

SUBMISSION

SUBMISSION TO

**DEPARTMENT OF AGRICULTURE AND WATER
RESOURCES (DAWR)**

IN RESPONSE TO

THE WORKING HOLIDAY MAKER VISA REVIEW

September 2016

PREFACE

The red meat sector is now Australia's No.1 agricultural enterprise. The Australian Meat Industry Council (AMIC) is the only employer association and recognised Peak Council in Australia, representing the commercial export and domestic processing industry.

AMIC is also the Peak Industry Council representing the post-farm gate sector including smallgoods manufacturers, wholesalers, distributors, boning rooms and independent retail butchers – in total, close to 2,000 member companies representing close to 50,000 workers directly employed in meat processing, exporting, wholesaling and retailing in Australia.

In addition, there is conservatively almost twice the same number again of Australian's involved in the road transport, shipping, carton and equipment manufacture, insurance, banking, laboratories and other ancillary industries – all dependent on the red meat processing and export sector for a proportion of their livelihood – an industry worth an estimated A\$ 23 billion to the Australian economy in total.

AMIC provides services and support to members that improves their working environment and is focused on achieving the best outcomes for the industry and its members as part of one voice on issues critical to their business.

THE WORKING HOLIDAY MAKER VISA REVIEW

1. INTRODUCTION

We thank the Department of Agriculture and Water Resources (DAWR) for the opportunity to have an input in to the Australian Governments review of the broad range of issues affecting the supply and taxation of labour performed by working holiday maker visa holders.

Access to imported labour is a key issue for the Australian meat industry, particularly in relation to meat processing. The current visa system (417 and 457 visas) has been highly effective in supporting people to come to Australia and take up employment in the meat industry with a view in some cases to longer term permanent residency and becoming an Australian citizen.

Despite the relatively high levels of unemployment in regional areas of Australia, the meat processing industry has had ongoing difficulty in attracting and retaining unskilled, semi-skilled and skilled labour to the industry. The 417 visa (backpacker) system has provided a much needed source of labour for unskilled and semi-skilled functions in meat processing plants. The proposal to change the taxation status to non-residents at a tax rate of 32.5% on all income will have a devastating effect on the availability of this labour to meat processing plants. AMIC seeks maintenance of the current tax status if the visa holder remains in Australia for more than 6 months.

2. THE AUSTRALIAN MEAT PROCESSING SECTOR

The Australian red meat industry set new records for red meat production and exports in 2015 with the resultant multiplier effect benefiting the whole Australian economy, especially rural Australia. This could not have been achieved without the significant input of 417 Visa holders.

The red meat processing sector is now arguably the largest trade-exposed manufacturing sector in Australia employing directly close to 50,000 fulltime employment positions (FTE's) and generating almost double that again in FTE's up and down the supply chain.

3. THE WORKING HOLIDAY MAKER VISA REVIEW

417 Visa holders have become an important part of achieving the economies of scale that the red meat industry needs in order to be a global competitor and it is not unusual that 417 visa holders can make up to 20% of any plants workforce. The proposed backpacker tax will act to discourage these workers coming to Australia and could well impact on the whole red meat processing sectors ability to capture these higher levels of production in the future.

Almost 50 per cent of processing facilities in Australia are located in local government areas with a population of less than 20,000 people and 80 per cent are in local government areas with less than 50,000 people and are often the largest single employer in these regions . The red meat processing sector is a major rural and regional employer in Australia but these regional businesses

remain in jeopardy if processors cannot get access to 417 Visa holders in order to fill out regional workforces.

There is a broader social issue here as to why 417 visa holders are so important in regional areas of Australia in order to obtain economies of scale in meat processing but discouraging them from working in these regions we don't believe will deliver the best outcome for the red meat industry or the Australian economy. This is not about sourcing cheaper labour but rather having access to sufficient numbers of a reliable labour force in order to maximise efficiencies and minimise costs. Increasing the tax burden on 417 Visas holders will do nothing to lower costs. Higher processing costs ultimately reduces the ability of processors to increase farm gate returns to producers.

We welcome the commencement of this second review into the backpacker tax. The timeframes have become very tight and given the level of opposition from a broad range of the agricultural and tourism sector, we believe the only option is to now do away with the tax and return certainty to the red meat processing sector and agriculture more broadly.

The sector is going through a difficult period at present with record high raw material prices for livestock and reduced throughput. A constraint on access to a reliable labour force to process available livestock could well contribute to plant closures which would directly affect the local rural communities involved.

4. OTHER VISA ISSUES

With skilled labour the meat processing industry also suffers from a shortage of Australian residents who are prepared to work in the industry and take advantage of the training opportunities offered. As a result there is a shortage of skilled Slaughter persons, Boners and Slicers and these positions are filled by 457 visa holders. AMIC seeks assurance out of this current review that the meat industry will continue to be able to access 457 visa holders and that the conditions which are applied will reflect industry requirements.

At present ANZSCO does not recognise the Certificate III qualification for Slaughter persons, Boners and Slicers (SBS's) and therefore DAWR will not include SBS's as part of the Skills Occupation List and requires a Labour Agreement for access to Visa 457. AMIC seeks out of this current review recognition of the Certificate III Meat Training Package – Meat Processing, that would help to address some of these issues.

The meat industry is also seeking access to the Seasonal Worker Program as part of a broader policy of alleviating regional skilled and unskilled labour issues. Training of unskilled workers is well established with meat processors as it underpins international market access. The Seasonal Worker Program will provide another source of unskilled labour to the meat industry which could then undertake to train these workers to a Certificate II level during employment.

5. MEAT INDUSTRY DEMAND FOR IMPORTED LABOUR

Unlike much of agriculture which has more seasonal demand for 417 labour, meat processing is a year round business with usually only a break of 2 to 4 weeks

during the year for repairs and maintenance. The red meat processing sector's demand for imported labour as a result is far more consistent throughout the year in comparison to other sectors of agriculture.

6. INDUSTRY TRAINING

Because of the consistent demand for labour but the high rate of employee turnover due to the nature of the work, the export meat industry is underpinned by a strong training regime. There are many issues related to training which also impact on the meat industry that this review could assist with including:

- The removal of funding by government for training.
- The particular removal of funding for Certificate II, the entry level for the industry.
- The unwillingness to fund Skill Sets to fill known gaps in training, particularly in relation to food safety, business training for small to medium business and new skill sets which would be developed should funding be available.
- The unwillingness to address the meat industry's requirements for Certificate II and III to reduce the reliance on imported (457, 417) labour. Certificate II is the entry level training for export processors. The shortage of qualified Certificate III operators is currently filled by 457 visa holders where possible.

CONCLUSION

Access to imported labour remains a key issue for the Australian meat processing sector. This is a complex area of government policy but in addressing the labour shortage, the government should not start with changing the taxation status of holiday maker 417 visa holders.

We seek maintenance of the current tax status for 417 visa holders but also in addressing this issue, seek support from government for also addressing the other important issues outlined above around 457 visas, the ANZCO recognition of Slaughter persons, Boners and Slicers and the training requirements as part of a broader package of imported labour reform.

AMIC would be happy to discuss any aspects of this issue going forward that might help resolve concern around the future access to imported labour.

Processor Group
Australian Meat Industry Council
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