



CBH Submission: **Working holiday maker visa review**

September, 2016

Introduction

Co-operative Bulk Handling Ltd ("CBH") notes the Australian Government's review examining the issues affecting the supply and taxation of Australian labour performed by working holiday maker visa holders.

In a general sense, CBH considers that a simpler, fairer tax system is critical in sustaining and encouraging economic growth for Australia. It must be one that both ensures the collection of necessary revenue while providing a framework to support those organisations that make a substantial and ongoing contribution to Australia and its economic well-being.

CBH has developed this submission to address the review's themes, in particular the visa/labour needs of the agricultural and tourism sectors and Australia's relative international competitiveness.

Background

CBH is a unique organisation with a history almost as long as the grain industry it serves. Established in 1933 to help foster development of the Western Australian grain industry, the co-operative's commitment to maintaining a partnership with its grain grower members has helped build an industry which is today worth around \$3.5 billion annually and is the backbone of the State's rural economy.

The cooperative's purpose is simple; to create and return value to growers by promoting and fostering the development of the grain industry.

CBH has constantly evolved, innovated and grown with operations today extending along the value chain from grain storage, handling and transport to marketing, shipping and processing.

Now Australia's biggest co-operative and a leader of the nation's grain industry, CBH is owned and controlled by approximately 4,200 grain growers.

CBH currently employs just over 1,000 permanent employees supported by up to 2,000 casual staff during the months of harvest.

Response to the Review

CBH agrees with the fundamental points proposed by the Australian Government in conducting this review; that working holiday makers are a vital source of labour; and that working holiday makers should pay a level of tax while in Australia.

Visa labour needs of the agricultural and tourism sectors

- Nature of the grain industry is that it relies on seasonal, unskilled labour.
- CBH often employs twice the number its permanent workforce in casual labour to manage its peak workload during the busy harvest period (October to January).
- Harvest casuals are primarily Australian residents, with the remainder made up of working holiday visa holders. Harvest casuals are employed primarily in the rural and regional towns where CBH's grain receival sites are located.

- Typically roles for working holiday visa holders at CBH are as country receival site operators (such as grain samplers or weighbridge attendants) at sites where there is not a sufficient number of Australian residents available to meet our labour demand.
- For seasons of above average receivals (such as what the 2016/17 season in Western Australia promises to be), the level of casual labour rises significantly as CBH opens more receival sites - staffing and operating them for extended hours in order to manage the increased volume of grain being delivered.
- As an integrated business, CBH also employs contractors to perform activities essential to its operations, such as tarping which requires a specialised skill set to be performed safely and effectively.¹ In line with its own employment of harvest casuals, CBH's demand for contractor labour increases significantly during the harvest season.

Relative international competitiveness

Anecdotal evidence provided to CBH by its external tarping contractors suggests that the availability of 'backpacker labour' is lower since the tax changes were proposed (in May 2016) with potential labourers advising that they may seek opportunities in countries other than Australia. More specifically, CBH's contractors have advised that:

- *"I have already emailed several of our last year's employees, who had stated they wanted to come back again, and have not had a single response. This is unusual, because the ones I contacted have been keeping in regular contact with us, before the announcement of the proposed tax."*
- *"I have taken the trouble to query backpackers and almost to a man they have said that if the proposal goes ahead they would go to NZ or Canada rather than think of coming to Australia."*
- *"We typically employ an average of 8 backpackers to complete our seasonal work; this figure will now double over the next three years. This year we will be employing approximately 27 non-resident workers due to the high volume of grain this season. We struggle and have previously tried to find sufficient staff from local towns where our contracts are located and in Perth city, however fail to hold down reliable staff who are willing to work in such regional areas."*

Tax treatments for visa holders

- Based on its employment trends, information, and anecdotal contributions, CBH believes the proposal contained in the 2015-16 Budget measure would have a negative impact on the availability of working holiday visa holders, and that CBH and its contractors would have difficulty in sourcing local workers to fill the resulting labour void.
- CBH supports an approach that ensures the availability of labour suited to the nature and needs of the grain industry, while also securing the collection of necessary revenue.
- To this end CBH supports the proposal recommended by the National Farmers Federation of a tax rate of 19 per cent from the first dollar earned by working holiday visa holders. Implementing this tax rate would still deliver a \$315 million return to Government over the forward estimates, and place Australia on a comparative footing with after tax wages offered in comparable economies, notably New Zealand and Canada.

Additional considerations

- Transient labour from working holiday visa holders delivers not insubstantial benefits to the rural communities where they reside for the duration of harvest. Consideration should be given to the impact on these communities should there be a decline in the number of working holiday visa holders.
- Western Australia is remote and does not have adjacent sources of labour that can 'spill over' when labour needs are high, such as the east coast has. Any measure that restricts the availability of casual labour would potentially have a greater impact on Western Australian industry than its eastern state counterparts.

¹ Grain received into open bulkhead storage are covered and in turn sealed by large tarpaulins (tarps).

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