The Impact of Fly-In/Fly-Out on Housing Affordability in Western Australia

Research Report

November 2013
Executive summary

Resource boom towns in rural and regional Australia are currently experiencing a housing shortage and supply crisis due to the impact of a ‘fly-in/fly-out’ workforce. Some regional resource towns have experienced dramatic increases in housing costs, pushing many low and moderate income households out of housing and out of the locality. For example, the median house sale price was $860,000 in Port Hedland and $687,500 in Karratha as of June 2013. This is well above the current Perth median of $515,000 for the same period. High housing costs are negatively affecting the community in a variety of ways. It has caused rental market failures in some areas; has led long-term residents to be pushed out of the housing market; and has also been the cause of community crisis in some places, such as Karratha (McKenzie, Phillips, et al. 2009). The importance of resource industries to the economic prosperity of Western Australia is undeniable, but currently the effects on supporting areas have not been adequately managed, especially in terms of affordable housing.

This report draws on findings from the House of Representatives Standing Committee on Regional Australia and research from the Australian Housing and Urban Research Institute and other housing researchers. The purpose of this document is to facilitate strategic and policy changes by key stakeholders, including state and local governments, with the aim of achieving more affordable housing options for rural and regional communities affected by the impact of resource industries. It includes the following recommendations for Federal, State and local governments:

- Reform planning processes to facilitate a more efficient land release and development application procedure.
- Increased role by local governments in the provision of affordable housing in rural and regional Western Australia, with strong support from State government.
- Changes to how ABS census data in rural and regional areas is collected to account for FIFO workers. More accurate collection of data regarding the resident and non-resident population in regional areas will ensure funding allocations reflect the actual needs of local populations, with the potential to contribute to the development of more affordable housing in those communities.
- Increased investment by Federal and State governments in social housing (public and community) in regional areas.
- A review by the State government to assess options for a housing support system to reduce the levels of housing stress in the private rental market in regional WA.
- Additional research by the State government to determine the supply and demand needs for affordable housing in resource communities, to develop innovative solutions to address housing needs along the continuum including crisis accommodation, social housing, private rentals and affordable home ownership.
About Shelter WA

Shelter WA is the peak body for affordable housing and homelessness in Western Australia. It is an independent community based organisation committed to accessible, affordable and secure housing for every Western Australian. Shelter WA provides a link between government and the community, through consultation, research, systemic advocacy, policy advice and development. Our role is to provide an independent voice on housing rights and options in the state along the housing continuum, with a focus on low to moderate income earners, those who are otherwise disadvantaged in the housing market and people experiencing homelessness. Shelter WA promotes secure, affordable and appropriate housing options including social housing (public housing and community housing), affordable housing provided through the private sector, and affordable home ownership.

What is fly-in/fly-out?

The term ‘Fly-In/Fly-Out’ (FIFO) is used to describe a long distance commuting work practice, whereby workers travel from a home location to a remote work site, often at a distance from existing rural and regional communities (Storey, 2010). It is a term which is generally used to describe ‘circumstances of work where the place of work is sufficiently isolated from the worker’s place of residence to make daily commute impractical’ (Watts, 2004, p. 26). Watts (2004) describes that workers partaking in this practice generally work in:

- Remote locations where the resource company typically provides and funds accommodation, food and other services for their workers, but not their families.
- Work a roster with a fixed number of days at the worksite followed by a fixed number of days at home.
- Workers’ place of origin is usually a large city, coastal community or large established town.

The prevalence of fly-in/fly-out work practices in WA

Since the 1970s, FIFO has become common practice, especially for new resource developments located in remote locations. Traditional mining towns, such as Kalgoorlie-Boulder, Karratha and Newman were originally designed to be live-in communities, providing a wide range of services and amenities to their resident populations. In recent years however, there has been a shift away from this type of operation. Corporate interests have focused on a ‘lean and flexible’ mode of production, leading to single industries in remote communities and less construction of community infrastructure (Morris 2012). This ‘lean and flexible’ mode of production has meant the role of fly-in/fly-out has increased dramatically and will continue to increase, as shown in Table 1.
The heightened economic activity in the State has impacted on Western Australia’s population and local communities. McKenzie (2011) notes that patterns of migration and internal mobility are shifting; the rate of interstate immigration is at its highest level since federation. The population in Western Australia is steadily increasing (12.8% between 2006-2011), and while the majority of the population resides in Perth (77%), the Australian Bureau of Statistics (2008) reports that ‘many of the new jobs created by the resources boom are full-time...in regional mining areas’. Research suggests jobs which are being created from the mining boom are more likely to be fly-in/fly-out or long-commute positions (McKenzie 2011).

**Benefits of the use of fly-in/fly-out**

The resource industry has had a significant impact on the Western Australian, and indeed Australian, economy. Mining has been a major generator of export income for Western Australia, currently standing at around 70% of total export revenue (Department of Treasury and Finance 2009). From 1990-2012, the Western Australian economy has more than doubled, and mining has been a strong contributor to this, increasing its proportion of Gross State Product (GSP) from 15 to 33% at $71 billion (Department of State Development 2012).

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage of employees on FIFO rosters</th>
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</thead>
<tbody>
<tr>
<td>WA State Mining Sector</td>
<td></td>
</tr>
<tr>
<td>All mining sector employees</td>
<td></td>
</tr>
<tr>
<td>Mining contractor employees</td>
<td>47%</td>
</tr>
<tr>
<td>Mining company employees</td>
<td>77.7%</td>
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<tr>
<td>(CMEWA, 2005; CMEWA, 2011)</td>
<td>37.5%</td>
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<tr>
<td></td>
<td>52%</td>
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<tr>
<td></td>
<td>57%</td>
</tr>
<tr>
<td>Pilbara Region</td>
<td></td>
</tr>
<tr>
<td>All mining sector employees</td>
<td></td>
</tr>
<tr>
<td>(Watts, 2004; Waller, 2010)</td>
<td>43%</td>
</tr>
<tr>
<td></td>
<td>57%</td>
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<td></td>
<td>62%</td>
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</tbody>
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Source: (Morris 2012, 7)

There are many advantages for employers and employees from the use of a FIFO workforce, as compared with living in a ‘host’ community. For example, the increased cost involved with the fringe benefits tax (FBT), has turned employers away from providing on-site accommodation. The tax is only levied on ‘permanent’ residents at the mine site, not commuting employees. Therefore, it makes less financial sense to invest in permanent infrastructure. FIFO employees are also able to claim the living away from home allowance and zone offset allowance. A worker living in a rural or regional area is actually at a financial disadvantage compared with a worker located in Perth in the same job with a fly-in/fly-out work arrangement. Some resource companies are providing an additional financial incentive for workers who choose to live in the local community. However, without also providing the necessary infrastructure and housing, this again puts increased pressure on local communities.
The most significant reason for employees preferring fly-in/fly-out arrangements though is the ‘flexibility and choice’ it can provide for workers, especially workers with existing family and community ties in their home communities (Creating Communities, 2012). For this reason it is an important way for the mining industry to attract and retain skilled staff to remote and regional locations.

**Housing affordability and land release**

**Recommendation 1:** Reform planning processes to facilitate a more efficient land release and development application procedure.

**Recommendation 2:** Increased role by local governments in the provision of affordable housing in rural and regional Western Australia, with strong support from State government.

The House of Representatives Standing Committee on Regional Australia’s (2013) report *Cancer of the bush or salvation of our cities* contends that the lack of housing availability and affordability in resource communities has contributed to the use of a FIFO workforce. A fundamental lack of affordable housing is pushing prices beyond the reach of many workers and making resource towns an unattractive option for new residents. The report explains that the ‘primary cause of the current accommodation crisis in resource communities is a lack of adequate planning and appropriate land release’ (House of Representatives, 2013, p. 79). This has been an enduring issue in Western Australia in general, but is especially detrimental in areas with high demand, such as in resource towns. The report also states:

> The only way to adequately address housing affordability is a staged, planned, process of land release. The availability of land for the development of new housing in resource communities is essential to increasing the supply of affordable housing. The support of state governments is essential for successful planning and development of large housing projects in resource communities. (House of Representatives, 2013, p. 84)

The WA Government has recognised this issue and tasked the Regulatory Gate Keeping Unit within the Department of Finance to review planning and building approvals processes. It is fundamental that housing affordability is maintained as the key driver in the review process, to ensure it remains at the forefront of rationale for any policy changes in this area.

Local and State governments need to be the drivers in growing the supply of affordable housing. Some local governments note the desire to have a greater involvement in shaping the type, location and structures supporting their housing markets more broadly, and affordable housing in particular (Beer, et al. 2011). Local governments can be limited in their capacity to achieve this though; this is especially true where State arrangements exist for the control of properties, which currently occurs in many mining communities (Beer, et al. 2011). In these cases, local governments will need to work closely with State government agencies and resource companies.
As stated previously, the timely release of land has been a significant issue which has restricted the supply of housing and has caused housing affordability issues in regional towns in WA (McKenzie 2011). Although local governments are best positioned to make relevant planning decisions with regards to ‘appropriate’ land for such housing, studies of rural areas suggest that local governments have not taken a proactive role in planning for housing provision (Beer, et al. 2011). Local governments and State agencies need to work together to ensure appropriate planning tools are in place when land is released.

Lack of funding can be a barrier for local governments to grow affordable housing. Even if local governments want to take a pro-active role in developing affordable housing, or partner with property developers or community housing providers, current structures do not allow it. The report by the Community Development and Justice Standing Committee (2011) confirms that local governments in Western Australia are currently restricted from borrowing against the value of their land to fund their share of an affordable housing development. This is restricted by Section 6.1 of the Local Government Act of 1995. Shelter WA supports the Community Development and Justice Standing Committee’s recommendation that this restriction be removed. Removing this restriction will result in a more efficient and productive use of government land, which may be otherwise left undeveloped. Removal of Section 6.1 of the Local Government Act 1995 could allow local governments across Western Australia, including in regional areas where it could have a significant impact, to have a greater role in the development of affordable housing (Beer, et al., 2011). This will also support increased revenue for local governments from affordable housing sales, and additional ratepayers from the increased housing stock.

More affordable housing incentives need to be targeted at regional areas to increase the supply of social and affordable housing. Some local government officers in regional areas may not be aware of the Housing Affordability Fund (HAF) and National Rental Affordability Scheme (NRAS). There needs to be a dissemination of information on housing programs and products to regional areas and support to apply for such schemes. Rural and regional councils are typified by smaller budgets, limited capacity to complete lengthy application processes, restricted scope to work with multiple partners, and, for some areas, high turnover of staff (Beer, et al. 2011). Targeting programs to these areas is an obvious step in the growth of the affordable housing market.

Local governments can also promote affordable housing through effective planning mechanisms. The Shelter WA Local Government Guide to Developing an Affordable Housing Strategy provides information on changing planning policies and strategies to facilitate the creation of affordable housing. The appropriate use of Affordable Housing Strategies at a local government level, coupled with strong state support, can facilitate more affordable housing by tailoring planning mechanisms to local market conditions. For example, in high demand regional areas, the use of barrier reduction strategies and planning incentives can promote the creation of more affordable housing. These strategies and incentives are detailed further in the Local Government Guide to Developing an Affordable Housing Strategy.
**ABS reporting underestimates fly-in/fly-out impacts**

**Recommendation 3:** Changes to how ABS census data in rural and regional areas is collected to account for FIFO workers. More accurate collection of data regarding the resident and non-resident population in regional areas will ensure funding allocations reflect the actual needs of local populations, with the potential to contribute to the development of more affordable housing in those communities.

The scale and impact of the FIFO workforce is difficult to quantify as the Australian Census does not specifically capture this information and the fluidity of the workforce makes it hard for local authorities to calculate their presence in regional areas (Beer, et al., 2011; McKenzie, 2011; Morris, 2012). This has significant implications for local government funding, given that governments rely on census data when allocating funds. Due to a reduced number of persons noting their ‘usual’ address as their remote residence, where they spend more than six months of the year, local governments in regional and rural areas receive less funding for infrastructure and services than they could. This issue is outlined in a statement from the Shire of Ashburton:

> Existing planning, for the impact of FIFO workforces, by the State Government and the resource industry is severely compromised by grossly inaccurate Australian Bureau of Statistics population data, which underestimates the permanent population in the region by approximately 20% (House of Representatives, 2013, p. 29).

This under-resourcing has also meant that policy initiatives can be muted entirely in rural and regional areas (Beer, et al. 2011). In these areas there can be limited capacity to successfully bid for federal funding, compared to better resourced metropolitan markets. There is also often a limited local labour force for undertaking short-term building projects in these areas (Beer, et al. 2011). This therefore has created a vicious cycle; local governments are under-resourced due to the transiency of workers, and then due to the lack of resourcing they can not apply for other much needed initiatives because metropolitan local governments have a greater capacity to develop funding applications.

The House of Representatives Standing Committee on Regional Australia suggests the establishment of a cross-jurisdictional working group to develop and implement a method to accurately measure the extent of fly-in/fly-out, drive-in/drive-out practices and the services required in resource communities. The report also recommends that the state and territory governments review procedures so funding is based on both residential and non-residential populations.

Shelter WA supports these recommendations to ensure more equitable funding allocations in regional communities. A better resourced local government can provide services appropriate to its population and plan for future growth. New housing developments requires services, such as power, water and sewerage to be connected, which are the responsibility of local governments. More appropriate funding will allow these services to be delivered (UDIA, 2013).
Rental market failure and increased need for social housing

**Recommendation 4:** The Federal and State governments to increase investment in social housing (public and community) in regional areas.

**Recommendation 5:** The State government to undertake a review to assess options for a housing support system to reduce the levels of housing stress for private renters in regional WA.

In many regional areas low-income rental stress is twice as high as mortgage stress (Australians for Affordable Housing, 2011). It can be seen that in many areas, 20 to 40% of low-income earners are experiencing rental stress in rural and regional areas. There is clear evidence that the rental market in regional areas is undergoing market failure, and there are concerns for a reduced ability for low income earners to access affordable rental housing and transition from renting to home ownership (Beer, et al. 2011). This is illustrated in the graph below, which shows the increasing weekly rents in Pilbara resource towns compared with rental movements in the Perth metropolitan area.

![Average Rental Costs, Pilbara vs Perth](image_url)


Many low income earners, who could afford rentals elsewhere in the State, cannot afford to rent privately in rural and regional areas (Morris 2012). Those who are not able to access social housing (which is an essential part of the housing continuum for low income earners), due to inappropriate income criteria or lack of housing, get pushed out of regional areas. There are also many hidden costs at the bottom end of the market. Aboriginal households are especially affected by hidden housing costs, as many Aboriginal households move in with other family members when they can’t manage increasing household costs, which places them in severe overcrowded living conditions (McKenzie, Phillips, et al. 2009).
According to the House of Representatives Standing Committee on Regional Australia (2013), there has been a failure to adequately address regional housing requirements through the Commonwealth housing assistance programs. Several Commonwealth and State funded programs include the Housing Affordability Fund (HAF), Building Better Regional Cities Program (BBRC), the National Rental Affordability Scheme (NRAS) and Commonwealth Rent Assistance (CRA).

The report outlines a failure in social housing initiatives in the regions:

Despite the desperate need for affordable housing, the Social Housing Initiative (SHI), a part of the National Building Economic Stimulus Program, constructed very few social housing dwellings in resource communities. The program constructed three dwellings in Karratha; two in South Hedland; nine in Roebourne and fourteen in Kalgoorlie (House of Representatives, 2013).

This is quite alarming considering that 1,832 properties were constructed in Western Australia under the scheme, and only 28 were in high need regional areas (KPMG, 2012). While these initiatives were valuable, they did not reduce waiting lists and wait times for social housing, according to a KPMG review of the initiative. Both measures actually increased dramatically over the time the housing program was in operation. According to KPMG (2012) the wait list size for social housing in Western Australia increased from 16,932 to 24,136 persons between 2008-9 and 2010-11. Also, over the same time, average wait times increased from 91 to 113 weeks for social housing. The Social Housing Initiative provided an important investment in social housing, but it was insufficient to deliver adequate supply to meet the growing need for affordable housing in regional WA.

The National Rental Affordability Scheme has the potential to increase the supply of affordable rentals in WA. As of June 2013, 2,159 of WA’s 5,470 allocated NRAS incentives will be located in regional or remote parts of the state (Australian Government, 2013). NRAS properties are aimed at key workers and others earning a moderate income, but still unable to access appropriate accommodation in the private rental market. NRAS properties are generally not going to be appropriate for people on very low incomes or on benefits, who may require other assistance to remain in the private rental market or to access social housing.

Households not considered in sufficient need for social housing must find accommodation in an increasingly competitive private rental market. This is almost impossible as even moderate income earners have been pushed out of the market. Low income households eligible for Commonwealth Rent Assistance can’t afford private accommodation in resource communities. Current levels of CRA are too low to sustain families and individuals in capital cities, and are even less sustainable in resource communities where the cost of living is higher, due to inflated prices caused by the mining boom (Gilbert 2012), and by high transportation costs lifting the price of household goods. The lowest rents in regional towns are out of reach of many low-income earners and families who do not receive housing payments from an employer.
Rents in some resource towns have escalated to such extreme levels that even with a subsidy they remain unaffordable. In these communities high rates of housing stress exist, even for those on relatively high wages. Commonwealth Rent Assistance does not take into consideration different housing markets and high rents in resource communities, so even after tenants receive CRA many remain in housing stress.

Shelter WA recommends that the State government undertake a review to assess options for a state-based housing support system to reduce the levels of housing stress in the private rental market. It is well documented that CRA in its current form is inadequate to alleviate housing stress. Aside from the Commonwealth increasing CRA, there may be other, more cost-effective ways to better target housing assistance to those in need and alleviate housing stress for low income renters in WA. This could take many different forms, but could include a state-based housing support program, broadening the Department of Housing’s Rental Pathways Program, or creating other initiatives.

The purpose of investigating ways to ease housing stress in the private rental market in Western Australia is to support low income households able to access housing in the private rental market, but which places significant financial hardship on those households. Developing a state-based housing support program will also alleviate the pressures on the Department of Housing waiting lists. The review would assess the feasibility of such a system, the potential impact on levels of housing stress, and how it could be implemented in conjunction with a broader strategy to increase the supply of affordable rental accommodation.

**Research on housing affordability in the regions**

**Recommendation 6:** The State government to undertake additional research into the supply of, and demand for, affordable housing in resource communities, and develop innovative solutions to meet housing needs along the continuum including crisis accommodation, social housing, private rentals and affordable home ownership.

Western Australia has seen thousands of people move through rural and regional areas for reasons of employment. The resource boom and increasing transient workforce has put significant pressure on servicing, infrastructure, and housing in these regional and remote areas. This workforce transiency and FIFO practices have been occurring substantially for three decades. Nevertheless, available research into housing issues and shortages in rural and regional areas resulting from this phenomenon is limited. Housing affordability remains an important issue across Australia, but while most studies have focused on the challenges of housing stress within metropolitan regions, very few have delved into the issues in rural and regional markets, which are notably different to those of metropolitan areas. Housing stress in some regional areas has been noted to be comparable to levels evident in metropolitan regions, and in some areas significantly higher, such as in the Pilbara (Beer, et al. 2011). This is more concerning for regional areas, as the people experiencing this stress are generally long term residents, who are critical to the social fabric of the towns where they reside.
The Pilbara Cities project was established under the Royalties for Regions program. Pilbara Cities was put in place by the Department of Regional Development and Lands and is now under the control of the Pilbara Development Commission. The Pilbara Cities vision is to accommodate an increase in population of the cities of Karratha and Port Hedland to 50,000 people and Newman to 15,000 people by 2035. These programs were developed to provide increased residential land and housing, supported with appropriate infrastructure. Little analysis exists of the extent to which this project has been successful in alleviating housing affordability issues, which becomes increasingly important with higher growth targets.

The House of Representatives Standing Committee on Regional Australia report regularly cites the Western Australian Government’s Royalties for Regions as a significant driver of growth in the resource communities of Western Australia. The program reinvests 25 per cent of mining and onshore petroleum royalties into regional Western Australia to fund projects including infrastructure and housing. This program has worked towards increasing the supply and affordability of housing in regional areas, especially for key government workers. The Department of Regional Development and Lands has been active in their effort to tackle the housing problem; through funding from Royalties for Regions there has been a commitment of $122.5 million for Government Regional Officers’ Housing (GROH) which has yielded 400 houses thus far. Through the Delivering Affordable Housing Project an amount of $355.5 million has been committed to development investment, innovative housing construction, key worker accommodation and housing for key workers. The Non-Government Organisational Housing project has also delivered 58 houses. All of these have contributed to housing supply in regional areas. Yet significant demand still exists, especially among non-government workers.

A recommendation from the Cancer of the bush or salvation of our cities report was to urgently develop and implement a strategy to address the supply of affordable housing in resource communities (House of Representatives, 2013). A review, such as this, is essential for progress in regional housing markets. Shelter WA recommends that this review take place, at least at a State level, and ideally also at a Federal level. Such a review should include an analysis of demand and supply in regional centres affected by the fly-in/fly-out workforce, and an assessment of the capacity for State government projects such as Royalties for Regions to contribute to the supply.

**Conclusion**

FIFO work arrangements have increased in recent years in WA and are projected to increase further still. It is unclear whether the State government supports or opposes fly-in/fly-out work arrangements and how it will cope with rising housing costs in resource communities (Department of Planning, 2012; Local Government Planner’s Association, 2013). Fly-in/fly-out work arrangements continue to cause significant challenges for rural communities, not just in terms of housing accessibility and affordability, but also the social and infrastructure pressures stemming from this.
Addressing housing affordability in rural and regional areas, which has been heavily impacted by the emergence of fly-in/fly-out practices, is going to take many years. While there are numerous programs in place to make housing more affordable in the regions including Commonwealth Rent Assistance, Government Regional Officers’ Housing, and Royalties for Regions initiatives such as Pilbara Cities, significant demand still exists. This has led to inflated house prices, and put many households in housing stress, especially those in the rental sector.

Increasing housing affordability in resource communities will require action on several fronts. This will include changes to planning processes to facilitate a more efficient land release and development application procedure; an increased role for local governments in growing the supply of affordable housing appropriate to their community; changing how ABS statistics account for FIFO workers; increasing investment in social housing; reviewing options to decrease housing stress in the private rental sector; and conducting research to determine the supply and demand needs for affordable housing in resource communities. In order to address the extent of housing need, governments and resource companies need to develop innovative solutions to address current and future housing needs in resource communities, including demand for crisis accommodation, social housing, private rentals and affordable home ownership.

Federal, State and local governments have a role to play in creating new affordable housing in resource communities. Without specific programs in place, high housing costs have the potential to threaten regional communities and drive out local residents. The health and vitality of regional, resource communities in WA requires a strong commitment from government and resource companies to increase the supply of appropriate affordable housing.
References


KPMG. (2012). *Social Housing Initiative Review.* Housing Ministers' Advisory Committee.


