



Ms Tara Bennett  
Executive Officer  
**Tourism Port Douglas Daintree**  
PO Box 511  
Port Douglas QLD 4877

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### **Working Holiday Maker Reform Package Discussion Paper**

Tourism Port Douglas Daintree (TPDD) is the local tourism organization for the Douglas Shire. The Port Douglas and Daintree region is located an hour's drive north of Cairns in Tropical North Queensland. This is the place where the oldest living rainforest in the world, the Daintree Rainforest meets the Great Barrier Reef. Port Douglas is a vibrant yet relaxed seaside village, an ideal base for visitors to explore the natural beauty of the region.

Our region of almost 12,000 people achieved more than 2.4 million visitor room nights for the year ending 201516. Driving these numbers is the domestic market with 359,000 visitors and 1.9 million room nights while international visitors totalled 97,000 with total room nights reached 533,000.

Tourism contributes to more than 80% of the Douglas Shires economy making us one of the most reliant regions in Australia on the tourism industry. The second largest sector is agriculture including sugar cane and tropical fruit production.

Our visitor market combines mature travellers through to the youth adventure market. Youth adventure travellers or those on a working holiday visa are an important visitor sector due to the high dispersal to our regional areas and more importantly for the supplement they provide to our labour force during our peak visitor season.

We have welcomed in previous years' improvements to the working holiday visa which allowed visa holders to work more than six months with a single employer. This provided a significant benefit to business owners and the experience of youth travelers for their time in Australia.

The Federal Government's "Backpacker Tax", an initiative to remove the normal tax-free threshold on income for people on Working Holiday Visas (WHVs), now scheduled from

PO Box 511, Port Douglas, QLD 4877

Phone: 07 4099 4588

Email: [info@tpdd.com.au](mailto:info@tpdd.com.au) Website: [www.visitportdouglasdaintree.com](http://www.visitportdouglasdaintree.com)



January 1 2017, will have a significant adverse impact on the future growth prospects of the Douglas Shire tourism economy.

TPDD strongly urges the Federal Government not to impose unfair income tax rates on WHV holders' earnings, and by doing so damage Australia's hard-earned ability to remain competitive in this important tourism market. The WHV market generates not only significant export earnings but also contributes to addressing labour shortages in key regional industries.

At the height of this year's tourism season in July several operators ranging from hairdressers to restaurants were forced to close on set days each week due to staff shortages. These shortages would traditionally have been filled by travelers on a WHV. TPDD is concerned the 19% proposed tax will deter further travelers from coming to Australia in favour of more welcoming government regulations in competing countries such as Canada and New Zealand. This will have a devastating effect on the Douglas Shire tourism industry. The heavy reliance of the Shire on tourism will mean this is felt throughout the economy.

The continuing decline in the number of back packers coming into Australia will benefit from increased marketing activity as proposed in the reform. This benefit will be offset by policy that taxes travelers who have been proven to spend a large proportion of their earnings touring the country of their 'working holiday', and often in the regional areas they are based. Real benefits will come from a reform package that maintains the tax-free threshold and provides an equitable superannuation structure for employers and WHV holders.

WHV holders provide an essential supplement to the Douglas Shire labour force. Rather than take jobs from Australians the program allows for long term job security for hospitality and tourism workers in our region. Any threat to the availability of seasonal WHV employees will negatively impact the job security of our Australian workers as trading condition will be extremely challenging for business owners.

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TPDD also supported the QTIC survey of operators from Queensland and believe this has produced clear industry feedback that urges a reconsideration on the tax and reform package.

We recommend the Federal Government continues to support Australia's effort to attract more of the youth adventure market. This is a vital sector for Australia and our regional tourism industry.

TPDD, like the regional tourism organisation for the area Tourism Tropical North Queensland, strongly urges the Federal Government to continue supporting Australia's effort to attract more visitors, increase visitor expenditure and not diminish the competitive strength of the WHV market, by:

- Not proceeding with the proposal to remove the current and generally applicable tax-free threshold on earnings by WHV holders;
- Reforming WHV arrangements to expand the availability and qualifying requirements with the intent to increase the attractiveness of the visa category and bring more visitors to Australia; and
- Supporting the promotion of Australia as a welcoming destination for young travellers to support positive international relations and engagement with regional communities.

We welcome the opportunity for further discussion regarding the points raised in this statement.

Tara Bennett  
Executive officer  
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