

**ONE VOICE**

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VICTORIA TOURISM INDUSTRY COUNCIL

Attention: Lachlan Smirl  
Partner, Deloitte Access Economics

5 September 2016

Dear Lachlan,

**Re: Submission to the Review of the Working Holiday Maker Visa**

The Victoria Tourism Industry Council (VTIC) is the peak body for tourism and events in Victoria, representing over 900 tourism and events operators and businesses. VTIC provides leadership for Victoria's tourism and events industry through 'One Voice' advocacy and representation, and works to support a professional, sustainable and globally competitive tourism industry in Victoria.

We are pleased to provide this submission to the review of the Working Holiday Maker (WHM) Visa on behalf of our members. We have previously submitted to the Review of 400 Series Visas conducted by the Department of Immigration and Border Patrol in 2014, where we also addressed the 417 Working Holiday Maker Cultural Visa Program and its implications for the ongoing issues of skills and labour shortages. Although as a cultural visa the WHM Visa was out of scope for the 2014 review, we felt it should have been included due to the way in which the visa is utilised by Australian employers, particularly in the tourism and hospitality sectors, as a means of addressing labour supply shortages.

This submission is supplementary to the feedback provided to Deloitte in the public consultation sessions on 22 August in Melbourne and on 26 August in Sydney. It includes two appendices, including a recent article featuring interviews with VTIC members about the proposed changes to the Working Holiday Maker visa program and the latest research on backpacker tourism by Monash University

We thank you for the opportunity to contribute to this important discussion.

Sincerely,

Kristina Burke  
Policy Manager

## **Working Holiday Makers vs. Backpackers**

International travellers to Australia who arrive on a Working Holiday Maker (WHM) visa are often referred to as ‘backpackers’. Indeed, in the context of the public debate about the WHM visa and the proposed tax changes, the term ‘backpacker tax’ has been coined and used as a shorthand for the issue that prompted this review. However, it is important to correctly understand and define the cohort impacted by the proposed changes to the Working Holiday Maker visa.

The terms ‘backpacker’ and ‘Working Holiday Maker’ tend to be used interchangeably, and the former is often a proxy for the latter. In many cases this is not problematic. The backpacker market segment is generally understood to be young(er) travellers who tend to be financially constrained, but who are able to travel for extended periods of time due to their stage of life. Indeed, the conditions of the WHM visa itself mean that those who apply for this visa fit the backpacker profile: the qualifying age range is 18 – 35 years, so many WHM travellers are students on extended holidays, or those taking a ‘gap year’ before commencing tertiary studies. Put simply, WHMs are time-rich but cash-poor. So the appeal of the WHM visa as a means of travelling to Australia is the ability to work during the stay, with the opportunity to extend the stay for up to two years.

However, Tourism Research Australia (TRA) defines backpacker tourism visitors as those who stayed at least one night in a backpackers or hostel style accommodation – regardless of the type of visa used to travel to Australia. So while it is true that many international backpackers in Australia travel here on a WHM visa, not all WHM visa holders will necessarily be considered (and counted as) backpackers in official surveys.

While it is assumed that the vast majority of WHM visa holders in Australia would have spent at least one night in backpacker accommodation (based on the demographics of this group), there will be WHM travellers who do not use backpacker accommodation. The popularity of AirBnB and other share economy based accommodation means that there is a growing proportion of travellers who may not be counted in official TRA statistics. And there will also be travellers who travel on different visa classes who do use backpacker accommodation.

In order to gain a true picture of the value of Working Holiday Makers to the Australian visitor economy, further research into international visitors travelling on this visa subclass is vital.

## **Introduction**

The Working Holiday Maker program is a vital part of Australia’s short-term migration program and facilitates valuable cultural exchange with partner countries, as well as providing essential short-term labour to the tourism sector. The Victoria Tourism Industry Council (VTIC) is concerned about the impact that the proposal to remove the tax-free threshold currently afforded to WHMs will have on the visitor economy. The work component of the WHM program, including the current tax conditions, is fundamental to the WHMs ability to stay longer, spend more and travel widely – three attributes which make this market segment valuable to Australian tourism.

Consultation with VTIC’s backpacker advocacy group Youth Tourism Victoria (comprising youth hostel operators and tour operators whose core markets include the backpacker segment) has revealed three main areas of concern:

1. Reputational damage to Australia;
2. Impacts on the tourism labour force; and
3. Economic impacts on the wider visitor economy

These concerns will be addressed in relation to the Terms of Reference relevant to the tourism industry.

## 1. Reputational damage to Australia

It is interesting to note that this Review of the WHM visa focuses on Australia's **relative international competitiveness** in attracting seasonal and temporary foreign labour. Ironically, the reason that the WHM visa was out of scope in the 2014 Review of 400 Series Visas was that the WHM visa is classed as a cultural visa, not a visa aimed at addressing labour supply issues. This was a missed opportunity to review Australia's labour-related visa programs in totality.

From a tourism perspective, initial industry concerns arising from the proposed changes to the WHM visa have been about **Australia's relative international competitiveness, and attractiveness, as a travel destination for backpackers and the youth market more broadly**. Anecdotally, the proposal to remove the tax-free threshold for WHMs has already had a marked negative impact on the backpacker segment of VTIC's membership, with operators reporting a decline in inquiries about WHM work opportunities, as well as negative word-of-mouth<sup>1</sup> and misinformation about how much the tax would actually be if the changes were implemented.

Even prior to the announcement about the proposed changes to the WHM visa, as a WHM destination Australia was already at a disadvantage compared with key competitors such as New Zealand and Canada, simply due to the fees associated with WHM visa. At AUD\$440, the WHM visa fee for Australia is 75 per cent more expensive than Canada's WHM visa (CAD\$250, or AUD\$252); and 135 per cent more expensive than New Zealand's (NZD\$208, or AUD\$187). Factoring in the visa requirement to show evidence of sufficient funds (a certified copy of a bank statement showing access to funds of at least AUD\$5,000) and the Passenger Movement Charge of \$55, a WHM visa applicant to Australia needs to have at least AUD\$5,495 saved up before they have even booked flights.

Yet, despite these hurdles, Australia has succeeded as an aspirational destination, with the number of WHM visas granted increasing in recent years from 194,316 in 2008-09 to 226,812 in 2014-15. Relative to the overall international visitation to Australia for a similar period, with 5.1 million international visitors recorded in the year ending December 2009, growing to 6.8 million overnight visitors for the year ending December 2015, the increase in WHMs granted in this period is modest. This begs question, how many more WHMs may have come were it not for the high price tag?

There is no doubt that the ability to earn enough money while travelling in Australia is a key factor in the traveller's choice of destination: Australia may be expensive to get to but they can recoup the expense through

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<sup>1</sup> Appendix 1: "How bad is the backpacker tax?" Article from VTIC's Tourism Excellence Magazine, Winter Edition 2016

work once they get here. Even so, the most recent Tourism Research Australia (TRA) data shows that average backpacker earnings are modest, at AUD\$13,300.

This only serves to emphasise the importance of the findings of a recent study conducted by Monash University. The research involved a survey of 335 Working Holiday Makers at YHA properties in Melbourne, Cairns and Port Douglas<sup>2</sup> and found that the WHM program, in particular the ability to work in order to fund travel, is clearly an important motivator in selecting Australia as a destination, with 71% of the sample agreeing with the following statement:

*I wanted to travel and Australia was a country where I had the opportunity to work to earn money while I traveled so I could afford to leave home.*

This is a marked difference to the findings of the 2009 National Institute of Labour Studies' report *Evaluation of Australia's Working Holiday Maker (WHM) Program* which showed that working in Australia was only the fourth-ranked reason for travellers to take up the WHM program<sup>3</sup>. Reducing the earning potential of WHMs would now have a significant impact on the WHM traveller's choice of destination. This is supported by other findings of the Monash study<sup>4</sup>, including that:

- 60 per cent of the sample would not have come to Australia if the tax rate on their income was 32.5 per cent.
- 62 per cent of those surveyed indicated that they would have considered going to New Zealand on a working holiday if the tax rate in Australia was 32.5 percent; while 53% considered Canada as an alternative destination.
- Working Holiday Makers would also be less likely to advise friends to come to Australia due to the proposed changes (a 22 per cent recommendation rate versus 75 per cent prior to the announcement).

Although the results are only indicative, the message coming through is that the proposed changes to the conditions of the WHM visa have already eroded Australia's competitive position as a destination of choice.

This signals an even greater risk to Australian tourism if the proposed changes are implemented. There were 226,812 WHM visas granted in the year 2014-15 and a large proportion of WHM travellers are visiting Australia for the first-time. The loss of this market segment would have not only an immediate impact, but potentially long-term consequences. For first-time visitors to Australia, the WHM experience can be a seminal experience that positions Australia as a preferred destination that these travellers return to later in life. It is this repeat visitation potential that is so valuable, but also difficult to quantify as an opportunity cost.

## 2. Impacts on the tourism labour force

In VTIC's submission to the 2014 review we argued that the WHM visa should have been included in the review due to the way in which the visa is utilised by Australian employers, particularly in the tourism and hospitality sectors, as a means of addressing labour supply shortages.

<sup>2</sup> Appendix 2: Working Holiday Makers 'Backpacker tax' Research Fact Sheet, J Jarvis, Monash University, 2016

<sup>3</sup> National Institute of Labour Studies, Flinders University, *Evaluation of Australia's Working Holiday Maker (WHM) Program*, 2009

<sup>4</sup> Appendix 2: Working Holiday Makers 'Backpacker tax' Research Fact Sheet, J Jarvis, Monash University, 2016

The labour shortages in the tourism industry have been recognised and well-documented by both state and federal governments; and the Deloitte Access Economics *Australian Tourism Labour Force Report: 2015-2020* found that “in the absence of any change in policy or industry initiatives...123,000 new workers will need to be sourced in the tourism industry by 2020” (p. i). The same report also examined the role of WHMs as a labour supply source and found that international workers comprise 10 per cent of total employment in the tourism sector, with half of these being WHMs<sup>5</sup>. Moreover, in the accommodation and restaurants and cafes industries (key segments of the visitor economy), WHMs made up the largest component of international workers, at around 6-7 per cent of the total employment<sup>6</sup>. A reduction in the number of WHM travellers to Australia would have a significant and detrimental effect on these industries.

The Working Holiday Maker visa is an important short-term migration program that can help with this growing problem. However, it too has shortcomings which VTIC believes need to be addressed if it is to continue to play a role in meeting current and future tourism and hospitality industry needs. VTIC has previously recommended the following changes to the conditions of the WHM visa, which would be of benefit to both WHM travellers and employers:

- Removing the 6-month cap on employment, to allow WHM to spend a greater amount of time with one employer; and
- Including regional tourism and hospitality as an eligible industry in which WHMs must work for a minimum period in order to gain a second year extension on their visa.

It is noted that from 21 November 2015, a policy change was introduced, whereby WHMs may be eligible for an employment extension to work beyond six months with one employer if working in certain industries in Northern Australia. Eligible industries included tourism and hospitality. In addition to the above recommendations, VTIC argues that this policy change should be extended to all states and territories.

On the issue of **consistent tax treatment between different classes of temporary work visa holders** it is noted that there are some similarities between the WHM (417) visa programme and Special Program visa (subclass 416) Seasonal Worker Programme. A seasonal worker employed under this programme on a visa subclass 416 is a non-resident of Australia for tax purposes.

From an employment perspective, there are risks associated with the proposed removal of the tax-free threshold for WHMs. An unintended consequence would be the increased risk of **non-compliance with laws and regulations**, in particular cash-in-hand arrangements. VTIC has heard concerns from members about the WHM program being used by unscrupulous employers as a means of importing cheap labour, and that such situations would be exacerbated by the removal of the tax-free threshold. These concerns are not exaggerated: the Monash study revealed that 70 per cent of WHMs surveyed said they would look for cash-in-hand jobs to avoid incurring the increased income tax<sup>7</sup>. This would certainly increase the risk of the exploitation of WHMs.

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<sup>5</sup> Deloitte Access Economics *Australian Tourism Labour Force Report: 2015-2020*, p. iv

<sup>6</sup> Deloitte Access Economics *Australian Tourism Labour Force Report: 2015-2020*, p. x

<sup>7</sup> Appendix 2: Working Holiday Makers ‘Backpacker tax’ Research Fact Sheet, J Jarvis, Monash University, 2016

On a purely administrative level, the proposed date of the introduction of the changes – 1 January 2017 – is problematic as it falls halfway through the financial year. For employers with WHMs working either side of this date, the change would represent a **regulatory impost** and additional administrative and compliance burden.

Another area which will suffer from a reduction in the number of WHMs is environmental conservation, which relies on programs such as those offered through Conservation Volunteers Australia. Such programs are popular with WHMs who like to connect with Australia's unique natural environment. Although volunteer work is not paid, the experience is part of the overall value proposition to WHMs coming to Australia. Increasing the tax on paid work available to WHMs would undoubtedly decrease the likelihood that WHMs would spend time in any volunteer or unpaid work.

**Long-term solutions to the labour supply shortage in the tourism industry are needed.** However, until such time as these are developed and initiated, the WHM program remains a ready and vital source of short-term labour for the tourism sector. Any changes to the WHM program or the WHM visa conditions that would jeopardise this function – such as the removal of the tax-free threshold - must be avoided until viable and sustainable labour supply solutions have been identified and implemented.

In addition to migration-based solutions, a dedicated and robust policy framework to attract local students as well as unemployed Australians (both young and mature-age) into work in tourism is essential to broader labour supply solutions for the industry. Recent funding changes in the Vocational Education and Training sector in Victoria have been counter-productive, with many tourism, hospitality and events courses being cut from regional TAFE programs due to severe funding cuts. This means there are fewer graduates with the appropriate training coming into the tourism, hospitality and events sectors, thus exacerbating the long-term labour shortages for these sectors.

### **3. Economic impacts on the wider visitor economy**

The visitor economy is recognised as one of the key pillars of the Victorian economy, contributing more than \$20.6 billion to the Victorian economy each year and employing over 206,000 people. The recently release Victorian Visitor Economy Strategy has set revised growth targets, aiming to increase visitor spending to \$36.5 billion by 2025 and employ 320,700 people across the visitor economy, resulting in Visitor Gross State Product of \$37 billion and Visitor Gross Value Added worth \$32.5 billion. The proposed changes to the WHM tax conditions present a considerable barrier to achieving these targets.

From a Victorian perspective the international backpacker market is significant, with almost half of all international overnight backpacker visitors to Australia travelling to Victoria in the year ending June 2014. For the same period, international backpacker tourism visitors represented 14 per cent of all international overnight visitors to the State and accounted for almost 7.9 million nights in any accommodation.<sup>8</sup>

Most recently, the International Visitor Survey for the year ending June 2016 showed that international backpackers generated \$4.23 billion worth of visitor expenditure nationally<sup>9</sup>. The findings of the recent Monash

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<sup>8</sup> Backpacker Tourism Market Profile Year Ending June 2014, Tourism Victoria Research Unit, November 2014

<sup>9</sup>

[http://tra.gov.au/documents/ivs/International\\_Visitors\\_in\\_Australia\\_June\\_2016\\_quarterly\\_results\\_of\\_the\\_International\\_Visitor\\_Survey.html#BackPackers](http://tra.gov.au/documents/ivs/International_Visitors_in_Australia_June_2016_quarterly_results_of_the_International_Visitor_Survey.html#BackPackers)

University research into Working Holiday Makers indicate this figure would be reduced even further if the proposal to remove the tax-free threshold were to proceed, with 57 per cent of Working Holiday Makers surveyed saying that they would **spend less time travelling in Australia** if the tax changes were to take effect, and 69 per cent saying they would **spend less on tours**<sup>10</sup>. The lost or reduced expenditure, as well as the associated losses in visa fee revenue, represent a considerable cost to the national visitor economy.

Furthermore, the reputational and economic damage is not limited to the visitor economy. The sectors in which WHMs currently must work in order to be eligible to apply for a second WHM visa – agriculture, mining and construction – will also be impacted by the proposed changes.

In considering **mitigation strategies**, it is noted that there was a record number of WHM applicants in 2012-13 (264,974). Though likely due in part to economic conditions in partner countries such as the United Kingdom and Ireland, this spike in WHM applications also coincided with Tourism Australia’s global youth marketing initiative, the “Best Jobs in the World” campaign, launched in March 2013. There has not been a global youth campaign like it since then.

It is imperative that Tourism Australia develop another strategic youth campaign to **restore Australia’s credibility and desirability** with this key market segment. This should be done *even if* the proposed changes to the WHM visa are *not* implemented. The uncertainty generated and the reputational damage done since the announcement in the 2015-16 federal budget has already taken a toll on the visitor economy, with anecdotal feedback from VTIC members in the youth hostel sector indicating that WHMs are already choosing other destinations over Australia.

## Summary

VTIC does not support the removal of the tax-free threshold for WHMs, due to the reputational damage its proposal has already wrought on Australia as a destination of choice and the longer-term effects of this damage; the significant negative impacts on the tourism labour force; and the short- and long-term negative impacts, not only on the visitor economy, but the national economy more broadly. VTIC does, however, believe there are reforms that should be made to the WHM visa program to further enhance the economic contribution of WHMs to Australia, improve the WHM experience and open up this unique opportunity to a wider range of travellers.

### VTIC’s recommendations regarding the Working Holiday Maker (subclass 417) visa are:

1. Reverse the decision to remove the tax-free threshold for Working Holiday Maker visa holders.
2. Remove the 6-month cap on employment, allowing WHM to spend a greater amount of time with one employer; or extend the Northern Australia policy, whereby WHMs may be eligible for an employment extension to work beyond six months with one employer if working in certain industries, including tourism and hospitality, to all states and territories.
3. Grant a second year extension to WHM who spend three months or more working in regional tourism and hospitality businesses.
4. Remove the upper age limit, in line with other countries WHM programs; **or** at least revise the qualifying age range from 18-30 to 18-35 years.

<sup>10</sup> Appendix 2: Working Holiday Makers ‘Backpacker tax’ Research Fact Sheet, J Jarvis, Monash University, 2016

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5. Allow multiple visa applications, one between 18-25 years of age and a second from 26-35 years of age.
6. Expand the program to include key international growth markets and remove need for the program to be reciprocal.
7. Development and implementation of a dedicated global youth tourism marketing campaign to counteract the detrimental effects of the proposed removal of the tax-free threshold for WHMs.
8. Provide Tourism Research Australia with resources to undertake targeted research into the economic value of Working Holiday Makers in Australia to the tourism industry and the Australian economy more broadly.
9. Development of sustainable long-term policies to address the labour and skills shortages in the tourism and hospitality industries and to ensure a long-term supply of appropriately qualified industry professionals emanating from the local tertiary education system.
10. Freeze any further increases in visa fees and charges associated with this visa class, noting that the Passenger Movement Charge already constitutes a tax on tourism.



# How bad is the backpacker tax?

Following the federal government's decision to delay introduction of the so-called backpacker tax until January pending a review, *Tourism Excellence* asked some of the members of Youth Tourism Victoria (formerly the Victorian Backpacker Advocacy Group) for their thoughts. During an impassioned discussion, it emerged that significant damage has already been wrought by the plan that would see travellers on Working Holiday visas pay 32.5 cents in every dollar they earn.

## MARKET VALUE

Source: *Tourism Research Australia* figures for YE June 2014

**287k**

International backpackers (ie. those who stay at least one night in a backpackers or hostel during their trip to Australia) overnight in Victoria each year

While visiting Australia, almost

**50%**

of international backpackers visit Victoria

These visitors account for

**7.9m**

nights (14% of all international overnights) in Victoria, of which

**2.2m**

are in backpackers/hostels

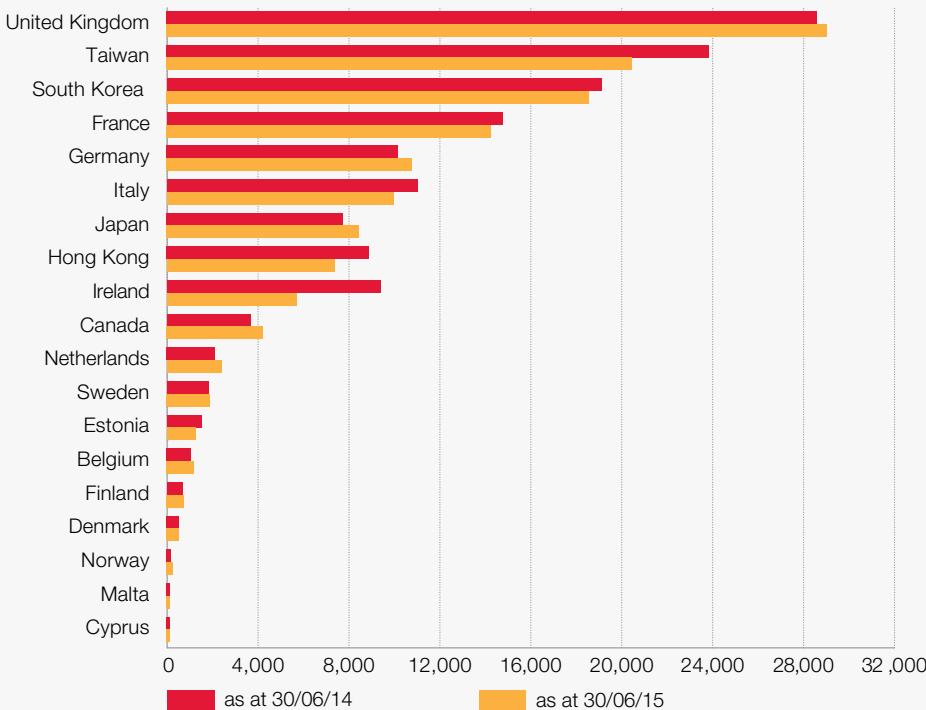
**21%**

stayed between 10 to 39 nights

**16%**

staying at least 40 nights

Total number of Working Holiday (subclass 417) visa holders in Australia by citizenship country



Source: June 2015 report by the Department of Immigration and Border Protection

In 2014-15

**226,812**

Working Holiday Maker program visas were granted

Top countries for

**first-time**

Working Holiday visas were UK (36,257), Germany (24,561), South Korea (20,661), France (20,246), Taiwan (17,673)

At June 2015 there were

**136,892**

Working Holiday visa holders and

**7026**

Work and Holiday visa holders in Australia

L-R: YTV deputy chair Craig Cooney (Get Lost Travel Group), Brendan Sanders (MCC), Peter McMahon (Cambrai Hostel and Tours), Josh Dyer (Work & Travel Company), Steve Gaff (Greenhouse Backpackers), Paul Beames (Get Lost Travel Group), Yossi Galor (Space Hotel), George Josevski (Bunyip Tours). Front: Jessica Phipps (YHA) and YTV chair Germaine Davey (Greenhouse Backpackers)



“ **Peter McMahon:** “What’s already happening in New Zealand and Canada is incredible, they’ve been going on this [disincentive to visit Australia] at 100 miles per hour. It’s not only competing destinations that are taking advantage of it either, advocacy groups have come out of the woodwork calling for things like a cap on the amount of backpackers allowed into Australia and a different visa for farm workers. I didn’t realise how big this issue was until I arranged for [YHA chief executive] Julian Ledger to speak on ABC Gippsland about it and the producers said they were so flooded with calls from concerned listeners all across the region that they ran out of time to complete the segment. It seems that, through this whole thing, no one has been properly consulted.”

**Germaine Davey:** “Unpacking the message to international guests [that they may be disadvantaged next year] is the biggest issue going forward. Telling them it’s not happening now but may do later takes longer than telling them it is happening, so our PR campaigns have had to be shelved. The damage is done, and now we have to undo it. When the government talks about ‘lost revenue’ from delaying and scrapping this ill-conceived tax they forget that we won’t get the backpackers here in the first place if it comes into force.”

**Yossi Galor:** “Now backpackers have less money to put back into our economy. If the government wants to take money they should take it out of superannuation at the end instead of giving it back; no one would know the difference, the money would stay in Australia and they can still have their tax money.”

**George Josevski:** “I think the important thing to look at here is the fairness of the system. Australia has industrial law that demands everyone’s treated equally, and if someone’s going to get a working holiday visa that fairness is part of the agreement. I’m worried this tax will give the country a reputation for unfairness; that we rip off visitors. It’s the backpackers that are doing work that Australians aren’t and the government wants to tax them for filling that void, it’s ridiculous. The delay is pure electioneering and what it’s doing is restricting potential investment in tourism businesses because people are holding back.” ”

**Did you know?**

In a survey of more than 5000 users of [workingholidayjobs.com.au](http://workingholidayjobs.com.au), **95 per cent** of respondents said they believed working holidaymakers would be deterred from visiting Australia by the tax.

A report commissioned by YHA suggests a **10 per cent** drop in working holidaymakers to Australia would remove **\$350m** from the economy.



## Working Holiday Makers “Backpacker Tax” Research

### Fact Sheet: *(Research in Progress)* August 2016

*Dr Jeff Jarvis*

*Graduate Tourism Program*

*National Centre for Australian Studies (Monash University)*

#### Background

Given the current debate surrounding proposed implementation of ‘the backpacker tax’, during May and June 2016 nine additional tax specific questions were included as part of an ongoing long term research study into the behaviour of working holiday makers (WHMs) in Australia.

The research project is entitled “*Long term tourists - short term migrants*” and is coordinated by Dr Jeff Jarvis of the National Centre for Australian Studies at Monash University. This is the first ever national long term study that looks at the motivation and behaviour of WHMs and their impact on local tourism economies in three contrasting geographic locations around Australia.

- (1) *An inland regional ‘work dominated’ destination (Mildura)*
- (2) *An urban capital city environment (Melbourne)*
- (3) *A coastal ‘leisure dominated’ destination (North Queensland: Cairns/Port Douglas)*

It is proposed that further data collection on the overall project occur from November 2016 and during the first half of 2017\* (*\*subject to funding*). The report for stage 2 of the study on WHM behaviour in an urban capital city environment (Melbourne) is expected to be released in late 2016. A further analysis of the ‘backpacker tax’ data will be available then.

Note that the ‘backpacker tax’ sample is only 335, so the results should be seen as indicative. The WHM data collection in North Queensland was supported by YHA.

#### The “Backpacker Tax” research sample

The “backpacker tax” quantitative research data was collected face to face with WHMs staying in hostels either working or looking for work in Melbourne, Cairns and Port Douglas during May and June 2016. Overall 335 surveys were collected, with a gender split of Male: 50.7 and Female 49.3. The average age of respondents was just under 24 years old. As for age groups, 60% were 18-24 with 40% aged 25 - 31. Significantly 48% of the sample had completed a university degree, with a further 10% currently studying.

#### Nationalities

The sample was dominated by UK travellers, 45%. The other major nationalities included; Germany 15%, France 10%, Canada 7%, Netherlands/Belgium 7%, Scandinavia/Nordic 7%. Note that Asian WHM travellers (South Korea, Japan, Taiwan, Hong Kong, (4%) were under represented in the hostel environment. Other nationalities included Italy, Ireland, Malta (5%).

#### Work and travel motivation

The WHM visa and the ability to work to fund travel is clearly an important motivator to select Australia as a destination with 71% of the sample agreeing with the following statement.

*I wanted to travel and Australia was a country where I had the opportunity to work to earn money while I traveled so I could afford to leave home.*

## Specific 'Backpacker Tax' Results (May - June 2016)

The following questions were included in the latest phase of data gathering in Melbourne and in the first research phase in Cairns/Port Douglas. Respondents were asked to rate their agreement on a 1-5 scale for the following comments. (Note 4 & 5 on the scale equated to agreed/strongly agreed and are combined to give the figures below)

a: I would not have come to Australia on the WHM visa if I was to be taxed 32.5c in every dollar I earn.

**RESULTS:**  
60% Agreed

b: I would not have come to Australia on the WHM visa if I was to be taxed 18c in every dollar I earn.

**RESULTS:**  
31% Agreed

c: I would advise my friends to apply for a WHM visa for Australia if they will be charged 32.5c in every dollar earned.

**RESULTS:**  
22% Agreed

d: I would advise my friends to apply for a WHM visa for Australia if they will be charged 18c in every dollar earned.

**RESULTS:**  
47% Agreed

e. I would have considered New Zealand for a WHM experience instead of Australia if I was to be taxed 32.5c in every dollar I earn.

**RESULTS:**  
62% Agreed

f. I would have considered Canada for a WHM experience instead of Australia if I was to be taxed 32.5c in every dollar I earn.

**RESULTS:**  
53% Agreed

g: I would spend less time travelling around Australia if the tax changes come in

**RESULTS:**  
57% Agreed

h: I would look for "cash in hand" jobs to avoid paying tax if the tax changes come in

**RESULTS:**  
70% Agreed

i. I would spend less money on tours and activities while in Australia if I was to be taxed 32.5c in every dollar I earn

**RESULTS:**  
69% Agreed

### Comments

*"It is clear that the proposed tax changes will have a significant impact on potential demand for Australia as a backpacker destination, with 60% of Working Holiday Makers surveyed indicating that they would not have come on such a visa if the tax rate was 32.5 percent. It will also erode the competitive position of Australia in comparison to both New Zealand and Canada. In addition only 22% of travellers in the sample would recommend to their friends to come to Australia on a Working Holiday Maker visa if the tax was to come in."*

Contact information: (jeff.jarvis@monash.edu)