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FIFO jobs tighten on mining slump, large-scale projects coming online

By [Angela Kean](#)

With the mining sector in a slump, it is no surprise that the contentious market for fly-in, fly-out — or FIFO — jobs in the industry has shrunk.

According to the Western Australian Chamber of Minerals and Energy, in April 2015 the number of FIFO workers in the state stood at roughly 60,000, down from about 67,000 in November 2014.

There is little information from other Australian states available on the number of workers employed in FIFO roles, making it hard to gauge how the current slump has impacted the number of workers in that type of role.

One of the reasons for FIFO services still being in demand by miners is the cost savings they can provide.

At the start of the most recent downturn, Australian iron ore producer [Fortescue Metals Group Ltd.](#) told a FIFO enquiry that it would save A\$33 million each year if it switched its 330 residential workers in Port Hedland to FIFO workers.

A representative for Fortescue told *The Sydney Morning Herald* in April 2012 that slow and expensive release of land for residential development in the Pilbara was hampering resources expansion and forcing miners into heavier FIFO reliance.

'On average it costs Fortescue [A]\$100,000 more to employ a person who lives in the Pilbara than to employ a person FIFO,' the representative said.

Meanwhile, industry employer group Australian Mines and Metals Association, or AMMA, believes the cuts to FIFO jobs is not inherently driven by the commodity price slide, but more largely a product of the transition from construction to production.

"Resource companies typically make considered long-term, multibillion-dollar investment decisions when deciding to proceed to construct and operate a mine," senior industry policy adviser Tristan Menalda told SNL Metals & Mining.

"What we are seeing now across Australia and throughout other resource-reliant countries like Canada is that a large number of major projects that were commissioned in record high commodity pricing times are now transitioning from construction into production, for example the Gorgon, Wheatstone and [Roy Hill](#) projects."

Menalda added that falling commodity prices have also affected FIFO jobs for producers.

"For mines currently in production, it's true that falls in commodity prices have forced resource employers to re-evaluate and adjust their existing operations and future expansion and investment plans to remain viable or safeguard margins," he said. "This has had some impact on employment and more generally FIFO as part of that mix."

There are on average 10 construction jobs for every one operational job in the gas industry and three construction jobs for every one operational job in the metal ore industry, according to Menalda.

"As soon as the number of major projects in construction curtailed, which is happening now, there's naturally going to be a reduction in the number of FIFO and residential-based construction roles," he said.

FIFO workers were employed at the height of the mining boom to supplement residential workers, with increased demand for labor resulting in a skills shortage.

Although fewer workers are required in the production phase, the demand for FIFO workers still remains because of the need for workers with the right skillset.

While miners such as Fortescue have [reviewed their rosters](#) in the current downturn in a bid to cut costs by switching to longer swings, Menalda said AMMA has also witnessed miners switching to shorter rosters.

"Organizations are looking at their rosters and their workforces, there's absolutely no doubt about that," he said. "However, they're taking a considered and measured approach in terms of whether or not they will change their rosters."

"We are aware of a couple of organizations that have done this, but just to contradict that we are also aware of rosters that have gone the other way as well into shorter swings."

AMMA does see a slight decline in the number of FIFO roles required in the near term due to falling commodity prices and the transition from construction to production, but FIFO roles will still have a place in the cash-strapped resources sector in the longer term.

"In the short term, particularly with commodity prices and with the number of projects going from construction into production, we do foresee a minor decrease in terms of the number of FIFO roles," Menalda said.

"However, FIFO still plays a very important part in the mining community and in the longer term, dependent on obviously where the orebodies are potentially found in the future."

The Australian government's Office of the Chief Economist supports this outlook, saying in its December 2015 "Resources and Energy Quarterly" that mining sector employment is not expected to rebound in the short term as a fall in construction labor, associated with declining CapEx, is anticipated to more than offset any rises associated with increasing production.

FIFO services thriving

While the continued commodity price decline has forced several miners to [cut jobs](#) and revise rosters, Australian FIFO services seem to be escaping the crunch — with providers continuing to win new contracts.

In mid-December 2015, Cobham Aviation Services revealed that it had been awarded a major new contract with [Gindalbie Metals Ltd.](#)-backed [Karara Mining Ltd.](#) to provide eight flights a week in support of the miner's iron ore operations in Western Australia's Mid West.

The airline also secured a contract to provide an extra flight to [Gold Fields Ltd.](#)'s [Granny Smith](#) mine in Western Australia — making it the fourth new contract since June 2015 using more efficient jet aircraft.

Virgin Australia, one of Australia's largest FIFO operators, also continues to secure new contracts despite the slowdown.

The airline said in early August 2015 that demand from its existing blue-chip client base continued to grow during the 2015 financial year, with its Charter business winning several new resources contracts.

"Virgin Australia Charter continues to perform well despite the slowdown in the mining sector — the effects of which have been felt by many," a representative told SNL Metals & Mining.

"Virgin Australia Charter continues to focus on providing a reliable cost effective service to customers and this has enabled us to retain and grow our strong client base."

The airline has expanded its F100 fleet from 10 to 14 aircraft in the last 12 months in response to strong demand, and is also investing in the refurbishment of the interiors of the F100 aircraft to maintain the look and feel of the rest of the Virgin Australia fleet.

Cobham President Peter Nottage told SNL in an emailed statement that the airline recognizes the challenges of the current environment and continues to work closely with its customers to understand how it can best support them through increased efficiencies or modified services.

"We have been operating in this market for more than two decades and understand the cyclical nature of the industry," he said. "As such, we've adopted a disciplined approach to growth, both in our fleet and our workforce, to ensure the long-term sustainability of this business."

The airline's Regional Services arm operates 20 aircraft that make 500 flights a week and has seen staff numbers increase by 30% over the past five years. The company employs 2,700 people globally, with 1,500 located across Australasia.

Cobham recently added two new aircraft to its fleet to support mining customers in Western Australia — an RJ85 jet in 2014 and a next generation Embraer 190 jet in March 2015.

"Cobham Aviation Services has delivered new cost efficiencies which have contributed to the company winning several major new contracts to provide [FIFO] services to new and existing clients," Nottage said.

"We continue to look for ways to reduce costs, improve travel times and provide more comfortable aircraft for our customers."

Besides the contract wins with Karara Mining and Gold Fields, Cobham was also recently awarded a three-year contract to fly workers to and from [Metals X Ltd.](#)'s [Central Murchison](#) gold project in Meekatharra and a contract to fly workers to and from [Northern Star Resources Ltd.](#)'s [Jundee](#) mine in the goldfields region and the [Plutonic](#) mine, east of Meekatharra.

A third contract with long-term client [Minara Resources Ltd.](#) will see the five-year extension of Cobham's flights in and out of [Murrin Murrin](#) in the northeastern goldfields.