

*Submission to the Department of Agriculture
and Water Resources'
Working Holiday Maker Visa Review*



SOUTH AUSTRALIAN WINE INDUSTRY
ASSOCIATION INCORPORATED

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Introduction

The South Australian Wine Industry Association (SAWIA) welcomes the opportunity to make a submission to the Working Holiday Maker Visa Review by the Department of Agriculture and Water Resources. SAWIA also participated in the consultation workshop lead by Deloitte in Adelaide on 29 August 2016.

The South Australian Wine Industry Association (SAWIA) is an employer and industry association representing the interests of wine grape growers and wine producers throughout the state of South Australia. SAWIA is the oldest wine industry organisation in Australia and has existed, albeit with various name changes, since 1840. SAWIA recognised its 175 years of service to the South Australian wine industry in 2015.

SAWIA is a registered association of employers under the South Australian *Fair Work Act 1994* and is also a transitionally recognised association under the *Fair Work (Registered Organisations) Act 2009*.

SAWIA membership represents approximately 96% of the grapes crushed in South Australia and about 36% of the land under viticulture. Each major wine region within South Australia is represented on the board governing our activities. Our membership range from Australia's largest wine producers to small, boutique wine producers and independent wine grape growers.

SAWIA has a long standing interest in employment, immigration and related policy areas and have been liaising with State and Federal bodies, agencies and authorities over the years to ensure that the interests and needs of the wine industry is known and taken into consideration in the development of government policy and legislation.

The Australian and South Australian Wine Industry

The Australian wine industry in 2015 exported 789 million litres of wine, generating export revenue of \$2.11 billion to the Australian economy.¹ The value of domestic sales was \$2.78 billion in 2014-2015.²

Apart from contribution to the nation's overall export revenue, the wine industry also generates substantial revenue to the tourism industry, attracting close to 700,000 international visitors and generating revenue of \$8.2 billion from domestic and international tourism.³

The Australian wine industry makes an important contribution to the Australian economy. According to the 2011 Australian Census the industry, including wine producers and wine grape growers, provides direct employment to 22,000 Australians.

South Australia has got the second largest number of wine producers in the country, 28% of all producers, is the home to the major wine corporations' production bases and produces around 80% of Australia's premium wines.

South Australia's 18 wine regions stretch from Southern Flinders Ranges in the North to Mount Gambier in the South, Kangaroo Island in the West to Riverland in the East. While wine grape growing and wine production occurs in the six States and the Australian Capital Territory, the crush data demonstrates that South Australia is the single largest State in terms of crush.

Figure 1: Crush by State and region⁴

State/Regions	2016 Raw Crush Data Tonnes	% of total crush
South Australia	926,430	51%
New South Wales	348,441	19%

¹ Wine Australia 2015, *Wine Export Approval Report*, Moving Annual Total (MAT) to December 2014.

² Wine Australia 2016, *State of Australia Wine*, March 2016

³ Winemakers' Federation of Australia 2015

⁴ Winemakers' Federation of Australia 2016, *Vintage Report* <http://www.wfa.org.au/assets/vintage-reports/Vintage-Report-2016-.pdf>

Victoria	63,933	4%
Western Australia	39,055	2.0%
Queensland	2,168	<0.05%
Tasmania	10,214	1%
Australian Capital Territory	-	0%
Murray Darling-Swan Hill ⁵	416,966	23%
TOTAL	1,807,207	100%

Employment in wine industry

The operation of Australia's temporary work visa programs, including the Working Holiday (subclass 417) and the Work and Holiday (subclass 462) visa categories, is of interest to the South Australian wine industry. Many of SAWIA's members are located in rural and regional South Australia and to varying degree experience difficulties accessing and attracting skilled and unskilled labour.

South Australia is experiencing a higher unemployment rate, 6.6%, than the national rate of 5.7%. In addition, the following towns and suburbs located in or in close proximity to some of South Australia's 18 wine regions are experiencing substantially higher unemployment than the rest of South Australia⁶:

- Smithfield – Elizabeth North (25.1%)
- Hackham West – Huntfield Heights (22.1%)
- Christie Downs (21.3%)
- Davoren Park (21.0%)
- Christie Downs (18.3%)
- Christies Beach (15.7%)
- Berri (14.6%)
- Munno Para West - Angle Vale (9.8%)
- Barmera (8.1%)

However, the high unemployment rate does not mean that wine industry employers easily can fill all job vacancies, whether permanent or casual. While SAWIA's members always seek to fill casual vintage jobs locally, in reality in some regions jobs remain vacant after inviting local applicants. In particular this is the case in regions further away from Adelaide, including Riverland (240 kilometres north-east of Adelaide) and Coonawarra (380 kilometres south-east of Adelaide).

The Working Holiday (subclass 417) and the Work and Holiday (subclass 462) visa categories therefore are important to the wine industry as they enable wine industry employers to fill positions where there is an insufficient number of suitable domestic applicants.

Several wine industry employers has attested that despite high local unemployment too often there is insufficient interest locally in casual vintage jobs.

- Wine industry employer, Riverland:

30% of our vintage casuals are backpackers. They are reliable, they want to work, turn up every day and work shift-work on a casual basis. They have a completely different attitude.

- Wine industry employer, Riverland:

Sometimes we get applications from unemployed people in the local area. Unfortunately when inviting them for an interview it is clear that they are not interested in a job, the application was simply made to fulfil the requirements for unemployment benefits.

- Wine industry employer, Riverland:

⁵ This region crosses the State borders of Victoria and New South Wales

⁶ Department of Employment 2016, Small Area Labour Markets Australia, March Quarter 2016.

We always try to source staff locally every year. However, at least 10% of our casual vintage staff are backpackers. Unless we had access to working holiday visa holders we would not meet our required staffing quota, which would have a negative impact on our business.

- Wine industry employer, Tasmania:

We rely heavily on "backpackers" for seasonal vineyard work in Tasmania. This past harvest we employed close to 40 backpackers and would have been in big trouble without them.

- Operator of labour hire business, Coonawarra

We provide labour-hire staff to wine industry employers. 90% of our staff are backpackers.

Working holiday makers - Contribution and impact

The positive impact working holiday makers have on local communities should not be underestimated. They live locally and support backpacker hostels or the local rental market; they shop locally and visit local restaurants, pubs, hotels and tourism attractions.

According to member feedback working holiday makers consistently bring good work ethic and attitude to their work, are reliable and take interest in the work. In some wineries working holiday makers have returned in consecutive years to undertake casual vintage work.

It is unlikely that the need for working holiday visa holders to perform casual vintage work will decline in the future. Unless there is a change in government policy to further encourage job seekers to accept job opportunities, albeit of a seasonal nature, working holiday makers will continue to be an important source of labour.

The proposal as contained in the 2015-2016 Federal Government to tax working holiday makers as non-residents for tax purposes, thereby taxing them at a rate of 32.5% for each dollar earned is misguided. While it may appear to be an attractive budget saving for the government, working holiday makers will vote with their feet and go to other countries for a combination of work and holidays, where the tax system is perceived to be more beneficial.

A likely consequence is that rural and regional businesses, including wine industry employers will be unable to fill vacancies during peak operational periods.

SAWIA questions whether the Government has fully considered the how the proposal will indirectly affect other businesses in rural and regional areas, including accommodation, hospitality, retail and tourism, that may rely heavily in working holiday makers as their customers.

The problem is not that working holiday visa holders are excessively and improperly using services funded by the Australian taxpayer.

To the contrary unless the working holiday maker is covered by a Reciprocal Health Care Agreement between their home country and Australia, they would not be eligible for Medicare and would need to have private health travel insurance. In addition, we would also expect that working holiday makers would not be entitled to social security payments, including unemployment benefits, childcare benefits, disability support person or family benefits. Hence, working holiday makers would be net payers into the tax system.

Conclusion

SAWIA submits that the proposed "backpacker tax" should be withdrawn as it will have a detrimental impact on wine industry employers who despite their best efforts cannot fill casual vintage jobs with local applicants.

Access to a sufficient number of casual vintage workers is essential for the wine industry. To date the working holiday stream has been a win-win situation for employers and working holiday makers. It has

provided wine industry employers with reliable and hard-working employees, while at the same time enabled working holiday makers to work in their holiday destination, thereby extending their holiday. Further, it has supported a number of other businesses in rural and regional areas, ranging from accommodation, hospitality, retail and tourism.

SAWIA cannot see any reasons to overturn this successful program by the imposition of a different tax regime.