asked the same questions by multiple proponents. It is the effectiveness and transparency of the consultation process that determines optimal outcomes.

With numerous resource projects in the advanced planning stage in the Isaac LGA, Isaac Regional Council is regularly consulted by resource companies. However, the advice given and concerns raised appear largely ignored by state government who remain content for industry to assume the role of government.

Isaac's water supply challenges are a prime example of state and federal government allowing industry to determine the future of resource communities. At present the Isaac LGA has no secure water allocation to supply its communities and is dependent on industry permission to use some of their water allocation. The Queensland Government's Connor's River Dam project, which would have facilitated an independent supply for the region, has been shelved indefinitely leaving Isaac's resource communities in an extremely vulnerable position. Despite this, the state government continues to approve resource projects which will result in significant non-resident population growth in the region and additional water stress.

Similarly, although the Queensland Government releases its own estimates of the non-resident population, funding decisions remain based on the resident population only. **Recommendation 12.6 should be expanded to include recognition of the non-resident population in funding decisions.**

While local governments strive to facilitate choice and balance for the labour market, until Councils are recognised, skilled and empowered as key stakeholders in determining the future of their communities, industry will continue to dictate the future of Australia's regions with little regard for the ongoing viability of communities post-mining.