



19th February 2016

WA wine industry response to amendments to working holiday visas (Visa 417)

The West Australian wine industry contributes significant economic benefit to south west regions of the state. The farm-gate value of \$65 million dollars is increased by a factor of 10.5 at point of final sale to \$684 million (*WA Wine Industry Strategic Plan 2014-24*). As most of this value adding process occurs in regions, the value stays in these regions. In these regions, wine businesses help to sustain the economic critical mass that allows supporting towns to grow and prosper.

Like most horticultural industries, grape growing and wine production have year round short term, high volume vine management, harvest and processing periods that require flexible, short term labour solutions. However, WA is a high value fine wine industry, requiring intensive vine management that cannot be mechanised. The requirements of such work are not suited to those residing permanently in a region who would require year round employment, be that part or full time. Such requirements do suit those who do not have long term financial obligations and by choice, have an itinerant, flexible lifestyle such as people visiting Australia on a working holiday. It is, in fact, a perfect match.

Most WA grape growers and winemakers utilise workers under 417 Visa provisions, either through direct employment or indirectly through contracted services from labour hire companies. Feedback from such businesses suggests that for some it would mean closing as their short term labour requirements could not be met by employing locals.

All agreed that the current scheme works very well and that any changes must be well considered and the full range of resulting consequences clearly understood. Most were sceptical of the underlying assumptions related to increased taxation revenue arising from the proposed changes. All were concerned about the impact of the proposed changes on their business and the industry generally.

Following are is a summary of comments on the proposed changes from wine industry participants and service providers.

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General comments from industry participants and service providers

- “We cannot get locals to do the seasonal part time work. We have 177 people on our books right now looking for casual, grape harvest related work – not one is Australian. It is not just that it is physically demanding. The early starts and the lack of certainty are only appealing to people with a flexible lifestyle such as backpackers on working holidays. It is win/win. They have plenty of time to enjoy their journey but also have the opportunity to earn enough to cover living expenses. And generally, every dollar earned (and more) is spent in the local community, with GST paid. We do employ 20 locally based Australian citizens in supervisory and more highly skilled administrative positions. **Implementation of the suggested changes would likely make our business unprofitable and these 20 locally based people would lose their jobs.** *(Owner of contract labour hire business in south west WA)*
- “Seasonal workers are crucial to our Western Australian wine industry. It is near impossible to attract Australian workers for some of the jobs required. A change to the tax regime will prove to be a disincentive for overseas travellers to relocate to regional areas to gain their second year visa. This year our vintage crew is 8 people, 7 of them are working holiday visa holders. This is not because we rejected Australian workers’ applications. We received over 200 resumes asking for vintage work. **None of the 200 were Australian residents.** *(MD of large winery based in south west WA)*
- “As a small producer, we use back-packers regularly in our vineyard for pruning, lifting wires, and for picking grapes at the end of season. Sometimes it is difficult to get backpacker workers as the avocado, strawberry and potato industries also have a strong demand. **My concern is that a significant tax rise will make it so much harder to source workers.** Also, we live in a small, rather isolated community, and we need to encourage people to come and spend time and money in our region. Such a large tax increase will only discourage this.” *(Owner of a small winery based in the south west of the state)*
- “This situation and our continued financial existence is very much dependent on the continuation of obtaining a labour force from the backpacking fraternity. While the Federal Government may be seeking tax funds from the Travelling Working Holiday Makers, **they might also consider the loss of tax income from the small enterprises who will become unviable if this consideration is to proceed.** I stress, without access to this work-force we will almost certainly have to shut the gate.” *(Owner of a small winery based in the south west of the state)*

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Industry responses to specific questions posed

- *Do backpackers need to pay tax* – there is agreement that those utilising the 417 visa should pay some tax as they will use some of the services that are paid for out of taxation revenue.
- *If so at what rate and what, if any, tax free threshold* – There were a variety of opinions expressed. The consensus was that mirroring the current structure as per Australian citizens is sensible, however if change must come then a \$15,000 tax free threshold with a 15% contribution up to \$18,200. Above this amount the Australian resident structure would apply. **Ultimately, the circumstance offered by Australian working holiday visas must be internationally competitive as there are many other country options on offer.**

Many commented that the 9.5% superannuation payment should be reviewed.

Many also questioned the stated net gain to government revenue used as justification for the changes. If fewer travellers come to Australia (which will be the case if chatter on social media is any indication) then direct net gains from income tax will be lower than anticipated. Additionally, the lower GST receipts as a result of reduced visitation and subsequent spend could result in an actual combined net loss of revenue. Further, the assumptions do not take into account the losses of revenue that may happen if horticultural businesses reduce out-put, or worse, cease operating because of a lack of available short term labour.

- *Impacts of paying tax by backpackers* – The comments above and from cited and from wine businesses answer this question
- *Impacts on your industry, business or segment if the proposed changes go through* - The comments above and from cited and from wine businesses answer this question

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