

SUBMISSION

Working Holiday Maker Visa Review

Submission supported by



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Working Holiday Maker Review
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Preface

The Australian Tourism Export Council (ATEC) is the peak export industry body representing the thousands of companies throughout Australia via a network of regional branches that provide tourism services to foreign visitors. Whilst the tourism export sector is experiencing positive growth, ATEC's role is to maximise opportunity for Australian businesses in both existing and emerging markets, and to ensure any impediments to that growth are managed and kept to a minimum.

ATEC at a glance...

- Started as a group of ten keen exporters known as **inbound tour operators** who wanted to collaborate on promoting Australia to the overseas traveller
- Today, those ten operators have grown to an export association of more than **900 direct stakeholders**, and close to 5000 indirect
- Members are scattered across Australia and include accommodation providers, attractions, tour operators, inbound tour operators, transport operators, restaurants and professional corporates and we count amongst our constituents more than **40 regional tourism organisations**, who collectively in turn represent thousands of SMEs.



ATEC is a 45 year old industry organisation servicing a member footprint of thousands of businesses, small & large



ATEC members attract & service international visitors from over 50 countries and trade in more than 25 foreign currencies



ATEC members directly employ more than 400,000 Australians



ATEC members collectively hold 20,000 years of experience in tourism exports

Our core functions are to...

- Facilitate **business-to-business** opportunities for our members;
- Provide **business development** advice, opportunity and support to our members;
- Foster and promote excellence in **service delivery** and business **best practice** management;
- Represent the **collective views** of our membership to governments and other external stakeholders;
- Liaise with industry and government to facilitate **cohesion** between commercial imperatives and policy development;
- Raise the **profile** of the tourism export sector to the broader community.

In 2001, ATEC convened the Backpacker Tourism Advisory Panel (BTAP, later BYTAP incorporating 'youth' in the scope) and this panel has championed the interests of the backpacker sector since its inception. Importantly, BYTAP is an industry panel, with representatives both directly from industry as well as the state backpacker associations, Adventure Queensland and Backpacker Operators' Association (BOA) in NSW.

BYTAP has actively sought to elevate the profile of youth tourism – particularly in relation to the contribution the sector makes to regional Australia. BYTAP has worked closely over the years with Tourism Australia and the various state and territory tourism organisations in driving demand to travel to destination Australia, as well as to ensure policy development is executed in consultation with key stakeholders.

The review of the working holiday maker (WHM) scheme is a strong example of how various sectors of the economy must come together to achieve a net positive gain for all involved. Importantly, it should be noted

that the working holiday maker scheme was initially launched to foster reciprocal youth travel and cultural exchange. Tourism remains the primary purpose of visit.

Background

The working holiday maker program was introduced in 1975 with the main purpose to "promote international understanding by enabling young people to experience the culture of another country." Since then, the scheme has grown from 2,000 participants to 226,812 in 2014/15. Most working holiday makers are on sub-class 417 visas (Working Holiday Maker Visa), with smaller numbers on the related Work and Holiday Visa (sub-class 462). WHMs who undertake 88 days' work in defined regional industries (primarily agricultural) are also eligible to apply for a second year extension to their visa. ATEC prepared a position paper in 2012 into the importance of the working holiday maker scheme. This paper found that backpackers spend 60% more than the average international visitor and highlighted the importance the WHM plays in assisting with regional labour shortages.¹

In the 2015/16 Federal Budget, the government announced that it intended to introduce new taxation arrangements for working holiday makers (the so-called "backpacker tax") to be implemented from 1 July 2016. The proposal removes the tax-free threshold for working holiday makers which is currently set at \$18,200 and instead installs a marginal rate of 32.5% from the very first dollar earned in Australia. The government forecasts revenue associated with the change of \$540m over three years.

Various industry groups objected to the proposed taxation changes in response to the 2015/16 Federal Budget and have recommended the Federal Government reverse this measure. At a time when the working holiday maker scheme is facing other external headwinds including economic uncertainty in EU, Brexit impacts, a declining AUD (good for inbound conversion to AUD but not as attractive to earn) and falling grant rates since the Labor government increased the visa fee from \$280 to \$420, the last thing the scheme needs is a tax which makes a working holiday in Australia even more unattractive. The reality is that we have made ourselves uncompetitive and more backpackers are simply not choosing Australia. The tourism industry simply cannot accept that the government would consider increasing taxes and charges on tourism to plug a budgetary hole created by flawed financial modelling around WHM tax revenue. Treasury's modelling did not appear to adequately factor in any decline in WHM arrivals – in fact, according to questions on notice to the State Economics Legislation Committee² as part of the budget estimates process, the modelling was based on 2012/13 WHM grant rates which, at that time, were at their peak at 264,974. In 2014/15, WHM grants were 226,812³, a fall of around 30%.

Recently, there have been a number of reports from both government and industry groups that "backpackers should pay some tax". ATEC and BYTAP support that notion. Working holiday makers, who are already net positive contributors to the Australian economy given that they spend, on average, more than they earn and create jobs for Australians (in fact, every 100 WHMs create 6 jobs) also pay the passenger movement charge, GST on goods and services, and pay income tax at varying levels depending on how much they choose to work during their stay.

According to recent research⁴ prepared by Adam Steen⁵ and Victoria Peel⁶ (*see Appendix A*), a 2009 Department of Immigration and Citizenship study⁷ identified each working holiday maker as spending AUD\$13,218 in Australia over an average eight month stay with a combined total value estimated at AUD\$1.8 billion. On today's numbers, that contribution would be in the vicinity of AUD\$2.9 billion, assuming average spend per WHM at \$13,218.

¹ Australian Tourism Export Council, The Importance of the Working Holiday Visa (sub-class 417), February 2012

² State Economics Legislation Committee, "Answers to questions on notice", Treasury Portfolio, Budget Estimates 2014/15

³ Department of Immigration & Border Protection, Working Holiday Maker scheme reports 2010-2015

⁴ Steen & Peel, "Economic and social consequences of changing taxation arrangements to working holiday makers" (2015)

⁵ Professor, Charles Sturt University, Bathurst

⁶ Researcher, Monash University, Caulfield

⁷ Yan Tan et al, "Evaluation of Australia's Working Holiday Maker (WHM) Program", Flinders University (2009)

Furthermore, WHMs are an invaluable source of labour for agriculture and regional tourism operators that face staff and skills shortages (currently 38,000 for tourism alone, and projected to be 123,000 by 2020⁸). Therefore, disincentives to come and work in these areas are in fact of detriment to Australia, particularly regional economies.

Regional tourism operators and tourism-dependent communities have expressed alarm at the impact of the proposed changes, both because of the consequential effect on available labour and – importantly – because of the likely loss of visitor expenditure in local businesses. In many regional communities, backpacker tourism activity is a major income stream. At a time when tourism is expected to make up for job losses in other industry sectors across many regional areas, the proposed measure is likely to damage that aspiration.

Industry welcomes greater flexibility of the WHM visa product. Consideration should be given to reform that encourages growth – such as increasing the age for eligibility to 35, or higher. Growing demand for the WHM visa product is vital to meet the needs of industry. While it is acknowledged that visa fees are not a central part of the current discussion, industry believes the increase in WHM fees over recent years has been a key catalyst for the downward trend in WHM grant rates.

The fundamental issue with Treasury's projections is that they are based on flawed financial modelling. There has been no empirical study done which provides the basis for the projections. Furthermore, with the WHM grant rate in decline, an incentive for cash payments, a strong disincentive to work at all and more attractive work conditions in other destinations, the government will, without a doubt, see its revenue from WHMs across the board contract: including income tax revenue.

The best way to grow government revenue is to grow the pie overall. As previously mentioned, WHMs contribute significantly to government revenue already. The message is simple: grow the market and the revenue to government will follow naturally. In short, the tourism industry supports the government retain the status quo with regard to the taxation arrangements for WHMs. Government should, in consultation with industry, adjust other policy levers that will grow the market and position Australia as the attractive WHM destination once again.

Industry accepts the role of the Australian Tax Office. Should the ATO initiate investigations across all tax payers in Australia with regards to the residency test, then that is within the scope of the ATO and may deliver additional revenue to government.

The lack of clarity around the issue of whether this is a change or a “crackdown” on residency is more damaging than anyone could measure: potential WHMs to Australia are making alternate decisions, some Australian farmers are already seeing up to 60% less workers available to harvest their crops and New Zealand's WHM grant rate continues on its strong upward trend. Regardless of the facts or the outcome, the message has gone viral: your pockets are emptier in Australia because the government is going to take a third of your earnings from the very first dollar you earn.

ATEC and BYTAP are regularly asked whether we have hard “evidence” to support our anecdotal commentary around the real and present impacts of the backpacker tax on businesses, farmers, backpackers themselves and broadly, the Australian economy. A recent survey conducted by Monash University⁹ certainly underpins the sentiment that the backpacker tax is already damaging both our revenue and our reputation. The study showed that 60% of the sample would not have come to Australia if the tax was 32.5%. Further damning evidence of the ramifications of the proposed tax is that 57% of WHMs also said that they would spend less time travelling in Australia if the tax changes were to take effect, with 69% saying they would spend less on tours. In addition, 70% said they would look for cash-in-hand jobs to avoid it.

There is a patent lack of research commissioned for the WHM and backpacker sector. The absence of regular,

⁸ Deloitte Access Economics, “Tourism Labour Force Report: 2015-2020” October 2015

⁹ Dr Jeff Jarvis, “The motivations of working holiday makers”, Monash University, 2016

quantitative and qualitative data collected on which governments can base their decisions and industry can strategise is an ongoing issue and should be addressed. Anecdotal commentary from the coalface is extremely powerful. Industry agrees that data to underpin this would be ideal – but extensive research on the impacts of a proposed government tax across different sectors, regions, harvests, source markets, current visa policy, conversion and international competitiveness – to name only some – is not immediately available.

The summary position of the tourism industry is as follows:

- Repeal the decision to change the tax-free threshold rules for working holiday maker visa holders. That is, scrap the backpacker tax;
- Apply current tax free threshold rules, including allowing WHMs to meet the residency test;
- At a minimum, freeze visa fees. Consider adjusting the WHM visa fee down in the next budget forecasts to be more competitive globally, particularly with New Zealand;
- Raise the age threshold for working holiday maker visas to 35 or higher (from the current 30);
- Raise the current caps applying to source nations for 462 visas where the allocations are exhausted (for example Portugal, Greece and Spain);
- Continue to expand the WHM programme to more countries (for example Latin American nations) and at a faster rate where feasible;
- Allow multiple visa applications by individuals (so they could reapply whilst still ‘in country’ on an existing WHM visas or in an older age bracket);
- Deliver “work rights” information to WHMs in their own language either prior to or on arrival;
- Better promote and encourage second year visa options;
- Develop / invest in technology to deliver ‘matching’ between WHM and employer;
- Roll out a targeted global youth campaign (Tourism Australia) to address the negative sentiment about the “backpacker tax”;
- Conduct an in-depth study into working holiday makers travelling in Australia building on the National Institute of Labour Studies research report published in 2009.

Discussion

The Terms of Reference for the working holiday maker tax review are designed around five key themes:

- relative international competitiveness
- visa labour needs of the agricultural and tourism sectors
- relevant unemployment policies
- tax treatments for visa holders
- protections for vulnerable workers.

This submission will consider these key themes, from a tourism industry perspective, in order as follows:

1. Australia's competitive position in attracting seasonal and temporary foreign labour, including comparative wages, entitlements and conditions

A recent independent report¹⁰ by Gary O'Riordan Travel & Tourism Solutions analysed Australia's competitive position in the working holiday maker sphere (*see Appendix B*). The following are the key issues identified:

Inbound arrivals to Australia have grown in recent years and increased 8.2% in 2015 fuelled by growth out of China in particular and improvements in growth from traditional long haul markets like the UK and USA. We have seen stable and historically low airfares, increases in capacity and access from key markets, and improving economic conditions in key source markets post the global financial crisis. Yet despite the positive market conditions the number of youth travellers granted a WHM visa has decreased by some 12% from June 2013 to June 2015. A further decline of 6% for first year 417 visa grants and a decline of 13.9% for second year 417 visa grants for the 6 months to end December 2015 has been reported in the latest update provided to industry by the Department of Immigration and Border Protection. This includes declines in the all of the six largest WHM source markets being in order: the UK, Germany, France Korea, Taiwan and Italy. As recently as last week, the latest IVS statistics point to a worrying further decline of 7% in WHM visitor nights.¹¹

A further decline of WHM arrivals by say 5%, would mean a loss of 11,340 arrivals, with a resulting loss of \$5.6m in direct tax loss (with no WHM visa application fee and passenger movement charge collected), let alone the average spend contribution of \$13,218 per WHM not being realised, resulting in over \$170m not being spent in Australia.

A decline of 10% in WHM arrivals would erode a staggering \$11.2m (WHM visa application fee and passenger movement charge) from government revenue, let alone the \$340m not being spent in Australia by those working holiday makers – far in excess of the uncertain revenue which may be raised by introducing the tax.

Whilst visa fees are outside the scope of this review, industry believes firmly that it cannot be isolated as not having a critical role to play in conversion. The graphs overleaf¹² show a clear causal relationship between visa fees and grants.

¹⁰ Gary O'Riordan, "Recommendations for working holiday maker scheme" April 2016

¹¹ Australian Trade Commission - Tourism Research Australia, International Visitor Survey June 2016

¹² Department of Immigration & Border Protection, "Working Holiday Reports" 2011-2015

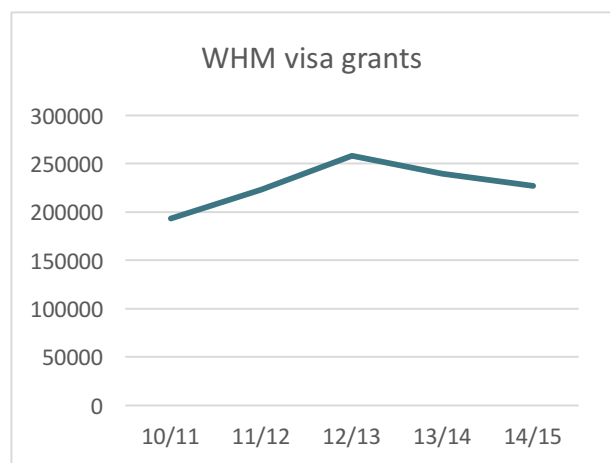
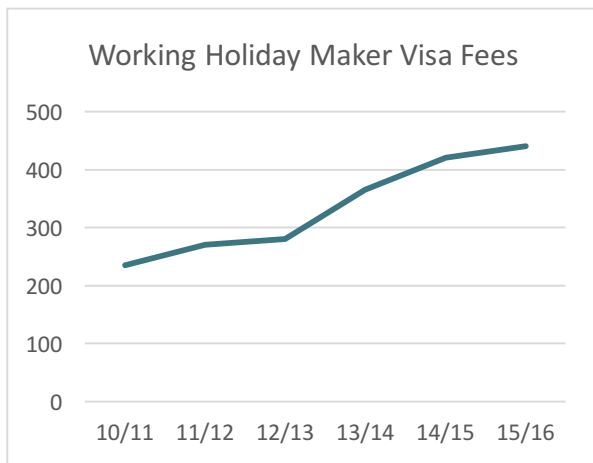


Table 1 below outlines the current tax rate, the proposed rate, and a set of industry options compared to those of Australia's major competitors. It is evident from these numbers that Australia is currently competitive yet will become extremely uncompetitive should the proposed changes go ahead. This is evidenced by Dr Jeff Jarvis' recent research¹³ (see Appendix C, and infographic below) that surveyed 335 WHMs in Melbourne, Cairns and Port Douglas and found that 62% would have considered going to New Zealand on a working holiday if the tax rate in Australia was 32.5%. Canada was also identified as a major competitor with 53% considering it as an alternative destination.

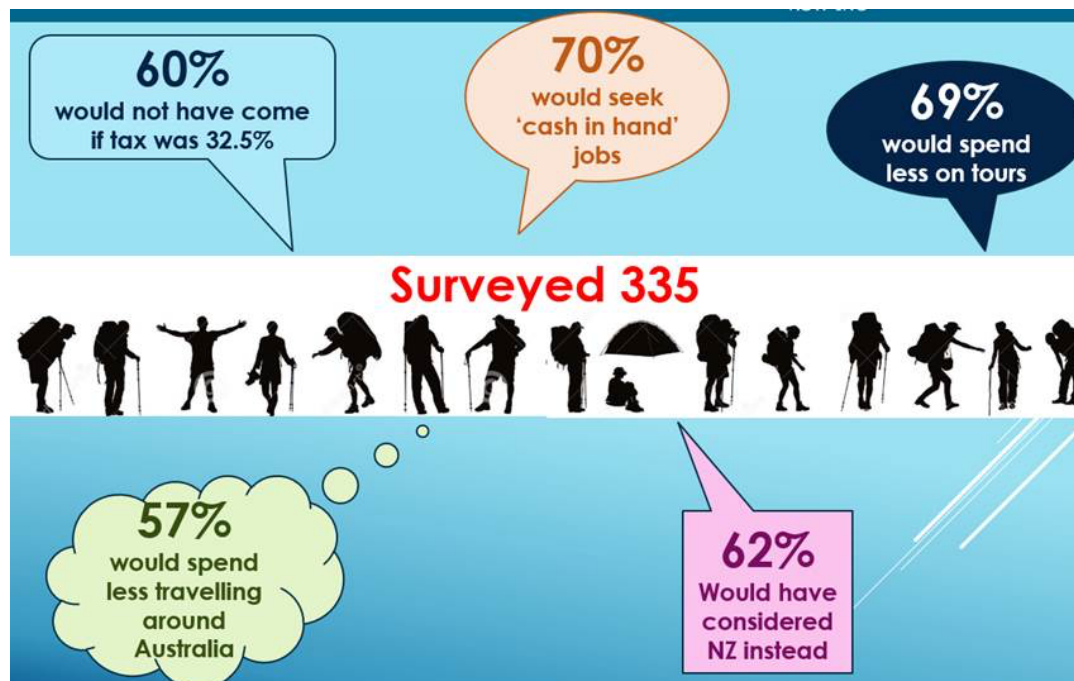
Table 1: Taxation rates paid by working holiday makers

Income (AUD)	AUS currently*	AUS GOV proposed 32.5%	NZ 10.5%	CAN 15%	UK 20%
7,000	ZERO	2,275	735	1,050	1,400
14,000	ZERO	4,550	1,470	2,100	2,800
21,000	87	6,825	2,695	3,150	4,200

*if in Australia for over six months, considered a resident for taxation purposes and availing of low income tax offset.

Source: TTF, excerpt from joint industry correspondence to Minister Colbeck, 11 April 2016

Summary infographic: the impact of taxation on the working holiday maker – Monash University, 2016



¹³ Dr Jeff Jarvis, "The motivations of working holiday makers", Monash University 2016

b) Comparative superannuation or equivalent entitlements

In the Steen & Peel report (previously referenced), it is noted that under current regulations, on departing Australia permanently WHM superannuation payout is taxed at 38 per cent. Unless arrangements have been made before arrival in Australia by the WHM to have their superannuation paid into an account, all superannuation is deemed as 'unclaimed' and passed over to the Australian Taxation Office. In January, 2014 it was estimated that temporary residents contributed about AUD 20 million in unclaimed super balances each year. This equates to approximately 70 per cent of visitors not claiming their super entitlement.

c) Promotional programmes and schemes to assist workers while in the country

Working holiday makers come from a variety of source countries and have differing levels of needs for assistance while in Australia. Those from English-speaking countries, or countries with high levels of English language proficiency (primarily European and North American) are generally able to navigate finding accommodation, work and arranging independent travel around the country. Those with more limited English language skills (primarily from Asia) are more in need of support and guidance, and are more limited in their opportunities for work as part of their working holiday. They are more likely to work in rural areas doing agricultural-related employment, and are also more likely to be exploited by unscrupulous employers. There are some services to assist such foreign nationals, including support offered by their relative diplomatic representatives in Australia. Education campaigns to advise working holiday makers of their rights and responsibilities (particularly in their own languages) would be beneficial.

d) Costs and barriers to entry

The recent research undertaken by Dr Jeff Jarvis showed that 60% of the WHMs surveyed said that they would not have come to Australia if the tax rate was 32.5 percent. 57% also said that they would spend less time travelling in Australia if the tax changes were to take effect, and 69% said that they would spend less on tours. This research clearly identifies that the proposed tax rate is a barrier to entry in that not only will WHMs not come to Australia in such large numbers, but those that do will not spend as much or disperse as widely while in Australia. The table below illustrates Australia's competitiveness with our key WHM competitors with regard to visa fees.

WHM visa fee	Cost	Cost in AUD	% increase in comparison
Australia	AUD\$440	\$440	n/a
New Zealand	NZD\$208	\$187	+135%
Canada	CAD\$250	\$252	+75%

Source: ATEC

It is important to note that the current focus of the government is on revenue and not the scheme as a means of cultural exchange. In fact, there is no data readily available from the ATO on the actual revenue raised on tax by residency status – i.e. we have no information on how much money the government is currently making from WHMs. It is a known fact that many WHMs don't lodge a tax return and many may lodge inaccurate tax returns, therefore establishing a base line is critical. Compliance and enforcement is also important.

2. Regulatory imposts on employers

Any decision made around tax law and its application must not create an additional burden for SMEs across Australia. Businesses in regional Australia rely on WHMs to fill seasonal roles – both in the agricultural and tourism industries – and the readily available nature of WHMs is core to the attractiveness of the scheme. Adding administrative burdens will lessen the ability of SMEs to employ WHMs quickly to complete harvest work and /or to fill seasonal shortages in remote and rural locations in the tourism sector.

3. Exploitation of and protections for vulnerable workers, including evaluation of illegal labour hire practices and non-compliance with laws and regulations

Working holiday makers, being young relatively inexperienced people who are a long way from home in a foreign land, are by nature open to exploitation. It is essential that WHMs who engage in work, particularly in the agricultural sector are protected in terms of pay and Workplace Health & Safety practices, and that there is enforcement of the law to crack down on unscrupulous operators and labour hire contractors. There are currently well-known issues with labour hire contractors - the tourism industry supports the Ombudsman / Fair Work Commission to remove exploitation of workers regardless of where workers come from. The tourism industry would also support providing WHMs with information on their work rights whilst in Australia in their own language.

4. Capacity to match employers with available workers, including regulatory arrangements in relation to the role of labour hire companies

There are various resources for WHMs seeking work, including recruitment agencies and websites. Specifically, for those seeking agricultural work the Harvest Trail website aims to match employers with employees. However, there is a need for a technology platform and/or solution in real time, using location services to match WHMs with potential employers. This would also reduce the stronghold that unscrupulous labour hire contractors have on the sector and create a direct connect between the needs of the remote employer and the opportunity for WHMs to travel and work more extensively.

5. Australia's exposure to changes in exchange rates, economic growth and employment rates in source nations which may affect Australia attracting seasonal and temporary labour

Australia is a long-haul destination for most WHMs, therefore both the cost to travel to Australia, and the cost of living here must be factored in during the decision making process. As such, Australia is highly exposed to volatility in exchange rates, and the high dollar of recent years acted as deterrent to backpackers staying longer or dispersing wider on their travels here. It is important therefore to provide the right conditions for WHMs, as much as can be mitigated against, i.e. if the visa fee is reasonable, if work is readily available and taxation is relatively low they will consider Australia favourably for a working holiday destination. Conversely, if the visa fee and taxation rate are too high, this will impact negatively on their perception of Australia.

6. Short-term and long-term agricultural and tourism labour needs

There is no doubt that Australia relies heavily on WHMs to fill labour shortages, in both the agricultural and tourism sectors. In a Senate report released on 17 March 2016¹⁴, it is noted by the Northern Territory government that many employers rely heavily on the WHM visa program to meet customer demand, stating: "In the Northern Territory's hospitality, primary and construction sectors, these visa holders, in peak season, can account for more than 50% of some employers' workforces".

Both the agricultural and tourism industries will continue to struggle with labour shortages. How is Australia going to meet the supply side needs of the tourism industry in terms of its strategic "2020" targets? If China continues to grow as an inbound tourism source at current rates, Australia will be unable to provide enough staff to service this enormous demand. We need a solution with many cogs in the wheel - including WHMs. It is important also to note that if WHMs do not come in sufficient numbers for a first year visa (being deterred by too high a taxation rate), that will in turn have a knock-on effect on second year visa applications, with fewer backpackers completing the required 88 days of agricultural work in the first year (impacting heavily on the agricultural industry).

¹⁴ Commonwealth of Australia, "A National Disgrace: the exploitation of temporary work visa holders" 17 March 2016

7. Policies to attract unemployed Australians, including young Australians, into work in agriculture and tourism

In the Steen and Peel report (previously referenced) prior research on the topic is outlined that found that if the WMH scheme did not exist, 'only a fraction of these jobs would be likely to be taken by long-term unemployed youth'. In the same report it is estimated that if the WHM scheme did not exist, there would be 40,909 more casual full time jobs, but only an estimated 10,100 of these jobs would be taken by unemployed youth.

8. Opportunities to expand supply of seasonal and temporary foreign workers for the agricultural sector

The risk of treating WHMs as a revenue line item is that they won't come in the numbers they are currently, and the revenue that the government is currently receiving will diminish. Conversely, grow the scheme and inject a positive message to a working holiday in Australia. Even simple financial modelling demonstrates that growing the WHM scheme by 10% could deliver significant revenue to government – not to mention the direct benefit to regional economies, farmers and the backpackers themselves.

9. Consistent tax treatment between different classes of temporary work visa holders.

The report by Steen and Peel makes the point that denying WHMs the tax free threshold is not equitable as it is at odds with other temporary visa categories. Short term skilled workers on 457 visas are subject to the tax free threshold and are treated like domestic taxpayers, for example.

Moreover, there is a precedent for taxing non-resident workers in Australia at a lower rate in the 'Seasonal Workers Program' that brings in Pacific Islanders to fill labour shortages in regional areas. This scheme taxes at a flat rate of 15%, with no tax-free threshold and minimal administrative burden (i.e. no tax return is required to be filed). This is one option for an even tax rate for all WHMs – both those who meet the ATO definition currently of a 'resident for tax purposes' and those who don't.

The tourism export industry's position

The tourism export industry encourages government to focus on growth strategies rather than taxation measures to supplement government revenue, simultaneously injecting economic stimuli into national and regional economies.

Put simply, asking WHMs to first decide on Australia as their preferred destination, then to pay the long-haul costs to get here, add in a passenger movement charge, throw in the cost of living and the cost of domestic travel, then tell them they'll lose a third of their income that's intended to fund part of their trip in the first place...the outcome is not going to work well for Australia.

It is critical that we position Australia competitively, and as an attractive destination for all tourists and visitors. We must not make it harder for a genuine potential tourist to choose Australia.

The tourism industry unequivocally rejects the notion of a backpacker tax. We support the retention of the status quo, where working holiday makers will pay some tax (either as a resident OR a non-resident for tax purposes) and then proceed to spend their earnings as they disperse widely through regional Australia, filling vital horticulture and agriculture labour needs along their way.

Growth can be achieved in several ways.

At a minimum, freeze the WHM visa fee. Government should consider adjusting it down in the next budget forecasts to be more competitive globally, particularly with New Zealand. This would send a clear message to potential WHMs.

Raising the current age threshold for working holiday maker visa holders to 35 would also assist in growing the market. This opens up an opportunity for 30-somethings to take a career break, spend some time travelling and doing work they'd never do in their home country. Working holiday makers are repeat visitors, and we want the WHM to come back with their spouse, then return with their children. Federal Minister for Immigration and Border Protection Peter Dutton said in May of the recent introduction of 462 arrangements for Singapore that the visa will *"further boost tourism and business links between Australia and Singapore and will encourage repeat visits and align with the Government's agenda to reduce unnecessary red tape."*

Australia should consider raising the current caps applying to source nations for 462 visas where the allocations are exhausted, for example Portugal, Poland, Greece and Spain. Further research on the latent demand existing in source countries because of exhausted caps would be extremely beneficial and could provide the necessary evidence to support increasing the caps. Industry also highlights the inherent lack of quality research readily available for the backpacker and youth sector. It is strongly recommended that we conduct an in-depth study into WHMs travelling in Australia building on the National Institute of Labour Studies research report published in 2009.

A continued commitment to expanding the 462 program to new countries where appropriate is also critical to the growth of the WHM market. Countries in South America, as well as India (industry accepts that there are other issues to consider in this context) are clear opportunities.

Other initiatives proposed in this submission including "work rights" information to WHMs in their own language either prior to or on arrival; and more active and targeted promotion of the second year WHM visa also plays a key role in enhancing the visitor experience.

Technology has an important role to play in matching WHMs to employers. There exists a very real opportunity for a location services application ("app") that provides both the WHM and the employer or farmer with real time, direct connectivity. This tool could also enable effective and active communication with WHMs, rich data access as well as a heightened visitor experience.

Finally, it is impossible to measure the extent of the damage done through viral messaging and social media about Australia's "backpacker tax". A targeted global youth campaign implemented by Tourism Australia, to address the negative sentiment about the tax arrangements for WHMs is absolutely critical. Of value in a marketing context would also be to implement a series of tactical campaigns in markets where there are no caps (i.e. 417 countries) such as France and the UK. Industry will actively partner with Tourism Australia and the private sector; investment in re-attracting the working holiday maker to our shores will elevate the effort enormously.

Summary

What has been lost in the discourse to date is that work funds the holiday. The focus of the WHM scheme essentially is TOURISM. WHMs cannot simply be viewed as a cheap solution for Australia's labour shortages. We need these young, mobile, motivated young WHMs to continue to come to this country and to disperse around, and due to the multiplier effect to help drive growth in regional Australia. To not encourage this can only be detrimental to Australia, and particularly to regional economies. Put simply, this will mitigate a WHM's opportunity to, for example, spend money on a reef cruise, winery tour or indigenous experience.

The risk of over-taxation of WHMs is to take away a key appeal and competitive advantage that Australia currently has. It also risks taking away the fundamental focus of the reciprocal WHM scheme, which is one of cultural exchange.

ATEC and BYTAP firmly believe that the focus should be on a growth strategy – if the work and taxation arrangements are attractive, and other barriers to growth including visa caps, age limits and fees are addressed then more will come and greater revenue for government will ensue.

To quote from Steen and Peel's research findings:

"WHMs contribute positively to the Australian economy both in taxation revenue and in creating employment through their spending. In the wake of dramatic travel downturns after events such as the 9/11 terrorist attack in 2001 and the SARS epidemic in 2003, WHMs (and the backpacker segment in general) remained a resilient tourist market for Australia. In the face of labour shortages in the horticulture and agriculture industries WHMs also provide an indispensable source of labour and contribution to regional Australian communities. The impact of the changed taxation arrangements on WHM numbers are yet to be seen. However, when combined with the recent ending of voluntary labour arrangements and increases in visa application fees in recent years, Australia may well see far fewer working tourists in the future".

The Australian Tourism Export Council and the Backpacker & Youth Tourism Advisory Panel thanks the Assistant Minister for the opportunity to present industry's views through the submission process.

Yours sincerely,

Peter Shelley
MANAGING DIRECTOR
Australian Tourism Export Council Ltd

Appendices

1. Steen & Peel, "Economic and social consequences of changing taxation arrangements to working holiday makers" (2015)
2. Gary O'Riordan, "*Recommendations for working holiday maker scheme*" April 2016
3. Dr Jeff Jarvis, "The motivations of working holiday makers", National Centre for Australian Studies, Monash University 2016