



Castra Consulting – Submission to the Queensland Parliamentary Enquiry on Fly in Fly out and Other Long Distance Commuting Arrangements

Castra Consulting advises Mining and Energy clients on all aspects of remote area accommodation across Australia. I have been a Director of this company for 4 years – our client and project list is attached.

In my career, I have been involved in Queensland accommodation projects in Banana, Benaraby, Blackwater, Calliope, Chinchilla, Cloncurry, Coppabella, Dalby, Dysart, Emerald, Mt Isa, Miles, Moranbah, Middlemount, Nebo, Roma, Sarina, Tieri and Wandoan

I have lived and worked in Mining communities and have grown up in small country towns in Regional WA.

I present at industry forums on this issue and am considered an expert on this topic. I would like to present my thoughts to the Committee to assist in this enquiry.

(1) There is no “one size fits all” Housing and Accommodation Policy that will suit all projects.

This is because all resources projects, and all towns, have differences. The project may be too far from the community for daily travel (half an hour each way is considered the maximum), or the Town itself may not have the infrastructure to attract residents. For example, Santos CSG Hubs are a fair distance from Roma, making daily travel difficult and hence Santos have small camps near those hubs to support operations. However, QGC have hubs close to Chinchilla and thus are accommodating much of their operational workforce in Town.

Similarly, Wandoan as a very small town may not be attractive to new residents to live in for resources projects, however a town like Dalby will be considered differently due to facilities like schools, hospitals, shops etc. The same could be said by comparing say Dysart to Emerald.

Therefore, every project needs to carefully consider the best accommodation mix to attract and retain employees for their project.

(2) Accommodation for staff for the Construction phase of projects needs to be very carefully delineated and differentiated from Accommodation for the Operational phase.

In many areas there seems to be a failure to understand the impacts of the peak requirements of a construction workforce compared to the ongoing demands of an operational workforces. Failure to plan and account for this aspect by resources proponents, local councils and the State is not uncommon, and unfortunately this leads to poor outcomes for operational workforces.

For example, I do not believe that the 3 large gas producers had clear policies as to how to accommodate their operational staff post the construction phase of their projects at the time of project approvals.

I submit that projects should not be approved unless Proponents can clearly demonstrate robust accommodation strategies for both the construction and operational phases of their projects.

An example of this can be seen in a town like Emerald. The local council has long been seen as “anti camp” for that Town. While his approach is fair and reasonable in normal times to try and encourage operational staff to live in the Town, it doesn’t take account of the short term needs of construction or project workforces. What happened in the boom was that motel or motel equivalent accommodation in the town expanded greatly, to service the additional coal workers needed. However, now those motels are not needed and as a result, many operators are facing receivership or liquidation.

A better option would have been to have say a 500 room camp on the edge of town which now, when not needed can be dismantled and removed.

(3) The State Government (not Local Councils) need to enforce the Housing and Accommodation commitments made by proponents at the approval phase of their projects.

I submit that the State Government spends a lot of time on the Housing and Accommodation Policies of proponents at the approval phase, but does not put enough time or resources into following up to ensure that commitments are enforced.

It is unrealistic to expect that companies will comply with such commitments without an enforcement regime. Management changes, priorities change and companies move on from commitments made previously

When working in a large company, it is often very difficult to source capital to spend on housing assets – when capex budgets are reviewed this is often the first of costs to be deleted. Hence lets say that company ABC made a commitment to use a temporary camp for the construction phase of a project, and then build 50 houses in a town for the operational phase 3 years later, it is going to be tempted to continue to use the camp rather than build houses

for the operational workforce. This is going to be more likely if say there has been a collapse in commodity prices or say the project has had budget overruns.

Local Councils can lack resources and staff to carry out this enforcement role, and they should be supported by the State Government.

(4) The regime for approval of Temporary Camps under the Petroleum and Gas Act 2004 needs to be reviewed.

Under the PGA, section 33 provides as follows;

33 Incidental activities

(1) The authority to prospect holder may carry out an activity (an incidental activity) in the area of the authority if carrying out the activity is reasonably necessary for, or incidental to, an authorised activity under section 32(1) for the authority or another authority to prospect.

Examples of incidental activities—

1 constructing or operating plant or works, including, for example, communication systems, pipelines associated with petroleum testing, powerlines, roads, separation plants, evaporation or storage ponds, tanks and water pipelines

2 constructing or using temporary structures or structures of an industrial or technical nature, including, for example, mobile and temporary camps

3 removing vegetation for, or for the safety of, exploration or testing under section 32(1)

Note— See also part 10, section 239, chapter 5 and section 20.

(2) However, constructing or using a structure, other than a temporary structure, for office or residential accommodation is not an incidental activity.

Note— For development generally, see the Sustainable Planning Act 2009, chapter 6 (Integrated development assessment system (IDAS)).

The reality is that there is not a clear definition of what is “temporary” under the Act. No doubt if a proponent is building a bricks and mortar permanent facility, they would not be able to rely on this section and would seek development approval from the Local Council. However, some camps have been in place for 5 years. Some Councils are relying on the definition of “Temporary” in MP 3.3 as being 2 years but I don’t believe that this has been tested.

The Act should clearly outline what is “temporary” and proponents should then put in place long term accommodation solutions after that period, be they permanent camps or housing.

The ramification of a lack of clarity in this area is that companies continue to use camps installed for “temporary and incidental” use under the Act for permanent staff. If the proponents want to have camps installed permanently on their sites, I believe that they should have to lodge DA applications and have those applications tested against the local Town Planning Scheme.

It should also be noted that there is a grey area regarding responsibilities for these camps being compliant and ramifications if incidents occur within them.

In the Coal Industry, mining companies are very aware that the Coal Mines Inspectorate has authority over camps on coal mining leases. For example, if a resident is injured, the Mines Inspector will investigate and the Mining Company will face possible sanction. In the Gas regime this is not the case and I am not aware of any such inspector carrying out safety inspections on such camps.

Similarly, it needs to be noted that many of the camps were built and operated by contractors to the proponents for the contractors' own staff. For example, if say Leighton's won a civil contract for say Origin, Leighton's built and operated the camp for their own staff for that civil contract.

In a few cases, third parties, not connected to the actual proponent have developed camps on Gas leases for contractors and argued with Local Councils that they have the right to do so under the PGA.

(5) The greatest single negative impact on resources communities is the practice of (usually) contractors renting houses in the Towns for their staff to live together, forcing up rents and driving out families.

I cannot overstate how destructive this practice is to small towns. What happens is that in a boom, the responsibility to secure scarce accommodation often sits with the contractor rather than the proponent. While the proponent builds some camps, rarely do they have enough rooms. As a result, in a boom or construction phase, accommodation is always at a premium.

In order to work, the contractor then takes up housing leases in the local town. They may rent for example 4 bedroom houses and put 4 single (usually male) workers in the houses. The contractor will pay whatever they have to, to rent the houses, as they usually pass the cost back to the proponent anyway. In any event, \$2,000 per week for 4 workers is only about \$70/worker/night – cheaper than camps or motels.

This continues for a short period. Often ill informed investors flood the market driving up house prices, attracted by the returns and believing that they will last forever. They don't. Investors always lose significant amounts of capital be that in Middlemount, Roxby Downs or South Hedland.

However the impact on the local town is catastrophic. Some homeowners sell up in a boom, and leave town – good for them. However, the non-resources staff are pushed out of town, and those who may choose to live in the community in normal circumstances are put off by the high rates and capital costs.

It will take a very long time (if ever) for communities to recover. For example, at the moment Moranbah has around 150 houses for sale and 200 for rent. Yet, in the last few years we have seen Caval Ridge, Grosvenor, Isaac Plains, Daunia and Broadmeadow #2 built in the region. Dyno Nobel has built an

ammonium nitrate plant and Queensland's production of metallurgical coal is at an all time high.

No doubt some will argue that this is due to the 100% FIFO policies of some mines in the region. However I feel that it is predominantly due to the spike in house rents and prices in the boom period, driven by short term rentals of houses for the use of temporary contractors.

This practice also makes home ownership in these towns unattractive due to the capital risks. Why buy a housing in a town where housing prices can halve in 12 months? It is much better to buy a house in a major city where you can at least get your money back, if not a capital gain as well.

Hence I would propose the following;

- (1) Proponents (and their contractors) be prohibited from renting or buying houses in the local towns during the construction phases of their projects.
- (2) This prohibition being enforced by fines levied per house per week for breaches, payable to local councils (eg \$1000/week/house).
- (3) Proponents (and their contractors) would only be exempted from this requirement with written approval of the local Council on a case by case basis.

(6) Roster lengths should be appropriate to Queensland given access to Resources areas from major hubs.

Roster design has a major impact on the choice that a worker will make as to where to reside and where to domicile their family.

Those involved in the coal industry for a long time will say that the switch from 8hr shifts to 12 hr shifts in the late nineties had major negative impacts on communities as people chose to leave mining towns and move to the coast.

However, Central Queensland and the Surat Basin are not remote locations, compared to say the Pilbara in WA. CQ employees can easily travel to major centres of Mackay, Airlie Beach, Rockhampton and Gladstone and the Surat Basin is really only a short drive to Brisbane and surrounds. When I have work in the Surat Basin I prefer to drive rather than fly.

Hence, I do not believe that there is any justification for long roster cycles in most of Queensland compared to other locations. I believe that the maximum roster cycle should be 14 days, with 7 days off. If the project was say in PNG, it is understandable that the proponents want to minimise travel costs and complexities for each roster cycle. In that case it would be understandable if a company wanted to work a 4 weeks on 2 weeks off roster.

However, in most of Queensland, major locations are only a 2 – 4 hour drive, or a one hour flight away.

If the Committee makes a recommendation about roster cycles, and imposing conditions on projects, it needs to ensure that contractors as well as principals are covered. In my experience it is usually the contractors that have their staff working on longer roster cycles.

(7) 100% Mandatory FIFO should not be approved in future where there are residential accommodation options – nor should a policy say of 100% local employment, as these are not generally in the best interests of a project.

I believe that the best outcome for an employer is where the prospective employee has a variety of choices for where they live and their lifestyle. It should be noted that an employees' preference will change over time, as their family circumstances change.

When first entering the workforce (lets say at age 20) the worker may still be attracted to the bright lights of the city and the Valley scene, and may want to have a FIFO or DIDO job. After a time, that worker may settle down with a partner and may choose to live residentially in a resources town. Both partners may work, potentially paying off a house in the city.

Small towns can be good places to raise children, and the workers may be happy to stay in town for a period as the kids grow up. However, as the children approach high school age, the worker may want to go back to the city for education or other reasons and then may want to commute again.

Of course this is not going to be everybody's' experience, but it demonstrates that residential desires of prospective employees can change over time.

If a proponent offers only one choice, they will miss out on attracting all of the other employees to that project. Not everyone wants to live in a camp for 2 week stints, not everyone wants to live in Moranbah or a similar town either. However, by offering a choice, the widest range of employees will be attracted to work at that project.

The local Councils have a major role to play in trying to attract people to live in their communities. They need to do a lot more of this, especially in places like Moranbah. For example, the 4 Corners Program on Moranbah was sponsored by the Council and the Unions, and it portrayed Moranbah in a very bad light. While the Council and the Unions may have succeeded in giving BMA a black eye due to the 100% FIFO policy at Caval Ridge, I also believe that the program may also deter potential residents from the community.

Hence, I believe that Councils have to work harder to attract the workers to want to live and work in the communities, recognising that it is not simply the companies accommodation policies that will determine where people live but also the choices made by employees. These are the sort of things that I believe that Councils can do to attract and retain resources residents;

- (a) Be ready for growth with land available and approved for development, and with infrastructure such as power, water and sewage able to handle expansion.
- (b) Take a reasonable approach on headworks charges. This shouldn't be a grab for cash as the Council wants to encourage growth in housing.
- (c) Work with resources companies to have a community information pack to be given to employees, outlining local clubs, amenities etc for residents.
- (d) Be aware of, and put pressure on the state if necessary, about the housing situations for state employees such as teachers, nurses and police. In some small towns, unsatisfactory housing for these essential staff is very unattractive and/or expensive to the staff members, increasing staff turnover and having negative impacts on the community.

Thanks to the Committee for the opportunity to make a submission.

Chris Jury
Director Castra Consulting.

Castra Background

Castra Consulting is an independent consulting firm who works with resources companies across Australia on all aspects of remote area accommodation.

Over the last 4 years we have worked on the following projects;

ABI Group – Contracts Review – establishment of 200 room Construction Village at Nebo

Adani Mining – Construction and management of temporary and permanent accommodation villages, including sourcing buildings from Thailand and supervising work in the factory. Provision of catering and Management solutions – appointment of Catercare.

Anglo Coal Pty Ltd – Strategic Review of Accommodation around Moranbah, Qld. Review of accommodation options around Middlemount Qld for new projects.

Arrow Energy – Design and Approval for 6 Surat Basin Villages, average size 800 rooms.

Aston Resources – Design, construction and approval of temporary and permanent accommodation villages in Boggabri NSW

Bandanna Energy – Design and approval of a 300 room Village near Emerald Qld

Base Camp Chinchilla – prepare submissions for the accommodation of QGC ongoing staff which we won.

BMA/Acciona Joint Venture – Review and Advice regarding use of an unapproved village in Banana Queensland, including subsequent legal case.

CIMC MBS – consulting support for BOO Village tenders in WA for 200 room village and 2000 room village. BD support for growth of CIMC MBS Developments in Queensland.

Diamantina Village /FK Gardner – provision of operational support to start up 300 room start up BOO Village including management systems, invoicing, catering and housekeeping processes

ERA Projects (Rio Tinto) – review of additional temporary accommodation options, establishment of 100 room temporary camp.

Lyons Capital – Design, approval, construction, development and operation of a 248 room motel/village in South Hedland

Middlemount Coal – land options analysis for housing in Middlemount

Ostwalds Facilities and Accommodation – lead the tender bid for operation of 8 camps comprising 2000 rooms for Origin Energy.

Pietas Services – lead the Garrison Support aspect of tender bid for the operation of detention centres at Manus Island and Nauru.

QGC – Contract negotiations for BOO Villages (Dalby, Chinchilla and Wandoan) and tender and appointment of Spotless as Caterer over 3 villages.

Rio Tinto Coal – Clermont – Feasibility Study and Design for new 800 room village to replace site construction camp

Vale – review of establishment of new villages – contract reviews for BOO providers.

WICET Project – Report on Gladstone Accommodation Options, provision of an owner’s representative on the Village Operations on an ongoing basis.

Who Are We?

Chris Jury – Castra Consulting - Director - Background and Experience

Chris is recognised as one of the few experts in Australia in mining accommodation. He is the Director of Castra Consulting, a company who provides specialised consulting services to the mining industry on accommodation and associated areas.

In his previous role he was the COO of the MAC Services Group where he ran all facilities and managed interactions with mining clients. He helped built that company from 1000 – 7000 operational rooms across Australia, and ran all services needed for ongoing operations such as catering, housekeeping and facility management. He negotiated long-term contracts with mining companies such as BHP Billiton, Anglo Coal, Peabody Energy and Vale.

He spent 5 years with that group, joining in April 2006 prior to the ASX listing. He also ran Business Development for that group within that time, which has provided him with an unparalleled understanding on the industry across Australia. He is seen as being a key part of the success of that group.

Before joining the MAC, Chris spent 7 years with BMA/BHP Coal, the last 5 in a corporate role in Brisbane where he managed accommodation for the group across Moranbah, Dysart, Emerald and Blackwater as part of his role. This aspect of his role saw him manage the construction of all styles of accommodation in these areas from housing, duplexes and units to traditional mining camps. He also provided advice and support to other areas in BHPB due to his experience, including Roxby Downs and Ravensthorpe, plus carried out Peer Reviews on BHPB’s Iron Ore Rapid Growth Projects. He spent two years living and working in Blackwater where again he managed accommodation as part of his role.

Prior to that, Chris spent 5 years with Robe River Mining, 2 years based in Wickham in the Pilbara where again as part of his role he managed accommodation issues in Wickham and Pannawonica. Prior to that he was Robe Rivers’ in – house solicitor in Perth.

Chris holds a Bachelor of Commerce and a Bachelor of Laws (hons) from UWA, is admitted as a Barrister and Solicitor in WA and is also CPA qualified.