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## SUBMISSION REGARDING WORKING HOLIDAY MAKER VISA REVIEW

Thank you for the opportunity to provide a submission to the Australian Government review of the broad range of issues affecting the supply and taxation of labour performed by working holiday maker (WHM) visa holders.

WHM visa holders make a significant contribution to the Western Australian economy. For the year ending March 2016 there were 874,600 international visitors to the State who spent an estimated \$2.259 million. Of these visitors approximately 67,600 were holders of a WHM visa. These visitors contribute from a tourism, labour and skills perspective, providing an important source of employment for businesses, particularly in regional locations.

Tourism Western Australia (Tourism WA) considers that the review process provides an opportunity to progress reforms that encourage WHM visa holders to visit Australia but also extend their stay. These reforms are vital in supporting the growth of the tourism and hospitality industry in Western Australia and assisting in addressing labour and skills shortages. Importantly, this also suggests that the introduction of any additional taxation measures needs to be appropriately considered in the context of what these reforms could achieve.

The following submission is provided to assist in this process and outlines information and examples to support this.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Gwyn Dolphin", with a stylized flourish at the end.

GWYN DOLPHIN  
A/Chief Executive Officer

5 September 2016



## **a) The Role of Tourism WA**

The Western Australian Tourism Commission, operating as Tourism WA, is first and foremost an economic development agency. Its role is to get the conditions right so that the tourism industry in Western Australia can succeed.

The agency focuses on marketing the State; developing, attracting and promoting major sporting, arts, cultural and business events; and supporting the development of significant tourism infrastructure and projects. To achieve this, Tourism WA works in partnership with the private sector and government to develop Western Australia's iconic tourism experiences, and promote them locally, nationally and internationally.

A critical element of this is overseeing the implementation of the *State Government Strategy for Tourism in Western Australia 2020*, which has the aspirational goal of increasing the economic contribution of tourism to \$12 billion by 2020. Workforce development and addressing labour and skills shortages are an important element of this strategy.

## **b) Labour and skills shortages in the tourism and hospitality industry in Western Australia**

Peak industry bodies, including Tourism Council Western Australia, Tourism Accommodation Australia and the Australian Hotels Association (WA) have indicated that working holiday makers are an integral part of the tourism and hospitality labour force in Western Australia. This is particularly significant in regional areas where turnover rates are high, and hotels and tour operators often rely on backpackers to operate.

According to the Australian Tourism Labour Force Report (2015-2020), released by Austrade in late 2015, there are currently 38,000 unfilled vacancies in the sector. In the absence of intervention, the industry will need 123,000 workers (including 60,000 skilled workers) by 2020.

The report suggests that one obvious area where the Government can influence supply conditions to address these shortages is through its working visa arrangements. WHM visa holders and temporary skilled migrants play an important complementary role in filling short term gaps in supply and skills, including enabling businesses to respond to seasonality.

The extent to which overseas workers can usefully address supply and skills shortages depends on immigration policy. For example, reforms to working holiday maker visa arrangements (such as including tourism on the list of eligible first-year work sectors for visa holders wishing to extend for a second year, or expanding the age limit 30 to 35) would help ease conditions in the labour market.

In this regard, the report highlights that short-term international workers constitute approximately 10 per cent of the tourism labour force nationally. This figure increases to 29 per cent in Western Australia. The report also highlights that turnover rates of staff in Western Australia are sitting at 92 per cent per annum, with tourism businesses identifying overseas workers as the most important source of alternative labour.

While it is recognised that the primary purpose of visiting is for holiday purposes, these figures indicate that WHM visa holders are an integral element of the tourism and hospitality workforce in Western Australia. This suggests that reforms to this area to increase supply and eligibility would have a positive impact both on tourist numbers, but also in addressing labour and skills shortages.

### **c) Implications of the Backpacker Tax and suggested areas of reform to Working Holiday Maker visa program**

The table below indicates that WHM visas accounted for approximately eight per cent of the total number of international visitors to Western Australia in 2015. Significantly, these visitors stay an average of 120 days. By way of comparison the average length of stay for an international visitor is approximately 33 days. Due to the increased length of stay WHM visa holders are also more likely to disperse to regional areas, and support the visitor economy of a greater number of destinations than a standard international visitor.

#### **International Visitors to Western Australia on a Working Holiday Visa**

	2007	2008	2009	2010	2011	2012	2013	2014	2015
International visitors to Western Australia on WH visa	44,400	51,300	53,200	54,200	61,400	69,700	72,800	70,000	67,600
% of total international visitors to Western Australia	6.8%	7.6%	7.9%	7.8%	8.5%	9.3%	9.5%	8.5%	8.0%

Source: Tourism Research Australia, International Visitor Survey

The above information suggests that the introduction of the so called backpacker tax has the potential to significantly impact both tourism in Western Australia, and the staffing requirements of a number of businesses, particularly in regional Western Australia, which are dependent on backpackers providing labour. It is considered by Tourism WA and the tourism industry, that introducing the tax would make Western Australia, and Australia in general, far less competitive as a destination for the backpacker workforce, and would leave many businesses without options for their labour force.

It is highlighted that the subclass 417 visa, or WHM visas, and subclass 462 visa, or work and holiday visa, have proven to be an extremely popular reason for young people to visit and work in Australia. As at 31 December 2015, there were 146,602 WHM visa holders, and 8,562 work and holiday visa holders in Australia.

Backpackers with either of these visas have been critical in helping fill some of the areas of acute shortage in metropolitan and regional Western Australia, particularly in the tourism and hospitality industry. Many backpackers travel after completing their placements and spend their earnings in Australia prior to leaving the country. In total the contribution of backpackers equals a \$3.5 billion value to the Australian economy.

When the Federal Government announced that it would be removing the tax-free threshold effective from the 1 July 2016, it cited low levels of awareness of the tax-free threshold amongst holiday-makers, and that there was no reason for backpackers to receive the same tax treatment as Australian residents. However, it is noted that in response, many current visa holders are reconsidering a placement to achieve a second year visa.

Anecdotal evidence from areas throughout Western Australia, such as Carnarvon, indicated that they experienced a significant drop in backpackers used for fruit picking as a result of this announcement. This is supported by the outcomes of a survey undertaken by the Tourism and Transport Forum (TTF) in May/June 2016, which indicated that 57 per cent of working holiday makers would spend less time travelling in Australia, and 69 per cent would spend less on tours, as a result of the tax. TTF further suggests that the Government is risking a 60 per cent plummet in the number of WHM visa holders coming to Australia if the tax is introduced.

In consideration of this matter, it should be noted that many backpackers and WHM visa holders are educated and understand associated tax systems and future loss of take home pay. Tourism industry bodies are concerned that implementing this measure in full will be a further disincentive to young people considering visiting Western Australia.

In this regard, it is suggested by Tourism WA that rather than considering taxation measures, that the Australian Government should consider implementing reforms to the WHM visa to encourage greater take up, flexibility, and scope to be employed in tourism and hospitality, particularly in regional locations. These reforms are strongly supported by the tourism industry which has advocated for these changes for a long time, and would generate additional visitor numbers, and therefore economic return. This position is outlined as follows:

The Working Holiday visa (subclass 417 and 462) (WHM) is a temporary visa for young people who want to holiday and work in Australia for up to a year. This is a temporary visa that encourages cultural exchange and closer ties between Australia and eligible countries, that currently allows a visitor to:

- stay in Australia for up to 12 months
- work in Australia, generally for up to six months with each employer

Application for a second visa (for holders of 417 visas), which allows visitors to stay for another 12 months, is currently available if the visa holder spends three months working in a regional location in a specified industry (agriculture, fishing, mining). A total of 19,320 second working holiday maker visas were granted in the six months to 31 December 2016.

Changes to the WHM visa program to include tourism on the eligible list of specified work to enable application for a second visa; increase the length of time a visa holder can spend in a job with a single employer from six to 12 months; and raise the age limit from 31 to 35, are strongly supported by Tourism WA, and the tourism industry.

This would enable working holiday makers who work for three months in tourism in a regional location to extend their stay for an extra 12 months as they would be eligible to apply for a second visa. It would also enable greater capacity for businesses to address the significant staff turnover rates identified above, supporting training and development, and provide access to a greater number of visa holders.

A critical issue to consider in progressing any reforms is the potential impact on the agricultural sector, which currently gains the most benefit from the issuing of the second visa, with over 85 per cent of people indicating that they engaged in agricultural work to be eligible to apply for this in 2015-16. However, it is Tourism WA's view that the proposed change will increase the entire prospective pool of available labour, which will benefit both the agricultural and tourism sectors.

Western Australia has previously offered, through the Biannual Tourism Ministers' Meetings, which are chaired by the Federal Minister for Tourism, to undertake a trial of these proposed changes to the WHM visa to ensure that any impacts on the agricultural sector can be monitored. Significantly, this approach has support from the Western Australian Minister for Agriculture. The offer to undertake this trial, has also been raised formally with the former Federal Labour Government Minister for Immigration and Citizenship, and the previous Liberal Government's Minister for Trade and Investment.

It is noted that from 21 November 2015, as part of the implementation of the Northern Australia White Paper, that applicants may be eligible for an employment extension to work with one employer in certain industries in Northern Australia beyond the existing six month limit. Meanwhile, holders of a subclass 462 visa (pending the relevant legislation coming into effect, which is anticipated in late 2016) will also be eligible to apply for the second visa if they are working in tourism, hospitality or agriculture.



As outlined above, these changes are what has been sought for a long time by Tourism WA and the tourism industry in relation to WHM visas, noting that they are only being applied to a specific geographic area (north of the Tropic of Capricorn). This is supported by Tourism WA noting that the application of these changes more broadly to the rest of Western Australia and Australia, would be beneficial to the tourism industry, and should be progressed as indicated above. Consideration should also be given to applying these to 417 visa programs, particularly given the significant difference in the number of visa holders, and consequent capacity for greater take up in addressing these issues.

#### **d) Seasonal Worker Program (SWP)**

The SWP trial pertaining to the tourism accommodation sector was initially applicable to Broome before being expanded to encompass the remainder of the State in 2013. This program has generally been well received by the tourism and hospitality industry in Western Australia, as a useful component of addressing labour shortages that complements other migration, visitor and employment programs.

This last point is significant, as from a tourism perspective the SWP provides a relatively small pool of labour. Therefore, this is not in itself a solution to labour and skills shortages but a program that provides opportunities for tourism operators, and the respective participant countries that go beyond the numbers involved.

These benefits to the tourism sector include guaranteed employment and reduced turnover of staff, which enables greater opportunities for training and up-skilling, and the return of employees in subsequent seasons, which are not necessarily present in other programs.

The success of this is evident in the commencement by the Australian Government on 6 May 2016 of a tourism pilot to expand the SWP to a range of tourism occupations in Northern Australia. This is supported by Tourism WA, as it recognises that labour shortages are an ongoing issue in the tourism and hospitality industry that require a mix of solutions. Opportunities to expand this pilot to other locations should be an important consideration as part of this review process.