

Does Your Business rely on backpacker labour & How many do You Employ

Somercotes Cherries is reliant on backpacker labour in both picking, grading and packing operations as well as the farm gate shop (retail) part of our business. Last season (2015/16) saw 60 personnel employed of which 70% of this was working holiday visa labour.

Consequences if backpacker labour could not be engaged

The last two years have seen Somercotes orchard area double under the state government Vineyard and Orchard Expansion programme to 35ha from 12ha. This has coincided with recent FTA's, particularly market access to China, as well as the development of high surety water development schemes. With the current expansion online in 3 years our engagement with international backpacker labour will only increase. Our regional town has an approximate population of 250 people so sourcing 70 Full Time equivalents that are estimated to be required to pick and pack at full production is simply not possible, hence the seasonal, peak influx of backpacker labour.

Why can't local people be engaged?

Somercotes Cherries engages 'local' or regional labour where possible, albeit under small employment windows due to the seasonal nature of the fruit. Many local workers cannot earn enough in this small window, do not have the required skills to be able be better off under piece work rate and are thus become unwilling to perform this work. Seasonal worker programmes have been too small and encumbered in red tape to meet the labour needs of the horticulture industry.

Are You aware of the 32.5% income tax rate commencing on 1st Jan 2017

This is the third review in to this new tax. This rate is at least twice as high as New Zealand which immediately makes us less competitive for the labour. The 32.5% tax rate was never discussed with Australian horticulture industries or Tasmania's \$345 million horticulture sector.

Stopping backpackers coming to Australia

In previous reviews various industry sectors highlighted the backpacker tax has the potential to slash workforce availability as it reduces the financial incentive to come to Australia. Our backpacker team last year enquired about the clarity, or lack thereof, of the percentage rate in their tax. All saw the proposed rate as a disincentive of working towards their second year visa.

Prior to the July 1 2016 tax implementation, first year visa holders were booking flights home or stating that they will go and work in other southern hemisphere countries. The deferral to January 1 2017 is even more bizarre as many states, particularly Tasmania, have not commenced summer fruit or pome fruit harvests.

How do you know backpackers will not come to Australia because of the tax?

Through various social media platforms the government announcement was reported as far afield as the Irish Times and other European nations. A study by Monash University and the YHA found that the 32.5% tax could cut the number of international working holiday makers by 60%.

The survey was conducted in North Queensland and Melbourne, and also showed 57% of working holiday makers said they spend less time travelling in Australia and 69% would spend less on tours.

The survey conducted through the NFF of 1434 people found that:

52% had decided not to stay working in Australia after July 1 2016 because of the change and 84% had heard backpackers changing their plans about coming to Australia.

What do you believe is a reasonable rate for backpackers

Along with the position taken by Fruit Growers Tasmania and many others, all agree that backpackers should pay their fair share.

While the proposed 32.5% is too high a revenue neutral rate at 19.5% as proposed by former Senator Colbeck would be seen as appropriate and fair. This rate, through this enquiry, found the government could recoup \$360 million over 4 years based on existing backpacker numbers. This proposal also highlighted a higher tax on backpackers superannuation ?

General Points Summary

Currently the Backpacker Tax is a proposed New Tax which will have serious consequences for rural and regional Australia. Given there hasn't been any modelling undertaken by respective Commonwealth agencies, the outcomes and impacts can't be defined. Worst this policy is at cross-purposes and incongruent.

- Although the government suggests the backpacker tax will boost public coffers by \$ 540 million, this modelling relies on the number of backpackers being unchanged ?
- Is the boost to the budget bottom line likely given that young people in Europe, America and Asia will be far less likely to choose Australia as their destination if earning potential is reduced in comparison to other destinations ?
- Where is the sense (incongruence) on the one hand the Federal Govt. is enticing backpackers to work in regional Australia with the reward of a second year visa if they work 88 days in a horticulture job and on the otherhand is discouraging backpackers from working in these jobs by imposing a 32.5 per cent New tax. ?
- Not having enough backpackers could stymie the \$10 billion horticulture industry from becoming a \$30 billion industry by 2030 ?
- What is the modelling / possibility the backpacker tax will provide a substantial boost to illegal work and accept cash in hand payments and potential to put backpackers in vulnerable positions in the Australian labour market. ?
- There is a strong belief by growers in horticulture and in other sectors that the backpacker tax points to a possible deeper issue that a labour shortage exists.? Our 457 visa program is restricted to highly skilled workers and our temporary labour migration program is about "skill shortages" rather than "labour shortages". ?

- Where there is genuine labour shortages – why does this need to be only in skilled occupations ? ; employers should be able to access temporary migrant workers simply and without red tape. ?

The governments inertia on this has the potential to have dire consequences for employers. For a government elected in the last parliamentary period to end the “chaos” this “wait and see “, kick the can down the road approach has only entrenched the “chaos”. Backpacker Tax ensures there are only losers for all involved. Will good government start after 1st January 2017. ?