



Australian Dairy Industry Council Inc.

21 October 2016

Senate Standing Committee on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Via email: economics.sen@aph.gov.au

Dear Chair,

WORKING HOLIDAY MAKER REFORM PACKAGE

The Australian Dairy Industry Council is the national peak policy body for the Australian dairy industry and represents all sectors of the industry on issues of national and international importance. Its constituent organisations – the Australian Dairy Farmers Limited (ADF) and the Australian Dairy Products Federation (ADPF) – represent the interests of dairy farmers, manufacturers, processors and traders across Australia.

The Australian dairy industry is a vibrant global industry contributing \$13 billion to the national economy, including almost \$3 billion from exports alone. The industry employs about 40,000 people directly on farms and in dairy processing, and a further 100,000 Australians rely on dairy for their livelihoods. It is the lifeblood of many regional communities.

The dairy industry's labour shortage means that overseas workers, such as working holiday makers (WHMs) are relied upon to fill vital on-farm roles which cannot be filled locally. While our first choice is always to recruit local employees, there is currently not enough supply to meet demand.

The dairy industry has continued to state that the 32.5% tax rate which was nominated in the 2015 Federal Budget will mean backpackers will choose to travel to other countries and our industry will be unfairly disadvantaged. A 19% tax rate provides a suitable compromise and we are urging the government to adopt this tax rate and not delay its implementation any longer.

The dairy industry, like many agricultural commodities, suffers from a labour shortage, therefore making us dependent on overseas workers to fill gaps in vital on-farm roles. Despite continued investment in attracting and training local employees, the reality is that there aren't enough local employees to meet demand. Along with 457 visa holders and other temporary migrants, we are reliant on WHMs choosing to travel to Australia and work in agriculture to ensure the necessary tasks on dairy farms are completed. Daily requirements such as milking, feeding calves and upkeep of the farm necessitate a constant supply of ready and willing workers on Australia's dairy farms.

ADIC thanks the Committee for the opportunity to provide input into this review. The dairy industry has made submissions and contributed to the previous reviews of the WHM visa, as well as having input into the National Farmers' Federation's advocacy in this area. We attach our submission to the Deloitte review for the Committee's reference.

We were pleased that the Government responded to the concerns of the agricultural industry and proposed amendments to the tax which were introduced to Parliament on 12 October 2016. We would be concerned with any outcome which leads to greater delay of a solution to the 32.5% tax which was outlined in the 2015 budget.

A 19% tax rate leaves Australian backpackers at a comparative advantage to other countries such as Canada and New Zealand due to our higher wages and therefore, provides a suitable compromise. Farmers need certainty to enable them to plan for the seasons ahead. Dairy farmers are reporting they have already seen a decrease in backpackers wanting to work in Australia due to the uncertainty surrounding the tax and this cannot continue into the new year.

ADIC welcomes the Government's proposal to raise the eligible age of backpackers from 30 to 35. This will increase the supply of WHMs coming to Australia and may contribute to an increase in the skills and experience of working holiday makers, having a positive impact on-farm and in the community. We also welcome the reduction in visa fee as a means to increasing the number of WHMs coming to Australia, as well as funding towards the tourism campaign. We suggest that this campaign promotes regional Australia and the benefits of working on farm to potential WHMs, not just locations on the regular tourist trail.

ADIC notes the proposed changes allowing an employer with premises in different regions to employ a WHM for 12 months, with the WHM working up to six months in each region. We request the committee to recommend that this is extended to all employers, not just those who operate across multiple regions. ADIC has consistently argued that the current six-month limit for being employed with one employer on a working holiday visa undermines productivity due to high staff turnover and the need to continually source, employ and train new staff. The limit is unique to Australia, as our competitors Canada, New Zealand and the UK do not impose this time limit.

This proposed provision will only benefit big businesses who operate across multiple regions, such as processors, and therefore unfairly discriminates against small family-owned businesses. Most farms are small businesses which operate in one region without a Human Resources department or significant funds to continually attract and retain new staff. As the representative body for both farmers and processors, ADIC would not like to see a policy put in place which puts farmers at a disadvantage to processors.

ADIC cannot see a policy imperative to differentiate between businesses which operate across two regions and businesses which operate in a single region. We appreciate that there is benefit in backpackers moving around the country and spending their earnings in different areas. Allowing them to work for longer than six months in the same region will not preclude this, it will merely allow more flexibility for both the employer and WHM. Furthermore, most places where backpackers work on farm are not on the 'tourist rail' and allowing them to stay in the region will encourage them to integrate into the community, having positive flow-on effects for small towns.

ADIC notes the government's proposal to tax WHMs at 95% of their superannuation. ADIC believes consideration should be made towards redirecting super payments made to working holiday makers to schemes which would increase the supply of labour, both local and foreign.

In regard to the Government's proposal for employers to register with the Australian Tax Office, ADIC does not oppose its introduction, insofar as it does not impose a significant regulatory burden on employers.

Overall, the package announced by the Government on 27 September 2016 is positive for the agricultural industry. Initiatives to grow the number of WHMs coming to Australia are welcomed by the ADIC as we need to continue to attract overseas workers to the industry to sustain our labour supply. Most importantly, is the need to finally fix the 'backpacker tax' for the certainty of our industry.

If you have any queries about information contained in this submission, please contact Senior Policy Manager Adele Beasley on (03) 8621 4200 or at abeasley@australiandairyfarmers.com.au.

Yours sincerely,



David Basham
ADIC Chair

ATTACHED:
Australian Dairy Industry Council Response to the working holiday maker visa review