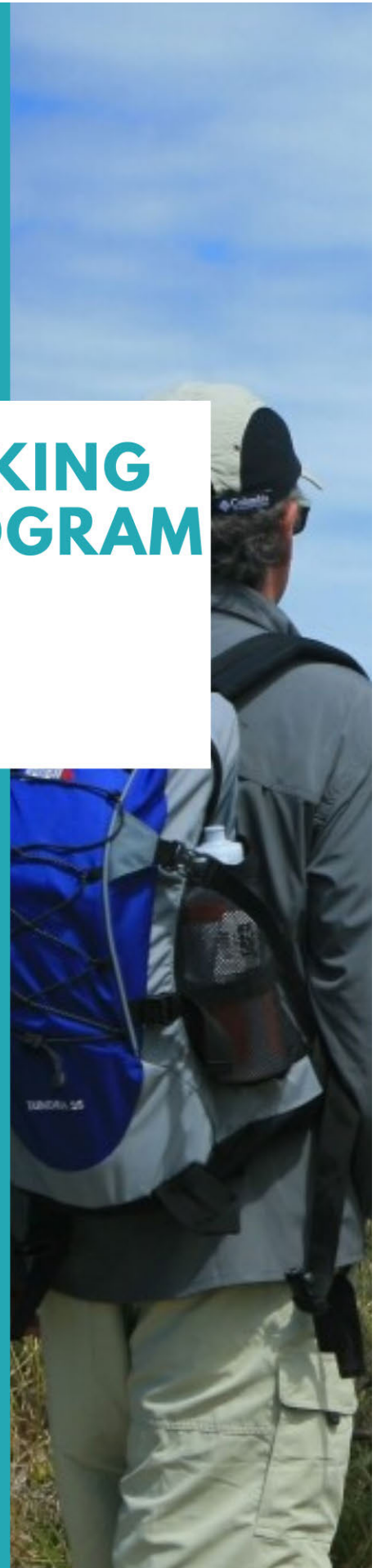


# **REVIEW OF THE WORKING HOLIDAY MAKER PROGRAM SUBMISSION**

**AUSTRALIAN TOURISM  
EXPORT COUNCIL**

**JULY 2020**

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## FOREWORD

Tourism needs support now more than ever.

The events of 2020 have re-shaped the tourism industry and permanently altered strategic, marketing, investment and growth plans for businesses across Australia. Devastating bushfire activity, now coupled with the COVID-19 pandemic has forced our sector into involuntary retreat as business owners grapple with seriously eroded revenues for the indefinite future. Many businesses will not survive. Whilst the tourism sector is proud of its resilience and has a proven track record of returning to growth phases after blows such as SARS and the global financial crisis, the COVID-19 pandemic is unprecedented and the impacts will be felt for years to come.

During these past six months, the Australian Tourism Export Council (ATEC) has been working closely with both government and industry partners to manage, communicate, assess immediate impacts and identify support measures. We acknowledge the swift and ongoing support the federal government has extended to Australian businesses and Australians, and the extension of JobKeeper this week was welcomed by industry as another critical support measure to assist the tourism sector to hopefully continue to weather the storm.

It is also critically important to focus our energies on the future. Support and stimulus need to be multi-faceted to achieve the best outcomes. We also need to explore the various policy settings that can be adjusted to stimulate demand and position Australia as an attractive and welcoming destination once we are able to re-start passenger movement. Moreover, it is likely that the early stages of passenger movement will need to be tightly managed, which will require the support and engagement of many stakeholders.

The youth and Working Holiday Maker (WHM) segments are widely regarded as likely ‘first responders’ when borders do re-open given their willingness to travel long distances, their length of stay and desire to explore new regions. In the context of this review, ATEC is pleased to offer recommendations on how the Working Holiday Maker program’s settings can be adjusted to best position the youth and working holiday market as a key segment for tourism’s eventual recovery.

## SUMMARY OF RECOMMENDATIONS

- Waive or reduce the visa application charge to at least pre-2015 levels to encourage return
- Consider an automatic new WHM visa or an extension for WHM visa holders affected by COVID-19
- Implement (in partnership with industry) ‘secure corridors’ to allow the managed arrival of WHMs back into Australia
- Increase the age threshold from 30 to 35, consistent with the arrangements for Canada, France and Ireland
- Reduce the 6 month specified work requirement for 3<sup>rd</sup> year visa to 3 months
- Allow for greater flexibility regarding the completion of 88 days’ work – use hours rather than days as a measure
- Raise the current caps applying to source countries for 462 visas
- Continue to expand the 462 program to more countries, particularly where demand is identified (eg South American nations)
- Allow multiple visa applications by individuals (so they could reapply whilst still ‘in country’ on an existing WHM visas)
- Roll out a targeted global youth campaign (Tourism Australia) to attract WHMs once passenger movement can commence
- Remove the uncertainty around tax and superannuation for WHMs (including removing the additional tax on superannuation)

*The Australian Tourism Export Council also supports the submissions from*

*YHA Australia and the Backpacker & Youth Tourism Advisory Panel*

## DISCUSSION

### About the Working Holiday Maker program

The Working Holiday Maker (WHM) program allows young adults (aged 18-30) from 44 partner countries to work in Australia while having an extended holiday. The program was introduced in 1975 with the main purpose to "promote international understanding by enabling young people to experience the culture of another country." Working Holiday Makers tend to stay longer, spend more and disperse more widely throughout the country than most other target segments. They have a higher than average length of stay and propensity to combine work, visiting friends and family and holiday/ leisure experiences. Working Holiday Makers are high-yielding segment of the broader tourism industry and contribute some \$3.2 billion to the economy<sup>1</sup>.

There are two visa sub-classes available to a Working Holiday Maker: the "Working Holiday" visa (sub-class 417) and the "Work and Holiday" visa (sub-class 462). For a complete list of partner countries, refer to Appendix A. Australia holds reciprocal agreements with all partner countries (with the exception of the People's Republic of China), meaning Australian citizens can also embark on a working holiday any of the partner countries, thereby promoting the intent of cultural exchange. Sub-class 417 visas are uncapped for each source country, whereas the 462 sub-class has annual 'caps' or quotas which limit the amount of available visas each year (with the exception of the USA which is uncapped). Refer to Appendix B for a full list of 462 country caps.

Each WHM visa (from both sub-classes) has a validity of 12 months, with eligible visa holders able to extend their stay if they so choose by applying for second or third WHM visas provided they meet the criteria (refer Appendix C for eligibility criteria). Notably, there are no caps applied to the second and third visas in the 462 sub-class.

### A snapshot of the Working Holiday Maker segment

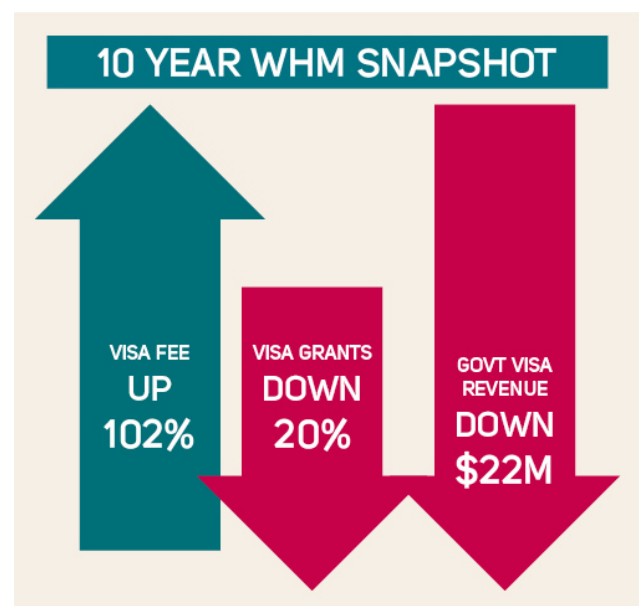
Over the past decade, Working Holiday Maker arrivals have had periods of strong growth and then steady decline. From 2010 through to 2013, year on year growth was an impressive 16%. In 2013-2014, the visa application charge was increased from \$240 to \$420, which had an immediate and definitive impact: the WHM grant rate fell almost 20% across the subsequent years with visa grants at their lowest in 2019/20 since the post-GFC figures.

### Recent reforms – good and bad

ATEC has long advocated for removing impediments to growth. Government reforms – particularly in recent years – have been welcomed by industry and have, prior to the 2020 crises, helped to arrest the rate of decline in WHM arrivals.

Winning reforms have included:

- Age cap increase to 35 for Canada, Ireland and France
- Bushfire recovery work counting as 'specified work'
- 462 cap increases for numerous partner countries, particularly those where there is pent up demand



Source: Statistics drawn from data from Department of Home Affairs 2009/10-2018/19

<sup>1</sup> Tourism Australia fact sheet, Working Holiday Makers, Tourism Australia [website](#)

- Introduction of 2<sup>nd</sup> and 3<sup>rd</sup> year visas – encouraging longer stays and wider regional dispersal
- Continuing negotiations with new 462 partner countries
- Inclusion of tourism & hospitality for 462 visa holders as a specified industry to qualify for 2<sup>nd</sup> year visa subject to working in northern Australia.

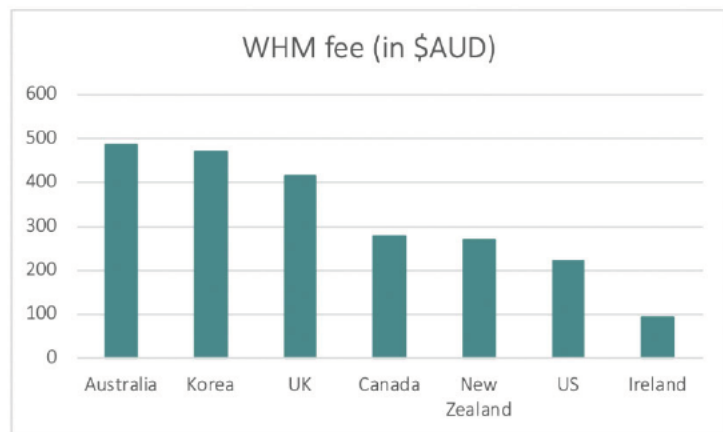
Negative reforms which have proven to drive demand down and impact visitor arrivals have been limited but damaging:

- Visa application charge increases
- The 'backpacker tax' in 2015

#### Visa fees:

Australia has the highest WHM fee at \$AUD485 compared to our major segment competitors.

The increases in the visa application fee for WHM have directly and definitively impacted visitation. In 2012/13, the government increased the visa application charge by \$85 overnight and in the five years to 2015/16, it had nearly doubled from \$235 to \$440.



Sources: WHM published application fees from government websites converted to current AUD



Source: Department of Home Affairs, Working Holiday Maker [visa program report](#)

#### Backpacker tax:

Various industry groups objected to the proposed taxation changes for Working Holiday Makers (the 'backpacker tax') in response to the 2015/16 Federal Budget and eventually a compromise rate of 15% was settled upon.

However, there is still lack of certainty around this rate of taxation, with the ATO currently appealing against a Federal Court ruling in 2019 regarding breach of tax treaties.<sup>2</sup>

It is worth noting that, whilst historical, Treasury's modelling regarding the forecasted

revenue from the 'backpacker tax' did not appear to adequately factor in any decline in WHM arrivals – in fact, according to questions on notice to the State Economics Legislation Committee<sup>3</sup> 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 2015, WHM grants were 226,812<sup>4</sup>, a fall of around 30%.

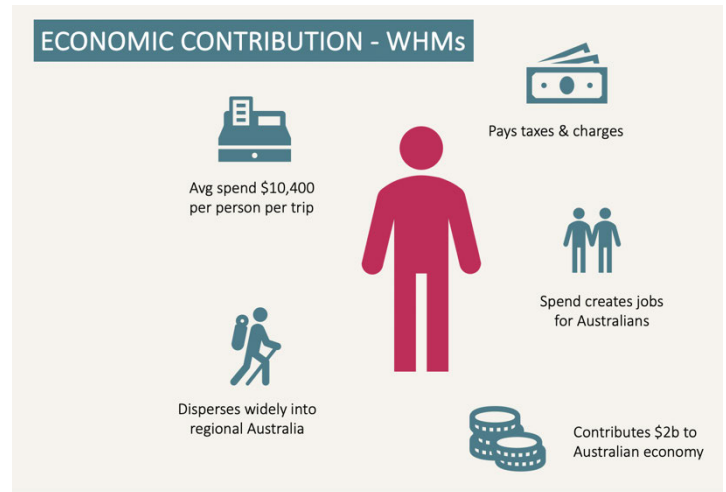
<sup>2</sup> ABC News 26 November 2019 <https://www.abc.net.au/news/2019-11-26/ato-to-appeal-backpacker-tax/11738770>

<sup>3</sup> State Economics Legislation Committee, "Answers to questions on notice", Treasury Portfolio, Budget Estimates 2014/15

<sup>4</sup> Department of Immigration & Border Protection, Working Holiday Maker scheme reports 2010-2015

## Economic contribution

Prior to the crises of 2020, the Working Holiday Maker program, despite its steady contraction over the past decade was a valuable and lucrative economic contributor. Not only do Working Holiday Makers spend some \$10K+ per trip<sup>5</sup>, they also pay the \$485 visa application charge, the passenger movement charge, income tax, superannuation tax and GST. The opportunity to therefore remove impediments and make an Australian working holiday more attractive are clear: economic benefit to regional Australia, important source of temporary and seasonal labour, net positive benefit to employment<sup>6</sup> and long length of stay. On average, WHMs stay an average of 148 nights, one-third (34%) of which are in dispersed regions. Furthermore, more than half of WHMs (51%) are repeat visitors to Australia.<sup>7</sup>



## Impacts of COVID-19

The closure of international borders put a complete halt on visitor arrivals across all non-resident segments. Whilst some WHMs (approximately 140,000) were already in Australia when the shutdown commenced, the economic, labour and regional impacts were swift. ATEC industry polling during the crisis shows that forward bookings have been decimated and many businesses are at risk given both the lack of passenger movement as well as the restrictions on operations given social distancing regulations.

- WHM arrivals zero: annualised impact of approximately \$2bn in visitor expenditure
- Heavily reduced passenger movement of WHMs still in Australia due to state border closures
- Difficulty in travelling and acquiring work due to business closures, social distancing and state border closures
- Labour challenges for agriculture sector in regional/remote centres with heavily reduced access to WHMs
- Small localised economic benefit for some regional centres where WHMs have stayed during the crisis.

## Visa criteria and conditions

One of the most important issues to consider as we look to programs such as WHM in the context of recovery is international competitiveness. Countries are already out of 'lockdown' and moving swiftly to attract international visitors to their shores to help kickstart their damaged economies. Whilst it may be some time before Australia's borders are open, we must explore the levers that can be adjusted to drive demand and the framework within which safe travel can re-commence.

ATEC supports the following key adjustments to WHM visa policy:

- Waive or reduce the visa application charge (VAC)

Australia's WHM VAC is one of the highest in the world, and certainly the highest among our major WHM competing destinations. Waiving or reducing the fee sends a strong 'welcome back' message to potential visitors and also targets return visitors whose plans may have been cut short due to the pandemic. Government could also offer an automatic visa renewal (at no cost) for those who had a visa granted, but

<sup>5</sup> Tourism Australia "Working Holiday Maker" Fact Sheet, Tourism Australia [website](#)

<sup>6</sup> Steen & Peel, "[Economic and social consequences of changing taxation arrangements to working holiday makers](#)" (2015)

<sup>7</sup> Tourism Australia "Working Holiday Maker" Fact Sheet, Tourism Australia [website](#)



could not travel. An opportunity for a WHM nearing the end of their visa's validity to apply in-country for a tourist visa to allow for a further 3-month stay would also be beneficial to tourism – particularly regional areas.

- Increase the age threshold to 35

This measure has already been introduced for Canada, France and Ireland – ATEC recommends that this be extended to all other markets to broaden the eligible cohort and to attract young people who may also have greater funds at their disposal to spend on a working holiday.

- Review how the 88 days is measured in order to qualify for second and third visas

Anecdotal feedback suggests that the measure of 'days' is highly subjective and should be changed to a measure of hours. This ensures consistency across multiple sectors in which WHMs may work and removes any opportunity for exploitation of WHMs by working 'long days' and not being recognised or rewarded for their efforts.

- Reduce the 6 month specified work requirement for 3<sup>rd</sup> year visa to 3 months

Industry and WHM feedback suggests that 6 months additional work in order to qualify for a third year is too much – it erodes the amount of time available to travel and disperse, and to spend money in other regional centres

Other consideration to drive demand:

- Raise the current caps applying to source countries for 462 visas

Many 462 negotiations are finalised with very small caps on visa numbers. Whilst industry accepts the bilateral nature of these negotiations, it seems counter-productive to open up a WHM market for 100 travellers. Once borders re-open, competition will be fierce between nations to support economic recovery: low visa caps is a simple adjustment that can be made, particularly for markets where there was evidence of pent up demand.

- Continue to expand the 462 program to more countries, particularly where demand is identified (eg South American nations)

Working with Tourism Australia to prioritise key target markets for new 462 bilaterals will also be important.

## CLOSING REMARKS

Considerable thought and effort will be required to find a way to re-engage international travel. From the health and safety aspects, to the rebuilding of air capacity to the rebuilding of visitor markets and the Australian offering. ATEC has been actively looking to find solutions on how we can safely open borders and the longer term issues of tourism's role in sustainability, the environment and the economy.

The concept of managed travel where visitors meet stringent criteria and industry and government partner to ensure a 'secure corridor' can be achieved is critical to the success of tourism's recovery. Given the WHM's demographic: young, active, willing to travel and coupled with their travel profile: long length of stay (aligns with any quarantine requirements), high spend per trip and wide dispersal to regions, the segment is likely to be one of the first travel cohorts to arrive on our shores once recovery commences.

An interesting excerpt from back in 2015 from Steen and Peel's research:

*"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”.*

## ABOUT THE AUTHOR

The Australian Tourism Export Council (ATEC) is the peak industry body representing the thousands of companies throughout Australia 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 is the only, singularly-focused national body with inbound tourism at its core. Our membership represents the depth and breadth of our industry and includes more than 1,000 large national and multinational companies as well as small-and medium-sized enterprises, many of whom are based in regional and remote parts of Australia. In this way, we have a solid connection to the ‘grass-roots’ of our industry. We see and hear their direct experiences and we work alongside these businesses to alleviate the pressures and provide support. Our core functions are to:

- Advocate for policy that supports growth
- Connect buyers and sellers and deliver commercial opportunity
- Support, train and mentor for export excellence
- Promote inbound tourism’s contribution to the broader Australian community

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## APPENDIX A

### Eligible passport holders for 417 sub-class:

- Belgium
- Canada
- Republic of Cyprus
- Denmark
- Estonia
- Finland
- France
- Germany
- Hong Kong Special Administrative Region of the People's Republic of China (including British National Overseas passport holders)
- Republic of Ireland
- Italy
- Japan
- Republic of Korea
- Malta
- Netherlands
- Norway
- Sweden
- Taiwan (other than an official or diplomatic passport)
- The United Kingdom of Great Britain and Northern Ireland

### Eligible passport holders for 462 sub-class:

- Argentina
- Austria
- Chile
- China, People's Republic of
- Czech Republic
- Ecuador
- Greece
- Hungary
- Indonesia
- Israel
- Luxembourg
- Malaysia
- Peru
- Poland
- Portugal
- San Marino
- Singapore
- Slovak Republic
- Slovenia
- Spain
- Thailand
- Turkey
- Uruguay
- United States of America
- Vietnam

## APPENDIX B

Partner country	Annual cap
Argentina	3400
Austria	200
Chile	3400
China	5000
Czech Republic	500
Ecuador	100
Greece	500
Hungary	200
Indonesia	1000
Israel	2500
Luxembourg	100
Malaysia	1100
Peru	1500
Poland	1500
Portugal	500
San Marino	100
Singapore	2500
Slovak Republic	200
Slovenia	200
Spain	3400
Thailand	2000
Turkey	100
Uruguay	200
Vietnam	1500

Source: Department of Home Affairs, WHM program, status of country caps (<https://immi.homeaffairs.gov.au/what-we-do/whm-program/status-of-country-caps>)

## APPENDIX C

Eligibility criteria applied to second and third working holiday visas:

### Second Working Holiday (417)

Visa holders must complete three months of 'specified work' in regional Australia. 'Specified work' includes work in the agriculture, mining and construction industries, as well as bushfire relief work. For the purposes of second Working Holiday visa eligibility, regional Australia includes large parts of rural and regional Australia, which are identified in a list of postcodes available on the Department's [website](#).

### Second Work and Holiday (462)

Visa holders must complete three months of specified subclass 462 work in northern or regional Australia. Specified subclass 462 work is work that is undertaken in a 'specified' field or industry that includes work in agriculture and tourism and hospitality, in a designated area in northern or regional Australia.

### Third WHM visa (417 & 462)

Visa holders who carry out six months of specified work in regional areas while on their second working holiday visa may be eligible to apply for a third visa. Eligible types of work and regional areas correspond with the requirements for the second visa.