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Official Committee Hansard

SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION REFERENCES COMMITTEE

Reference: Pacific region seasonal contract labour

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RENMARK

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SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION REFERENCES COMMITTEE

Wednesday, 22 March 2006

Members: Senator Marshall *(Chair)*, Senator Troeth *(Deputy Chair)*, Senators Barnett, George Campbell, McEwen and Stott Despoja

Participating members: Senators Abetz, Bartlett, Boswell, Brandis, Bob Brown, Carr, Chapman, Colbeck, Coonan, Crossin, Eggleston, Chris Evans, Faulkner, Ferguson, Ferris, Fielding, Fifield, Forshaw, Humphries, Hutchins, Johnston, Joyce, Lightfoot, Ludwig, Lundy, Ian Macdonald, Mason, McGauran, McLucas, Milne, Moore, Nettle, O'Brien, Payne, Polley, Robert Ray, Santoro, Sherry, Siewert, Stephens, Sterle, Stott Despoja, Trood, Watson, Webber and Wong

Senators in attendance: Senators Barnett, McEwen and Marshall

Terms of reference for the inquiry:

To inquire into and report on:

The viability of a contract labour scheme between Australia and countries in the Pacific region, for the purposes of providing labour for selected rural industries. In doing so, the committee will take account of the following:

a. labour shortages in rural and regional Australia;

b. the availability and mobility of domestic contract labour, and the likely effects of such a scheme on the current seasonal workforce;

c. social and economic effects of the scheme on local communities;

d. likely technical, legal and administrative considerations for such a scheme; and

e. the effects of the scheme on the economies of Pacific nations.

WITNESSES

Committee met at 9.02 am

CHAIR (Senator Marshall)—I declare open this public hearing of the inquiry by the Senate Employment, Workplace Relations and Education References Committee into Pacific region seasonal contract labour. On 7 December 2005 the Senate referred to this committee an inquiry into the need for new measures to meet the seasonal labour needs of the horticultural industry, with particular reference to the feasibility of meeting this need through the use of labour from Pacific island nations. The inquiry follows renewed interest in this proposal by rural industry.

During the 2005 Pacific Island Forum, renewed pressure was put on Australia and New Zealand by Pacific nation leaders to accept seasonal agricultural workers to help their struggling economies. The Senate inquiry will examine whether the seasonal work program can meet labour shortages in rural Australia and at the same time advance the economic development of Pacific nations. It will consider the likely effects of such a policy on the current seasonal workforce and the likely social effects on regional cities and towns. The committee is visiting the Murray centres of Renmark, Mildura and Robinvale and will also visit Shepparton. Next month the committee will visit centres in Queensland. The committee will report by 17 August this year.

I remind all witnesses that in giving evidence they are protected by parliamentary privilege. This gives special rights and immunities to people who appear before committees. People must be able to give evidence to committees without prejudice to themselves. Any act which disadvantages a witness as a result of evidence given before the Senate or any of its committees is treated as a breach of privilege. I welcome all observers to this public hearing.

[9.03 am]

SIMS, Mr Noel Jeffrey, Managing Director, Simarloo (Australia) Pty Ltd, and Virgin Hills Pty Ltd

CHAIR—Welcome. The committee prefers to take evidence in public; however, it will consider any request for all or part of evidence to be given in camera. I invite you to make an opening statement before we begin our questions.

Mr Sims—Thank you for giving me the opportunity to contribute to the proceedings today on a subject which continues to be swept aside in rural Australia but is having a devastating effect on many perishable crops in all regions, resulting in financial loss due to the inability to harvest at the correct maturity or lack of respect as to the quality necessary for the various crops.

Simarloo was developed in 1964 as a major horticultural pioneer in the Riverland and is now a privately owned and funded company. Currently we operate the original 1,500 acres of orchard at Lyrup and continue to expand the total area of 6½ thousand acres in conjunction with a cool store, a packing house and prune drying and nut cracking facilities. We also have an orchard and processing facility at Berri for value added products, predominantly for export markets, and we have a 130-acre lemon orchard and packing facility in the Dandenongs in Victoria.

During this period, as a major stone-fruit grower, packer and exporter, the employment levels were an average of 500 persons per year on a permanent and casual basis. The scale of the operations and intensity of the various stone-fruit crops demanded labour of up to 250 persons at a time to harvest these crops at the ultimate maturity to satisfy the fresh fruit market. In the 1970s, 1980s and early 1990s, sufficient local and Australian floating seasonal labour made up the work force required. Since then, there has been a rapid decline of labour who are conditioned or prepared to work in horticulture and be in place when these critical peak demands are required.

We were the first company to establish and set up an on-farm accommodation, ablutions and kitchen facilities to utilise the Afghani labour force which became available after release from detention centres. The 16 on-site employees added a stable group who were dependable honest workers and who assimilated themselves not only into our work force but also into the local community right at the time of 9/11. As they became more affluent with their ability to work seven days a week, so they gradually moved into the cities with other friends. After nearly two years we dismantled the on-site facilities and encouraged them to be part of the local community, as most now had reliable transport. Some of these original employees are now starting to relocate their whole families into the region.

Despite all the talk of low wages and conditions in the industry, our company has continued since inception to pay all full penalty rates of overtime as per industry awards and, despite the huge cost of a seven-day-a-week operation, has maintained its viability, despite some major reversals within the industry. The government should address the contribution by employees of the superannuation guarantee levy for all overseas labour. It has no relevance to the individual

wage-earner, it is an impost on the employers as a cost of production to low-return commodities and the amount of work it creates for office staff in monitoring on a continuing basis.

We have had our super control lists of up to 656 employees, excluding those already rolled over into super trace, and during the season we have to monitor approximately another 200 employees to justify the $400 minimum wage earnings before it is applicable. Smaller growers attract non-visa holding visitors, as they pay cash wages at a lesser rate, no tax and super levies are deducted and very little immigration surveillance is applied due to their difficulty in achieving any results.

The perception that backpacker or Pacific island labour is the answer for all industry needs has not been considered correctly in the context of the crop base. Unless employees are of a rural background, they are not physically suitable to specific crops and the resulting OH&S issues, because we employ bodies instead of skilled staff, result in compensation claims and further loss of numbers. Over the past 40 years we have engaged staff of every nationality and understand the basic requirements of the type of labour that is suitable for horticulture. At this point in time we do not have any choice: we employ bodies and numbers who in most cases are totally unsuitable for our or anyone else's needs.

After four very frustrating years of labour issues, we as a major employer have reached the decision that we cannot be world competitive on price for highly perishable crops with high labour inputs and must change to mechanised crops if we are to remain a viable entity. It is all relevant to size. I am not saying that smaller acreage growers of similar crops are in our position, because their labour needs are smaller in number and they can pick and choose the calibre of employees hired through agencies or labour contractors.

In the 1990s we recognised a change in labour patterns and adapted our plantings to smaller modules of more varieties, maturing on a regular basis each week so as to be able to give continuity of work to employees. In theory, it was good, but the floating labour of the backpacker type are never there when required. When we consider our own and other citrus crops within the region which are non-perishable, the floating labour force is not in the region for the winter period and they are all up north enjoying their planned travel circuit. There is sufficient work across the region for stable employment which can be shared by orchardists who will cooperate with a locally based labour pool of visa approved seasonal workers from a number of international sources. I thank the committee for appearing in rural Australia to listen to and witness the real issues facing the total industry and I welcome your questions to assist the satisfactorily resolve what is an increasing problem.

CHAIR—Thank you. I have a few questions on your presentation. Wouldn't your proposal to remove superannuation contributions for overseas visitors actually then put those workers at a competitive advantage over Australian workers in terms of the cost structure?

Mr Sims—I do not think so, because all of that money basically goes into what we call the government cellar and will never be claimed. That has been going on for as long as we have had superannuation. It will never be claimed. Those people will never be back in Australia to get it.

CHAIR—But what about your costs as an employer?

Mr Sims—It is another amount of money we just do not have to pay on wages for people who will not get any benefits. The superannuation was brought in for Australian labourers to benefit them in their retirement.

CHAIR—But my question is: wouldn't that put overseas labourers at a competitive advantage over Australian workers if you did not have to pay them the superannuation levy? In effect, overseas workers would have a nine per cent advantage, wouldn't they?

Mr Sims—I do not think so. That is my personal opinion. I do not think they would have an advantage over Australians; Australians have the nine per cent being paid into their super fund.

CHAIR—No, but I mean from the point of view of the employer. If you do not have to pay the nine per cent superannuation surcharge levy to overseas employees, doesn't that put an overseas employee at a nine per cent advantage in their labour cost competitiveness?

Mr Sims—No, I do not think so.

CHAIR—It must. I do not necessarily want to belabour this. I wonder whether you have any other ideas. If it is simply that the employer can reduce their labour costs by nine per cent and you are confronted with two able bodies and one is nine per cent cheaper than the other, which one will you pick?

Mr Sims—We do not even consider that. We pay full tote wages to everybody. We want labour. It is not a money issue with us; we are prepared to pay the money and we do that. But there is an impost in the amount of work it creates for all those people that we keep monitoring and rolling over with the superannuation funds, which we just have to keep doing.

CHAIR—But you are not suggesting that you would then pay overseas labourers nine per cent extra in wages in lieu of the superannuation levy?

Mr Sims—No.

CHAIR—Why did you dismantle your accommodation and kitchen facilities? Wouldn't those facilities be a way to attract people to stay in your area?

Mr Sims—Originally, when it was an American operation, we had our own caravan park and 12 three-bedroom trailer units for all the staff and we continued that on for probably 15 years. We had to dismantle that set-up because we never got any support for labour coming through. We provided it to attract the sorts of people who wanted accommodation. Fifteen years later we entered another era and decided not to continue with the caravan park. We encouraged people to live in Renmark, Berri and Loxton and to commute to us—we are roughly in the middle of all of those towns. So that was good revenue for all of those people. We did not want to be in the caravan park and rental business. When the Afghanis came out, they had nothing. They had no families. They were single men when they were all released, so we had them on site. They were there seven days a week when we wanted them. They were readily on site. When they started to move out, it was a cost thing because we hired all those ablutions blocks in. If it was not being effectively sustained, we could not afford to leave them on the property.

CHAIR—You indicated that you once met your labour demands with floating and seasonal labour. Why do you think there has been a change and you now cannot source labour?

Mr Sims—Labour used to come from Queensland right down through Shepparton across the Riverland. It was migratory labour and they stayed on the road. There is a certain amount of grey power doing that work now. We find there are more people of, say, 55 to 65 doing that and they are very good workers, but it is usually husband and wife teams and there are just not enough of them. But, outside of that, locally there is not the workforce that is available to work. As I said, either they do not want to work or they are just not going to work in a peasant industry. You have to understand that agriculture-horticulture is a peasant industry. We cannot avoid that. All around the world, in every country you go to, it is regarded as a peasant industry.

CHAIR—What do you mean by that?

Mr Sims—There is a perception that it is a low-wage industry, because it pays less than working in a factory or truck driving or whatever. That is the way it appears because of the structure of the fruit returns we get. The awards are all structured by the unions and we pay award rates with time and a half and double time. And it is perceived as physical. People do not want to be out in the sun in the middle of summer doing labour work in horticulture.

CHAIR—Do you think the wages have an impact on attracting labour? I wonder, with the new workplace relations arrangements where you will not be required to pay penalty rates, whether you will still continue to try to do that, to keep the wages up to attract people.

Mr Sims—We will do that. As a company, we have been conditioned for 40 years to pay penalty rates and we will not change that. We do not have an employment agreement with anybody—we never have—and we have never had any union problems. If you treat people properly, you will get people to work for you. But it depends on the level of people. We have people who earn on contract $50 a day and alongside them people who earn $200 a day picking exactly the same crop. You will see one person sitting there not doing anything and another working at it. It is just a difference in people. You have to structure that cost for picking to be competitive in our business, which we do, but there are people out there that should never be there.

CHAIR—What sort of training do you provide? We had a discussion yesterday about what constitutes a skill. We did not want to get confused with what is probably a formal definition. There is an acceptance that every type of work has a skill element to it.

Mr Sims—Correct.

CHAIR—Can you explain what sort of training and skills are involved in the sorts of occupations that you require?

Mr Sims—I guess the biggest numbers we require are for fruit picking. Picking stone fruit is different from picking citrus. They are two totally different crops. Citrus is non-perishable, and you have a bit of a chance to train people. When stone fruit happens, it has to be picked today. We try to bring staff in maybe a day early and put them on wages before we put them on contract so they can train slowly and get the feel of it. At the end of the day, it is picking ripe maturity

fruit, whether for the fresh fruit market or processing et cetera. There is skill required in that, but there is basically very little training that you can give in a moment for a crop that needs to be picked right now.

CHAIR—Is it half a day training or a couple of hours?

Mr Sims—We try to keep people on wages for probably two days before we go contract. But for a lot of crops, like our fresh market crops, we cannot put people on contract. We have put them on wages because we want them picked correctly. It is an ongoing thing for the whole season. People do not mind doing it for a week, but then that labour goes. For them it is a lifestyle; they are travelling around Australia. They are not interested in the crop or the urgency. That is the problem. If you have a labour base, like the Afghanis, on your property or in the Riverland which can be a pool to many people—I am not saying just to us as a company—that are committed to stay in the region, you have a much better chance.

CHAIR—With stone fruit, when you say you go to contract, I assume that you mean you go to piece rates.

Mr Sims—Yes, piece rates.

CHAIR—With stone fruit you do not go to piece rates, because you do not want the speed; you want the quality.

Mr Sims—We have done. It depends. For processing, we can do that. It depends on where that crop is being displaced too. We can put them on contract. It is an efficient way to encourage a person that really wants to earn some money—what we call a gun picker, like a gun shearer, who will go out, earn money and pick it correctly. It is the rest that are the problem. We have to have the numbers because of the volumes of fruit we have. The scary thing about Australia is that, if we do not have the numbers here, we are not going to have an industry here to compete anywhere in the world and it will all be offshore.

CHAIR—I am not clear from your submission whether or not you actually have the numbers at the moment. Your problem is that you do not have a regular amount of labour that is staying for the picking season or people with appropriate experience. Can you clarify what the problem is?

Mr Sims—There are two things. We do not have the labour when we want it to stay the length of the season. That is what we would prefer to have. There is enough work here around the district and even, in our case, through the season, to keep continuity of employment. We have not been able to maintain that. So we are removing crops that we cannot physically handle through that Christmas-New Year period because everybody has gone. We are now trying to structure crops that fit around that where we know we can get our labour to them.

The other problem is the people who come in. The Koreans have visas for two years, but we are talking about people who are three feet six and mostly women. When they climb a ladder to pick an apricot tree, it is scary to see those people up there. Their hearts are in it—do not get me wrong; they are good. This year I guess we would have had mostly 80 per cent Koreans, but probably 80 per cent of them are women. They are lovely people and great workers, but they are

not physically suited to the horticulture scene. It is like with the Vietnamese and Cambodians, who are very good for row crops like strawberries, lettuce and all those sorts of things. It is horses for courses, basically.

CHAIR—Just to finish up on numbers, I think you indicated that smaller growers did not have a labour problem. Can you explain that? I understand the size and the planning aspects of your crops and you probably have different contractual arrangements with the people that you supply, but do smaller growers have a problem and if not why not?

Mr Sims—A smaller grower in the region—say, on a 40-acre holding—might have diversified crops. But, if he is picking apricots, let us say, which is or has been a major crop, he can probably pick up one or two backpackers off the road and use them to pick. If they are non-visa holders, they have to go somewhere where they can work as a non-visa holder, because major companies like ours are under surveillance from immigration. We do not have a problem with that. We have had people taken from our workforce. We have been through all that and we are aware of it. We try to register everybody legitimately, but it is not always possible and can depend on what people give you in the way of tax file numbers—and tax file numbers are sold in Australia amongst the backpackers. It is a whole other game out there.

CHAIR—How much do they cost?

Mr Sims—I cannot tell you that. I am trying to find out myself. But it goes on and they know all that. These people who travel from Europe and so on know the system and they know what they have to do, believe it or not. So those sorts of people can come into the region and get work at a smaller fruit holding. They will receive lower wages and there will be no tax, levy or anything else. That is attractive for them, even though the wages are lower—and the grower might only need two people.

But, for us, we run a bus service in conjunction with the labour services here. For probably the last five or six years we have run a bus around the Riverland so that we can keep people on the property. They used to come in their own vehicles. They would come to work and you would put them in front of a tree and they would say, 'I'm not going to do that.' The labour force would have already told them what they would be doing and how they would be doing it, and they would have been registered. Then they get there and say, 'I'm not going to do that,' or they work for an hour and then they are out of there. With a bus, they cannot get out. They would have to get on the road and hitchhike home—and they do that. But now the bus gets them there and they stay there for the day. They might not be back tomorrow, but there is a body there on the day—and I need some eyes and hands to get my crops off. It is that tough. I hope I have answered your question.

Senator BARNETT—I want to go over your last response. You said that there were two main problems. Let me get this right. The first is that there is a lack of continuity of employment and the second relates to a shortage of labour. Is that right?

Mr Sims—Yes.

Senator BARNETT—Which is the bigger problem, or are they both the same?

Mr Sims—They are both relevant. It is a timing thing. For all of us—I do not want to talk as a specific company, because I am a Riverlander and it is a whole region and we all have the problem—it depends on the crop base that is coming off at the time. Apricots come through in November to January. It is a critical time. There are Christmas holidays, New Year's parties and everything else and basically nobody wants to work. There is a big party in Manly every year that all the backpackers in Australia want to head to, so they all focus on being in Manly. That is a fact of life.

Senator BARNETT—Can you describe the make-up of your labour force? One report that this committee has received was that 50 per cent are backpackers, about 25 per cent are itinerant workers and the grey nomads, as it were, and the other 25 per cent are unemployed local folk. What is your analysis of the make-up of the labour force in your business specifically and in your area generally?

Mr Sims—It varies every year. There is no pattern to it, from our experience. But this year it would probably have been roughly 85 per cent backpackers, 10 per cent grey power and five per cent local itinerant workers. We have had very little local input into our labour force this year.

Senator BARNETT—Let us do a snapshot of, say, five years ago and 10 years ago: what would the proportions have been roughly?

Mr Sims—Going back 10 years, I would say that it was probably 50 per cent Australian labour content, 35 per cent backpacker and 15 per cent local itinerants.

Senator BARNETT—Do you see this trend towards backpackers, where you have 85 per cent, as a reason for the concerns you have?

Mr Sims—Yes, very much so. I have an operation in Dandenong, Victoria. Right now we are picking lemons. That is a sole lemon property. We have two pickers. We cannot get anybody else. They are all in Shepparton on pears, apples et cetera. They are not going to pick lemons. It is basically the strawberry area for the Vietnamese and Cambodians. I have a Chinese manager, as I put in the other submission that I presented. He is very good because he attracts university students doing bachelors and masters and everything. They are in our packing shed. We do not have a problem in the packing shed now because they are a great workforce. They are there every day and will work seven days a week. They are little bitty things, but they can do that. But out in the orchard we cannot get labour.

Senator BARNETT—How many do you need? You have two. How many would you like to have?

Mr Sims—We would probably like to see 10 on there right now. We need continuity to keep our packing shed running every day and we are not getting it.

Senator BARNETT—What about the shortage?

Mr Sims—Up here we have basically finished, but this year it was, as I said, nearly all backpackers.

Senator BARNETT—In terms of the shortage, did you get the people? Did you fill the gaps?

Mr Sims—We were short in apricots and plums. In the stone fruit area, we basically used our own permanents. We have 30 permanents on the property. We basically used our own permanent staff, which we did not want to do, but that is what we used to pick our market fruit.

Senator BARNETT—Were you short up here?

Mr Sims—Yes.

Senator BARNETT—How seriously short and what impact did it have on your business?

Mr Sims—It probably did not have any impact. We have just got to get through it. We waste fruit. But you cannot look back in this game. If it is gone, it is gone. It is like the grape guys. You have to put it on the ground. It is finished but you cannot cry over it; you have just got to get on with life. That is the industry, really.

Senator BARNETT—I come from a small business background. You are telling me that there is income that could have been made that was not made.

Mr Sims—Correct.

Senator BARNETT—So there is a shortfall in that respect.

Mr Sims—Yes.

Senator BARNETT—If you had had the people there, and you would have liked to have another five or 10 or an extra 10 per cent—

Mr Sims—Probably at least another 15 to 20 people would have sufficed. Through the year it would have made it a lot better for us. We could have got a crop. The other thing that happened this year was that the weather was very kind to us: it has been a longer season. So it has given us a margin to get the fruit off. When we have 40-degree days, as you know, we have no margin. We just have to get it off.

Senator BARNETT—You have to move fast.

Mr Sims—If you do not move it in the fresh market, which is your high premium, it comes into processing where there is no margin. That is just basic stuff.

Senator BARNETT—Let us look at the possible options you have. You have talked about your full-time people—30-odd, you said?

Mr Sims—Yes.

Senator BARNETT—What if you increased those numbers to help deal with these concerns? You have to deal with continuity.

Mr Sims—We cannot sustain it through the year; that is the problem.

Senator BARNETT—So that is the problem.

Mr Sims—It is the seasonal conditions.

Senator BARNETT—It is uneconomic, basically.

Mr Sims—Yes. We try to float our staff between the two Riverland operations. Both are under separate awards. One is under the Australian Workers Union and the other is under food procedures. That is another issue. We as a company have addressed that and no-one is disadvantaged. We float our staff and that is the only way we keep going.

Senator BARNETT—So that would be one way to help. You have your 30 and you feel that that is pretty well as far as you can go to maintain viability.

Mr Sims—Yes.

Senator BARNETT—Have you heard of Peter Mares's report on labour shortage in the region?

Mr Sims—No, I have not.

Senator BARNETT—That survey highlighted the significant shortage. You mentioned the Afghans. The reason why you were happy with them was that they were single men, they were here for a good long time, you trained them up and they were good workers—is that right?

Mr Sims—Yes, they would do anything. But remember that they come from rural backgrounds. Those people would get out on the pick and shovel. They did our irrigation. We do all our own irrigation installation and they were doing all of that. They were fruit-picking the trees. They were doing building and construction work with us. They did everything. They were just very talented hardworking people. They were on site and they wanted to work because they were sending money back home to their families.

Senator BARNETT—There was a report in the *Sunraysia News* today that one of your local MPs, Mr Savage, said that there is a high unemployment rate and you do not need all these—

CHAIR—We are in South Australia now. Mr Savage is Victorian.

Senator BARNETT—Yes, Mr Savage, Victorian MP. All I am saying is that the view was put that you have unemployment in the region, so why can't you use the local people? What do you say to that?

Mr Sims—We do not see it. I would be interested to see what some of the labour bureaus say here on their books. We now register all our staff through MADEC in Berri for our operations at Simarloo and Berri. Everybody registers there. We used to do all of that ourselves, but we have done this purposely to get over the immigration surveillance and to make sure that everything is correct. They do an excellent job. We register through there. You do not see any locals on it.

Senator BARNETT—You mentioned in your presentation cash payments and illegals. What proportion of the workers do you think are illegal workers?

Mr Sims—We hear the stories, but I cannot tell you whether they are true or not. We hear the stories amongst the backpackers themselves. They are travelling from Kununurra right across to Queensland and everywhere else. We hear the stories, but I have no basic proof of that, but there are a lot of 'illegals' here. But they are not really illegals. They have a visa, but they do not have a work visa. That is what immigration is chasing continually right across Australia. It is a huge problem.

Senator BARNETT—Are you aware that we do have visa arrangements for skilled labour in this country?

Mr Sims—Yes.

Senator BARNETT—Is it your view that, if the definition of 'skilled' were changed to cover experienced workers who could do the work that you are talking about, that change would meet the needs that you are focusing on?

Mr Sims—Exactly. You may have seen the report I did on the Fuxin labour exchange that they do in Japan. I use that as a model. It is an excellent model. They have been doing it for five years in Japan. It is rural based. They bring in the rural people. They are health checked. They have English language or Japanese language. They are trained and skilled in the function they are going to do before they leave the country. It is guaranteed. It is an excellent program. It is a good cultural program. They are not here to stay, they have to go back and that is all bonded and everything else.

It is a model that I bring to the government because I have personal information on it and I have worked with the Fuxin foreign affairs department on it. It is just excellent. I look at it and I say, 'Why can't we do that here?' I am not saying that I am contrary to the Pacific islander problems. I have seen that. We have had Pacific islanders working on our lemon farm. They are the opposite. They are eight foot tall and they are 500 pound and they break every ladder and every piece of equipment—and they do not care. It is just the horses for courses thing. They lay the ladder flat, walk across it, break the ladder and they injure themselves. You cannot have that in horticulture.

Senator BARNETT—You mention the Pacific islands. Do you think we should focus only on the Pacific islands that we should take more of a global approach in any reforms that are required?

Mr Sims—I would stress to the committee that it should be global. I have great experience in China—it works. But, going back probably 20 years ago when we had the cannery in the Riverland, they brought in the Greek girls. They had canneries in Greece and they used to bring the Greek girls into this region because they could not get enough women on the line. Those Greek girls stayed here and were a great function for the cannery. It probably could not have operated without them. I think it should be on a global basis, but it has to government to government. We have to make sure that it is correct and that people are not flitting the country et cetera. It is a control issue. There are models of that. I stress to the committee that it is a very

valuable thing—rather than focusing on our relationship with the Pacific islands. I am not saying that is wrong, but I think there are other measures for horticulture in Australia that should be considered.

CHAIR—So it really boils down to 15 extra staff over the season? Isn't that what you have told us?

Mr Sims—Fifteen extra staff over the season?

CHAIR—Yes. I thought that is what you indicated that it boiled down to.

Mr Sims—With my seasonal labour, yes. If we had had another 15, it would have made it a lot easier for us.

CHAIR—If we had such a seasonal immigration scheme that went for, say, five months, would you be able to guarantee 15 extra people work for five months?

Mr Sims—I probably would—but it would probably be more than that over and above what we currently have and those drifting in and out. It is the drifting in and out which gives us real problems of control.

CHAIR—But you talked about the some of the fluctuations of the industry depending on the weather. What would happen if you did not have work for the extra 15?

Mr Sims—I think I have mentioned this in my submission somewhere. If you look at the Chinese case, their average wage earnings, if you have them here for six months, would be three times their annual earnings in their own country. They would not be disadvantaged if they were set down for a few days as a pool. They could sit here and afford to be sat down if you had vagaries of weather et cetera. If you have backpackers and they are not earning any money and they are paying rental at their accommodation, they move out; they are gone.

CHAIR—I assume that seasonal workers have to stay somewhere, so there will be some rental charges there too. One of the things we would need to look at in such a scheme is the guaranteed supply of work. We are simply not going to—I would not have thought—entertain bringing people over and having them sitting around on the chance that they may get work. You identified that if you had had 15 extra people over the season that would have helped you out. You might like 100 sitting there on standby, but that is not realistically where we are going to go. I am interested in knowing the practical ramifications of what would happen if all of a sudden you did not have work for a week for the extra 15 people. How would you manage that? Let me put two things. What jumps into my mind is that there are two options: you either stand down the guest workers or the seasonal workers, or you displace other people to provide them with work?

Mr Sims—The only people you would be displacing are the backpackers. You would not be displacing a permanent Australian labour force.

CHAIR—Which would you do? There is no trick in this. We are trying to explore some of the practical realities of what might happen.

Mr Sims—I did not presume that, Chairman. It has not arisen, so I guess that we have not given it that sort of thought at this stage. My view is that there is a pool out here and there are different needs at different times. What I would like to see is a pool that could be shared by companies here that may have the same needs at different times. We have 100 people at least during the apricot season and it is the nearly the same with our plums. That is the work force we need.

CHAIR—Even if it is maybe managed by MADEC or some other arrangement, do you believe that if, say, 100 workers came out to this region for the season there would be the ability to guarantee work for 100 people for a five- or six-month period?

Mr Sims—I think so. You might think I am wrong, but I do not think the government has to guarantee backpackers work in Australia. That is the difference. Pacific islanders, yes. If you had another model from Mexico or South Africa or China, the government would say, 'That is an immigration visa thing and we are going to support this to help the industry.' But for backpackers it is a holiday, and we are so desperate that we encourage that—and it is not working.

CHAIR—Yes, that is why I am keen to ask who would be displaced. If it is backpackers that is one issue. I note that you have specifically said that it would not displace permanent labour or any Australian seasonal labour. So it is clearly your view that it would not?

Mr Sims—You have challenged me on it and I guess I would have to say to you that, if there were a immigration labour pool type thing that came in that was available to the whole of Australia, we would support that program as against the backpacker program. That would be my personal view.

CHAIR—But, in terms of getting public acceptance for such a scheme, we would have to be in a position to absolutely assure Australians who were looking for work that they would not lose their opportunity to find work or to participate in work at the expense of seasonal immigration labour. I guess that is where I am trying to get to.

Mr Sims—Yes—and I cannot tell you that. You would have to go to MADEC and people like that and say, 'What's the percentage of Australians'—they must have it on the records—'who are registered for work out there in horticulture as against factory work et cetera?' Everybody wants to drive a forklift or be in a factory. They do not want to be out there. So they have to take a preference. They should be able to give you the numbers who have registered to work in the field as against not working in the field.

Senator McEWEN—In response to a question from Senator Barnett about the effect on your harvest last year of not being able to pick all of your crop, have you quantified the financial loss that that caused?

Mr Sims—No. It is pretty hard to do that. We take crops off and, because of the huge volumes and because it is perishable, once it gets over a packing line or something that determines it. We do not throw the fruit out if we do not get it off. We just place it to drying fruit, the cannery, juice or whatever as against our fresh market. Our premium is our fresh market fruit. That is what we have to try to get off.

Senator McEWEN—Can you make an assessment of whether it is tens of thousands or hundreds of thousands?

Mr Sims—No, it is very difficult. Some of it is weather related—that is the other thing. You do not know until it is picked. It might have a mark on it or it might be soft or whatever. So there are a number of factors in there that affect that financial return.

Senator McEWEN—As an employer, what do you think it would be fair and reasonable for the employer to provide to a pool of overseas labour, if we went ahead with such a scheme? This would be in addition to wages. What about transport to and from their country of origin, accommodation, food, health care benefits and stuff like that? What do you think is fair and reasonable?

Mr Sims—The Fuxin foreign affairs model is very good because they actually pay for their fares out of the wages they earn. They recognise in Japan or Australia that their affluence is higher than it would be in their own country. So that is all taken care of within their own government. In the case of food and that, it basically comes out of their wages, which is no different to anybody else that is working. That is affordable because their needs are so much different. We have costed and looked at all of that and it was very fair. In our own situation in Victoria, we have supplied housing and conditions for some people. But you have to be very careful. We do not do it right across the board, because it is just so hard to monitor.

With the Afghanis it was easy. They were all men. They were in a unit with a bedroom, kitchen and ablutions. It really worked well. When they first came they had no vehicles and could not move anywhere. We used to get their food for them and bring it all out for them, and they were happy. But, as they earned more money, and they could buy a car—they would pool their money and buy a car—they would be on the move. Most of them went into the abattoirs business because they were very good at meat slaughtering and because of the wages and the conditions and they were near friends in the city. That is why they went. That was unfortunate, but we still have some. We still have five of the original group here.

Senator McEWEN—We are not talking in this inquiry so much about getting people here who will remain as residents.

Mr Sims—No; correct.

Senator McEWEN—These are fly-in fly-out. You said in the Chinese example that you use that the government paid their airfares. Is that right?

Mr Sims—Yes. What happens is that they retain a percentage of their wages. I guess there has been a lot of publicity recently in South Australia saying that the Chinese workers in Murray Bridge are being disadvantaged. I do not know, but I would guess that there is an arrangement there like there would be with the Fuxin government. They take a percentage out and that goes back to them to cover their fares, their health checks, their language training—everything—and then the rest of that money goes to the Chinese person in Australia. That is more than sufficient to pay for accommodation, food et cetera. With their net return after all of that, they are still far better off than they would be in their own country. So it is more of a cultural exchange and experience for them to travel, which they would never have anyway.

Senator McEWEN—Have you turned your mind at all to the potential for a system like that, which will have to be managed at both ends, to be open to corruption?

Mr Sims—There is a lot of corruption in China. I have been in and out of China for 22 years and I have seen all aspects of corruption. I am not involved in it and will not be involved in it. It has to be right on top of the table. From all that I have seen, it is a clear exchange.

CHAIR—You do not sell wheat, do you?

Mr Sims—No, I do not sell wheat. I am not in the wheat business. But we all have to face up to it—you ignore China at your peril. I tell the Americans that they will get caught. We cannot afford to ignore China either. We are either going to lose industries like apricots in this region to China and we will be out of it; we will just not have an industry. It is that serious. As a company, paying full tote wages, I want to keep all my apricots in the ground. You will see that this afternoon. We are keeping that. We have to pull out other crops. We cannot keep them in the ground. I have to have my apricots, because I have a processing facility. I want to keep that and I want to keep the industry afloat in Australia but, to do that, I have to have a labour force that is stable.

Senator McEWEN—The processing facility employs mainly local permanent people, I assume.

Mr Sims—Yes. In our processing facility, we might have one per cent backpackers. It is basically all local women and local men. It is not an issue in processing. It is out there that is the problem. I am speaking from both ends and also from the state of Victoria. So it is not just in South Australia; it is a national problem.

CHAIR—Thank you for a very frank and forthright presentation to us.

Mr Sims—I appreciate having been given this opportunity. Thank you.

[9.45 am]

HAMLEY, Mr Richard, General Manager, Agribusiness, Yandilla Park Pty Ltd

SMITH, Ms Claire Louise, Human Resources Manager, Yandilla Park Pty Ltd

CHAIR—Welcome. The committee prefers all evidence to be given in public; however, it will consider any request for all or part of your evidence to be given in camera. Thank you for your submission. Do you have any changes or additions to make to your submission today?

Mr Hamley—No, I do not believe there are any material changes. We thought that it would be okay to give a PowerPoint presentation, but we do have some evidentiary figures that we think may be backed up by the presentation. We also thought that the presentation would you some insight into the scope and modernity of our operation.

CHAIR—We are happy for you to commence with an opening presentation and your PowerPoint presentation.

A PowerPoint presentation was then given—

Mr Hamley—Firstly, on behalf of Yandilla Park, Claire and I thank the Senate subcommittee very much for hearing our submission today. This is an extremely important and critical part of our business and, we believe, a part of the whole agribusiness environment. The agribusiness environment in Australia, we believe, is undergoing significant change at this time. There is a change in the dynamics of the power base as well and certainly the amount of money that has been invested in that business. We feel that this is a critical point that could be endangered by not having the right policies going forward on availability of labour.

I will start by giving you a bit of background to Yandilla Park. Yandilla Park is the largest farm manager of horticultural operations regarding fresh produce in Australia. We manage over 2,400 hectares of horticultural produce, ranging from citrus, table grapes, wine grapes, avocados and mangos across four states currently throughout Australia. They comprise about 1,600 hectares of citrus, just under 300 hectares of table grapes, 450 hectares of wine grapes and 50 hectares of avocados and about 120 hectares of mangos in the Northern Territory.

CHAIR—Mr Hamley, you are the first person to use the word ‘hectares’ instead of ‘acres’ in front of us—so well done.

Mr Hamley—Thank you. We manage farms on behalf of large investment schemes. These are driven by people that I believe have given submissions already: SAITeysMcMahon—whom I think you heard a submission from yesterday; and Timbercorp. We are also in discussions with a large number of other horticultural investment operations, largely because we have the skills to manage farms and to provide the management and critical mass and expertise. Therefore, we are talking to many of these parties because they are interested in us managing similar operations for them.

We also run a number of support agronomic expertise in order to back up our farm management operations. They include a large quality citrus, mango and avocado nursery based here in Renmark. We also run an agronomic consultancy division primarily around the issues of responsible water use and irrigation monitoring. We also run a retail irrigation outlet. In addition to that, we are the largest integrated grower, packer and marketer of citrus produce in Australia. We provide the whole value chain from seed to supermarket. We also have our own marketing arms under the brand names of Vitor, which is a locally grown brand name which has become internationally famous, and the Chiquita. Our parent company is Chiquita Brands International and we share that brand name internationally as well.

CHAIR—What is the ownership structure of Yandilla Park? Is it an Australian based company?

Mr Hamley—It is an Australian based company. It is wholly owned by Chiquita Brands South Pacific, which is an ASX listed company. It is 10 per cent held by Chiquita Brands International out of Cincinnati, USA—but only a 10 per cent stakeholding. There are a number of perceptions about horticulture. The image of agriculture, as Mr Sims portrayed, is extremely poor. A lot of that image is a bucolic image. I have a photograph there of a gentleman, and I think probably demonstrates a lot of what people may think both in terms of the whiteness and the conservativeness of the industry. It is seen to be low tech, unsustainable and with low remuneration for workers and possibly even for owners. It has a rural life connotation and it also very much reeks of old economy.

Going to the next slide, that is a development that took place in the last six months out at Kangara. On the left side of that picture is a 450-hectare development—that area there—and a brand new 320 megalitre dam. That is just one of the developments—they number about five—that we are currently managing. The existing plantings at Kangara are that 800-hectare area around there and that is a 450-hectare development in there. That is just one of three we have on currently and another two in the pipeline for other agribusiness investors.

Turning to the next slide, the new economy of agriculture is one of huge imbalance. Our customers are generally the produce retail departments of the world. They are dominated by huge megaretailers that have been consolidating over the last 20 years. That consolidation has driven a globalisation of supply chains and a consolidation of economies of scale. It is an environment of supermarkets that it is ever changing. They are very aggressive in wanting to drive new technologies and they are very much interested in driving category managements through their supermarkets. They want fresh produce—they want individuals who are able to supply, promote, price and move product off their shelves. Essentially, supermarkets are becoming real estate agents for square metres of shelf space. Unfortunately, on the converse, agriculture is very much one where you have a fragmentation of suppliers. It is very locally based. Logistics are very locally based. There is very low leverage in general. They are slow to adapt, slow to take up new technology and very much trade based. In fact, a lot of the marketing of fresh produce in Australia takes place between the farm and the pack house, not to the ultimate end customer. So you have a total paradigm shift, this huge gap with the retail environment of the world, including our own retail world—the global fresh produce retailers of the world, if we talk about Wal-Mart, or Carrefour in Europe, are large megaretailers. We have in Australia ourselves the dominant two megaretailers of Coles and Myers. This slide shows representations of those suppliers.

Turning to the next slide: on our Yandilla Park requirement, just a clarification of terms—we would like to talk about farm skilled workers but, in that, we may refer to pickers of fruit, packers of fruit, other seasonal workers with skills that we require, harvest workers and other unskilled workers that we provide certain jobs to. There are very defined, specific horticultural tasks that we require labour for, such a thinning. These are interpretive and require human hands and human brains to interpret what remove from a tree. Definitely with this labour requirement we like to call them farm skilled, because they are a very finite and highly valued resource in our opinion.

Looking at the next slide, our current situation is that we are employing grey nomads. They probably make up the core of our picker-packer division at the moment. They probably represent between 20 and 25 per cent of our workforce. They are the ones that come in early and stick it out through the rest of the season. We deem them professionals. They are good at their work. The majority of the rest of our picker-packers who are made up of backpackers. Then there is a small core or amount of professional farm skilled harvest workers that have really been there for a number of years. I can relate that our manager at Solora, which is one of our estates at nearby Loxton, can recall a time when the school bus from Loxton used to call in at the camping ground at Solora to pick up the large number of schoolchildren of labourers who had to be picked up. Now the school bus does not even stop outside Solora—at least at this stage.

Senator BARNETT—What proportion?

Mr Hamley—I would say 20 per cent would be grey nomads, five per cent would be those professionals—but they tend to be pretty grey themselves these days—and the remainder would be backpackers. There is a tiny proportion of people that are brought in from the unemployed or the Indigenous community.

Regarding sourcing agencies that we use, through our networks throughout South Australia we tend to use a labour service provider, but we do use various options of Job Network agencies, harvest contractors, contract labour hire type of groups. It depends on the territory or the state. We tend to use whatever is the ruling norm. But because of our size and increasing growth we are trying to rationalise those and get a more nationwide profile in order to improve our economies of scale with that sourcing and to get some commonality of purpose. Most of our policies are the same, and they are compliant with state and federal regulation, so we would like the same with the people who supply services.

We also do a lot of our own work. We do a lot of targeted advertising and we also do a lot of personalised communication with pickers and packers. At the end of a season we will send them a letter thanking them for their service and encouraging them to return the following year. We also are looking at many innovative retention strategies. An example is that we have caravan parks on some of our properties. We are now looking at improving and putting caravan parks on each of our properties. We are also looking at cabin accommodation for those that are unable to provide their own. It is part of our plan and currently we only have one area where we have cabin accommodation in Sunraysia. We also do things like providing barbecues on a regular basis to try and build a better spirit. We are trying to create an image of fun, that this is a good place to work—mainly because we are reliant on a backpacker community at the moment and we do want them to stay and be keen for as long as possible.

Turning to the next slide, that is the situation of our picking currently at the moment. You will see that we have five units here in the Sunraysia and Renmark Riverland area. That is split into two categories: packers and pickers. You can see that we are looking at the total at the moment of about 145 in the packing department and about 190 in our picking department. We have a huge shortfall in those amounts. We cannot actually make up those amounts during a season and we are unable to often make up a second shift or even a third shift for packing, which means that we have limitations in our ability to get our fruit out to the desired markets at the right time.

CHAIR—Those numbers there are the total of your—

Mr Hamley—No, sorry, they represent the shortfall. I will show you a graph in a moment that is picking up our actual numbers of people going forward.

CHAIR—But that is your seasonal labour requirement or the shortfall in the seasonal labour?

Mr Hamley—That is the shortfall. At specific times, particularly in three critical months, those are the types of shortfalls we are experiencing. They are very substantial and they are going to increase over the next 10 years.

Turning to the next slide, those labour shortages in rural Australia and impinging on agribusiness have major effects. We are currently relying on our core group of itinerant returning seasonal workers but, as they get older, we are finding that the problems of sourcing these workers year on year is getting very much harder. We are seeing a decline in numbers of that core group. Our dependence on them is increasing but their numbers are declining, and the commitment and experience of the people that we are now getting in is getting lower and lower every year. That adds to an increasingly exponential increase in costs for attracting, retaining, training and inducting these people in a ever-increasing legislative, occupational health and safety and other compliance environment, bearing in mind that we are a Stock Exchange listed company and we are also working on behalf of farming with other people's money so we have to be extremely transparent. We are subject to a number of audits—social audits, occupational health and safety audits as well as tax and compliance audits from the MIE schemes themselves. We also have increased payroll and administration costs. The recent choice superannuation initiative is one that is obviously very nice for the individual, but it made a massive workload for our administration department because we are now pulling in people from a number of areas who have worked for a number of people. Chopping and changing superannuation schemes for hundreds of people is a major, onerous task and so we have had to increase in skill and staff up in our administration divisions on payroll.

In addition to that, working with these large numbers of people, and particularly working with local people, we have a large number of Centrelink inquiries. Claire related to me an example this morning of when our payroll officer went on leave for a month and the person that was put in her place to cover that area could not get to the Centrelink inquiries and they built up. There were more than 400 on her desk for just a one-month period. That requires moving to archives, drawing people's information down and contacting Centrelink. Centrelink are not always available, as they do not work the same hours as us. It is just a further backlog caused by the large numbers of people we are working with.

CHAIR—I am not sure why there is the link with Centrelink.

Mr Hamley—A number of people you have working with you are itinerants. They move around. They spend a few days with you and a few days with someone else. They have a large number of queries. Quite often they need records going back previously and often for workers who are not even with us any more. A lot of this is because you are getting workers who are jumping around and moving between departments all over the country.

Ms Smith—It is Centrelink making inquiries about people's earnings.

Mr Hamley—We also have issues because of inadequate child support in the Riverland and in other areas, and we are often having issues with parents. It is a very normal human thing, but it is another negative to us.

We are having a massive turnover of our workforce. As can be seen on the next slide, the detrimental effects of this kind of shortage are the prohibitive costs of recruiting, induction and turnover and a large loss of farm productivity. Last year one would have seen many programs on *Four Corners* et cetera on citrus being dumped. Other issues caused that, but many of them were caused by a large amount of citrus being concertinaed into a short harvest period where markets were not available. If we had had the labour that we required early enough in time, we would have been able to pick and pack and reduce that overhang of fruit, which then would have led to a much smoother marketing channel and much less of that kind of problem becoming so public. This leads to a reduction in growth and certainly constraints on business and the broader economy in South Australia and the rest of the rural farm economy.

We also now deal with managed investment schemes. I have put a quote from ASIC at the bottom of the slide. These are now no longer just tax friendly schemes, scams or even flavour of the month types of investments; these are now a significant investment class, as far as ASIC are concerned. We are dealing with large amount of other people's money and a large amount of superannuation funds are contributing to this. In fact, the Australian Primary Industry Fund, which probably many of your supers are with, has derived a lot of benefit from managed investments schemes in the horticultural industry.

Looking to the future, you can see our forecasts on the slide. The citrus business here in the Riverland is just one part of our business—and I have talked about five entities there. The blue line at the bottom of the slide shows that we always have a continuous amount of harvesting. There are consistently eight to 10 people in our business taking off lemons and late season grapefruit and that sort of thing throughout the period November to March. From March through June, we get a rapid increase in that number of pickers. That then holds steady through to September and then declines steadily before November.

Currently our peak roughly coincides with the USA—which is the most lucrative market to which we send citrus. During the peak harvest period of our crop, we will require 200 pickers required for that three-month period. That will be increasing over the next 10 years to up to 350 people. That is just in picking. That graph would be repeated if we were to look at packing as well. We are looking at roughly one person for every 10,000 cartons of citrus that we produce. As our volumes of citrus start to increase, so our requirement for labour to get those off the trees and into boxes for export markets increases substantially.

CHAIR—This is where I am now not clear on the previous numbers. I think you said you were short 190 pickers.

Mr Hamley—Yes.

Ms Smith—The earlier graph was for a wider area of our business and included some other farms. This is just for our Renmark farm.

Mr Hamley—This is just for our Renmark operations. That included Sunraysia and Loxton.

Turning to the next slide, we have backpackers. We love to hate them. Basically, to be kind to them, they are working holiday-maker visa scheme people. They are very important at the moment—they make up the majority of our work force—but they are a totally non-ideal source of labour. They find picking extremely demanding. They find it very inefficient, certainly whether they start in terms of deriving income and because it is piece rate work. We will show you this afternoon that the weight of a picking bag full of oranges is a substantial item to bear around on your shoulders, especially if you are suspended 2.6 metres in the air leaning over a tree and you have never done this before. It is something that requires a great deal of skill. It is a little like sending my 14-year-old son out to play in an AFL premiership. It is hard work and it is very physically demanding. You cannot do it immediately. It takes you several weeks to get fit enough, confident, poised and skilled enough in order to be able to maintain at the top of a ladder with 15 kilograms of fruit in a sack on the front of you.

Generally, backpackers are also pretty nomadic and carefree and are trying to raise money to move to their next destination. They definitely do not have a commitment to the business at heart and are not there to provide any real service. Nevertheless, that is a generalisation. We do have stayers. But, as soon as we have stayers that are good, we are limited to the three-month rule and then we have to move them on and we start all over again. We have this incredibly high turnover of staff. So there is not only a shortage but also a very high turnover. So we have to continue to re-attract, retrain and re-induct. It is all cost.

Our farm skilled guest worker initiative—which we are talking about here today—for seasonal contract labour for a full season would address a number of these issues. Firstly, we would reduce the turnover because we would be securing a parcel of people that we would manage, entertain, train and hopefully retain for seasons into the future. We would then be able to train these people up, skill them and certify them. We would look at initiatives for giving them a card and something by which they would be able to transfer skills within the industry to other industries, showing that they are able to work in these environments. That would also enable us to get several efficiencies and economies of scale. At the same time, there is also the aspect of safety—again alluding to people swaying in trees 2.6 metres above the ground. We get a number of injuries from inexperienced people climbing ladders and our WorkCover insurance rates go sky high. It is all based on inexperienced and new people who generally disappear straight out of the system after their first accident.

With the skilled worker program we are not seeking to displace any local workers or to reduce work conditions in any way. We are certainly not looking for cheap labour. We are concerned about the viability of meeting our business objectives and the profit target investments for our industry and our customers going forward.

The challenges for guest workers are certainly there. There is ethnic diversity that is brought in by bringing in people from other cultures. Our counter to that would be that the Renmark and Riverland areas are continually bringing in new cultures. You will hear from my accent that I am also not an Australian. We are used to entertaining people from a wide range of cultures in this area, and I am sure that additional new cultures would be entertained and accepted in the same fashion.

With respect to the airfares and travel issue, we are looking at a partnership between industry and government in order to get these initiatives off the ground. Certainly, we do not want something for nothing. If we are short of services, we are willing to pay for them and, if they include the sourcing and transporting of the staff to this area, we as a business will participate in that. With accommodation, health insurance and issues like mandatory savings, again, as long as the rules are clearly defined, we are happy to set up our payroll in order to support these. It is far simpler to support a regulated and procedural approach to setting these issues rather than jumping around administering a whole lot of people that are jumping in and out of the system, as we currently have. With respect to issues like conflict resolution, we have a well managed human resource department. We have strong occupational health and safety philosophies. We are regularly audited both by our investor partners and by our own internal occupational health and safety auditors, and we would see no difference between that and that applied to current Australian workers. We would supply recruitment, induction and training services. We would like to go to those areas where citrus, horticulture or agriculture are part of the culture of those people, so that they are already pre-formatted, shall we say, and then we would provide training on top of that.

Turning to the next slide, Yandilla Park's guest worker hire principles would be as follows. We would only want to operate within a legal framework. We like to see ourselves as a company with integrity and we would handle all people with that kind of dignity and respect. We see ourselves as safety legislation compliant and we would take no shortcuts in that regard in entertaining foreign workers. We would like to be community sensitive. That goes two ways. We need to be sensitive to the communities that live currently in the Riverland to make sure that we are managing any new communities that come into this area in such a way that they do not limit or have any conflicts with them, and we would have a responsible role in that. At the same time we also need to be community sensitive to those coming in and we need to be able to provide facilities that enable them to be culturally at ease in this area—say, in the provision of food and consultative services in their own language—in order it make this work.

To do this, we would like to see that we employ people that are preformatted to working and living in our kind of environment. That links to the next point that I have talked about—linked objectives. The citrus industry is attempting to make breaks into the Chinese market. China is a very important trade market for all of our horticultural enterprise going forward. I think Mr Sims alluded to a cultural exchange. We would like to see this where we are bringing in workers possibly from Chinese citrus growing areas where they are already familiar with the issues of picking, working up ladders and fitness in order to work with this. We would like to see that and therefore have a win-win in terms of both a cultural exchange but also an upskilling exercise for both sides of the market continuum. So certainly we would like to see an initiative that encourages more South-East Asians and Chinese rather than Pacific islanders. We have a perception that Pacific islanders are possibly more oriented towards an Oceanic culture and that surrounds fishing more than horticultural production.

In summary, Yandilla Park strongly supports the initiative of guest worker visas. We do not believe that Pacific islanders are the most suitable group for guest labour; however, we are willing to keep an open mind. We believe that any contracting should be done with the representative group itself or representatives from the target group that we would be sourcing labour from and not a labour hire arrangement per se. However, I would like to qualify that: provided that labour hire arrangement, if it were to be a local or government facilitated unit, provided other value added services such as the housing, the health checks, the health insurance and repatriation management, then we would look at that slightly differently. Otherwise, we would probably prefer to be in a partnership with government but to do it ourselves with full transparency to the government.

Senator BARNETT—So the representative group is you, Yandilla Park.

Mr Hamley—We would be the customer, but we would be sourcing from a target group. We would like to see it coming out of, say, the western states of China, where they grow citrus. But if it had to be with Pacific islanders, well, so be it.

Senator BARNETT—Would you be the representative group for the entire region or just for your business?

Mr Hamley—No, we would like to do it for our own business. But if it were for a whole region, we would like to then see a partnership of like-thinking businesses. Unfortunately, the smaller grower community do not often see us, the big end of town, as being necessarily in the same ballpark as them, so I would not like to speak for them. But certainly we would look at a partnership, say, with Mr Sims's organisation, if he were willing, and other like-minded large-scale individual companies. Yandilla Park are keen to be part of any pilot scheme to trial this program. Thank you for listening to our submission. We would welcome any questions.

CHAIR—Thank you for a very informative and professional presentation to us. I was originally going to ask you, given the commitments to investment that you have already made and have flagged for the future, what plans you have to ensure that you have the labour workforce. I am pleased to say that you went through many of those issues, which I think is important to do. But if such a guest worker scheme is not put in place, what will you do?

Mr Hamley—The reason why you have seen that a lot of thought has gone into this is that, strategically, this is a very big issue for us. We have been racking our brains. We have been pretty proactive in approaching the state and federal governments on this issue. John Howard came around in I think it was October and we made a personal submission to him, albeit at an evening function, and he then referred us on to other individuals whom my executive manager is currently talking to. I am also involved with the employment people and also with our local state minister who is in charge of small business and any business along the River Murray. So this is an issue that we have been talking about for a long time.

I guess the one area where it does lead us to focus is that we have recently created a new technologies and innovation section in our business and one of the things we are looking at is mechanised harvesting. This is something that does not fit our business currently. The technologies that are out there are very destructive with regard to harvesting. There are mechanised citrus harvesters, but they do not lend themselves to the fresh produce industry and

certainly would not be translatable into Mr Sims's stone fruit industry. We are looking at combining packhouse technologies, which use robotic arms and sensors. All of this technology is still some time away but, with the investment that has been put in there—and there are other investment groups interested in putting into that technology—we will at some time come up with mechanisation. It is all about cost. If our cost for getting the fruit off the tree is eventually higher than that using mechanisation, we will revert to mechanisation. That in turn will have massive social repercussions throughout Australia. Critically at the moment, that is still some time away so, for the moment, we have become more and more dependent on these less-skilled and itinerant backpackers. It only takes one unforeseen disaster in Australia for that to be eroded overnight, so it is a critical area of exposure of our business.

CHAIR—But, nonetheless, you have proceeded with investment?

Mr Hamley—Yes, largely driven by the fact that the investments were made by agribusiness investors. In many cases, we are the manager of the process, so we are standing in line to manage the process, but the risk is definitely there. That is why we are raising it. We are taking about significant investments of many mum and pop investors in cities around Australia.

CHAIR—Much of your presentation was geared towards offering more than a job. Before we get on to the seasonal labour migration scheme, has it been having an impact? Have you been able to reattract people and get more consistency in your work force?

Ms Smith—We have a core group of people who return each year, whether they are local people or itinerant workers from other areas, but that core group is diminishing. How do we attract people to fill those places? Every effort is being made, but we are not able to do that. We have developed a strong relationship with our local Job Network agency Harvest Office and we are looking to work closely with them in the coming season, but we are still going to have a shortfall.

CHAIR—We heard yesterday that people were even resorting to providing toilets and fresh water to try to attract people into the industry. Have you had to go to those extremes?

Mr Hamley—That is a fundamental part of our business that we provide without even a thought. We provide that for every member of staff. It is a basic requirement for occupational health and safety. We are also monitored and managed by our supermarket customers, both in Australia and internationally. If we did not provide such fundamentals, we would be struck off the list. We would not be part of any export or local supply program to any supermarket.

CHAIR—We are trying to investigate a pilot scheme, and we are focused by our terms of reference on the South Pacific. I hear what you are saying on why it should be restricted to the South Pacific. The pilot may seem to be only a baby step but, of course, it is a quantum leap in principle for us to do this. Would you see the success of a pilot being reliant on whether it was being sourced from the South Pacific or from South-East Asia, in terms of the fundamental principles of how a scheme would work, including management, assimilation, accommodation, visas and all those technical matters?

Mr Hamley—In short, no. I think we would support a scheme, whatever, because we have such a critical shortage. In the land of the blind, the one-eyed man is king. Our principle would

be that we would want to support any initiative, certainly just to test the ground. Failure would only spur us on to say, 'Let's try it with other cultures'—if there were a cultural failure in terms of the mechanics of getting it to work, including the governmental side of things, the cooperation side of things. The only caution I would give is that we do not want to set expectations with the governments of the Pacific countries that we are dealing with—that, because the pilot would be done with them, they would necessarily be the first cab off the rank if it were to work. That is my only caution. I suggest that we use a pilot scheme from possibly two cultures. We must be careful to link this with other outcomes because we should be linking the export business and overcoming other trade barriers. I think it would be very important to engage China on that. But, to answer your question simplistically, if it had to be the Pacific Rim, we would support the initiative.

CHAIR—Again trying to work out the figures you have presented to us, I think you are talking about a couple of hundred people each season, aren't you?

Mr Hamley—For the Riverland, and then we will replicate that, with growth, in several other industries. In relation to the mango industry at the moment, we currently own a farm at Katherine in the Northern Territory. We are in the process of negotiating properties in Darwin to provide access to the early season produce. We will be up to somewhere in the region of the size of the Riverland for requirement of labour within 10 years. So we are talking into the thousands.

CHAIR—Over a 10-year period.

Mr Hamley—Yes.

CHAIR—What do we do when *Today Tonight* rocks up with half a dozen Australians who have experience in this industry who want work and cannot get work, when we have several hundred guest workers on your property? How do we manage that?

Ms Smith—We give them a job, because there would still be room. If we had a group of 100 people come in for a picking season, we would still have a shortfall.

CHAIR—Isn't this the threshold issue in terms of community acceptance? It is about displacement of Australians, and that will always be the test when *Today Tonight*—and I will use them as the example because they are good at this sort of stuff—orchestrate such an arrangement for the publicity. But it reinforces some of the prejudices against some of these elements. You would be confident that any such arrangement would not in any instance displace an Australian worker?

Ms Smith—Yes.

Mr Hamley—Yes. We would like to go further in order to make it part of the business rules of this, because it will have to be a partnership between large-scale private enterprise and government. One of the qualification criteria for this is that we have exhausted the possibilities of securing Australians or that Australians get first crack at that. At the same time though, it is something that we have been trying for a long time. In relation to the figures that we have given you today, we are fine tuning them at the moment, so we will continue to supply them to your

committee before the report is finalised, but certainly we would make the work available to Australians primarily.

I myself came in as part of the skilled migration program. I did not displace any Australians. Our company advertised for five years before they got someone willing with the skills. The people with the skills are in Australia quite often, but they are not willing or do not want to work this far from a capital city or this far from the sea. It is a population demographic issue with Australians. We find it difficult to attract skilled and unskilled workers across the board, not just in this area; it is difficult to attract qualified or willing, passionate people into our industry this far away.

Ms Smith—I can offer some comment to back that up. We are now experiencing similar difficulties in attracting suitable packing shed staff. This has been increasing over the last few seasons and it appears to be getting worse. Recently some of our supervisors undertook some external human management type training and they reported back to the external trainer that they often had to put up with very poor behaviour by their employees who were reporting to them because those employees working in the packing shed were aware that there was nothing the supervisor could do about it because they were needed on the ground, on the floor. They knew they could not just be told that they were not doing a suitable job and performance managed out of their job because there was no way that the supervisor could do without them. So they were having to deal with people who were very non-committed to their positions.

Senator BARNETT—Thank you very much for your very comprehensive and professional submission. It was well appreciated. I come from a small business background and nearly 50 per cent of Australia's private sector workforce is employed by small business. You are probably not in that category.

Mr Hamley—No.

Senator BARNETT—So I am interested in your suggestions regarding being a representative of your own business and perhaps with Mr Sims or other larger businesses. How will small business benefit—small business citrus growers or fruit growers or what have you—under that approach? Also, have you considered how this might benefit the whole region rather than just your business? I know you have to think of yourself; that is your job. But we have public policy decisions to be made here. I appreciate your efforts on pages 5 and 6 of your submission where you talk about airfares, accommodation, health insurance, savings and so, but I am very interested in how this might work in practice?

Mr Hamley—Claire may have a slightly different take on this. A year ago when we merged two separate companies, when Chiquita took over Yandilla Park, this was obviously a critical thing straightaway. We were looking at how we would organise labour and harvesting going forward. Obviously this has been a topical issue for a number of years and it has come to a head with this subcommittee. We initially supported many of the community initiatives, but there seemed to be a very diverse, shotgun approach. There is no unified approach to government in order to get some of these things off the ground. We felt that it was not so much that we were arrogantly independent and did not want to work with anyone else; it was that we felt that we were probably on our own, knew where we wanted to go and had enough influence and clout that we could make a lot of progress. I do not think that would negate us taking on and working

for others that think like-mindedly with us, whether they were one-man-band farmer growers or other small business or large business enterprises.

Our main feeling was that we could not wait for everyone else to do it—there are council initiated schemes and there are other business initiated schemes—because we felt they were not unified enough and were arguing about the shape of the negotiation table rather than what they really wanted out of the negotiations. I think that is really why we have had a go-it-alone approach up until now. But we would be happy to move back from that, certainly if we were to engage in a partnership with government—and you would very obviously like to see that being a more inclusive approach. We would not like to see it stalled, though, by squabbling on the fringes. We would like to keep it focused.

Senator BARNETT—I asked Mr Sims for a snapshot of the make-up of his workforce 10 years ago. You have given us a snapshot for now, with 20 per cent itinerant greys and 75 per cent backpackers and five per cent local. Ten years ago what would it have been, broadly?

Mr Hamley—There would still have been a backpacker component, but it would have been significantly reduced. There were a lot of professional pickers.

Senator BARNETT—Can you give me a percentage or a proportion?

Mr Hamley—I would say that the split would have been probably 60 per cent professional and 40 per cent backpacker.

Senator BARNETT—'Professional' being itinerant?

Mr Hamley—This is their focus job. They tend to like to start in the citrus industries up in Northern Queensland, move down through the Riverland and then into the stone fruit industry, working their way back up and out to the coast for the summer. I stand to be corrected on that. I was not in Australia 10 years ago, so I am working from what our properties' discussions have been about. Also, I would say that our businesses were significantly smaller then, our yields were much lower than they are now and we were not one consolidated entity at that stage; we were a number of smaller businesses at that stage.

Senator BARNETT—I am just getting a picture. On page 2 of your submission, you talk about the shortfall—and the numbers are set out, which is appreciated—but that is for just this region. You have said that, if you include other regions, you are talking about a shortfall of thousands of people.

Mr Hamley—Yes.

Senator BARNETT—Mr Sims talked about the problems: one, the shortage and shortfall; and, two, continuity. For you, are they both problems? And which problem is more important—or can't you answer that question?

Mr Hamley—They are both important. Continuity is important because it suggests experience. They are inextricably linked.

Ms Smith—Certainly, if we had the continuity of workers we would not have the same sort of shortfall because those people would be staying. We would not be continually looking for top-ups and continually retraining and regearing ourselves.

Senator BARNETT—Mr Hamley, do you know about the skilled migration and visa arrangements?

Mr Hamley—Yes.

Senator BARNETT—What if we had a program that extended that to include skilled and unskilled—'skilled' being defined as including experienced?

Mr Hamley—We would support that initiative. I know about the complexity of that program and the expense associated with it. I also know about the industry of Australian migration consultants that spawns around that kind of legislation. It cost me more than $A50,000 to get here and I went through a very legal ex-department of immigration and migrant affairs person. That is because I lived in a remote area in South Africa. It was a convenience that I enjoyed and I am thankful that I am sitting here today.

If not managed correctly—and we are aware of the types of operations that work out of China—it is possibly open to abuse and certainly other parties. We would have to be very careful to manage that cost away because it would become a barrier to entry to any migrants, including skilled migrants, coming in. But in principle we would support that because it sets a barrier for entry. People are coming in because they are earning their way here. We would hope to provide them with some kind of certification. Claire and I spoke about it. We might even be willing to participate in going across to train them in their own country before bringing the skills back. That would lower the costs and possibly filter certain people before they even got here.

Senator BARNETT—Finally, on pages 5 and 6, you have listed some visa requirements for those people, but you have not mentioned security. In light of the environment in which we live today, I think that would be quite an important criteria or requirement that would have to be carefully checked and met.

Mr Hamley—Yes, absolutely. We want to live in a safe and peaceful Australia too.

Senator McEWEN—Thank you for your presentation. It is excellent. Am I right in thinking that you would like to have a pool of migrant labour and that you would move them around the country to your different farms so they have a reasonable period of employment here? After they finished here, would you move them to Katherine and then to Queensland?

Mr Hamley—If it fit. Seasons do not always fit. I would imagine that there is probably a—

Senator McEWEN—Would you be able to do that? Otherwise, would you bring in different lots for three-month periods or something like that?

Ms Smith—It would depend on the seasons and when we got people. But, if we had people in the Riverland, we could offer three or four months of solid work without a break and that might be a long enough period. But, if it tied in with our Katherine farms, we could move them up

there and have them pick and pack mangoes as well. After that, they could probably go over to the table grape properties in Sunraysia and work for another four or five months—not quite that long—picking and packing table grapes.

Mr Hamley—Certainly our season is extending. Mangoes probably come on the earliest. Yes, they would all pretty much fit. There would be nothing really going in the winter, but certainly it would start around November with our proposed mango property up in Darwin, and it would continue all the way around to late September with the end of the citrus. Table grapes and citrus would clash. We would need probably separate units for those.

Ms Smith—Certainly we would look to work in cooperation with other large farms around the Renmark or Riverland area, such as Mr Sims's farm.

Senator McEWEN—What is the profile of the person you would be looking at bringing in? I am not trying to make you say what would be an ideal employee but, if we are bringing in people from overseas, are you envisaging single people? What gender, what physical attributes?

Mr Hamley—Claire can maybe take some of the softer aspects of it but, I guess, from a management point of view, we would want physical fitness, competence and stability. They would be important for us. Then, in order to get the whole man or the whole woman like that, there are other ancillary things. In certain cultures, the man feels more comfortable if his partner is travelling with him, but we would want them then to work as a team. Many of our grey nomads work exactly like that. They come in with their mobile home as a husband and wife picking unit and they are our most efficient and effective packers. We like that. They enjoy what they are doing and they are very productive for us. If we could replicate that—often I think it would be better not to have the encumbrances of children and non-working spouses. We would have to look at the culture of the community but, as soon as they start bringing children in, we then have the issue of trying to find child care and we cannot find child care for native working Australians.

Ms Smith—I would just add physical fitness and the desire and the motivation to work.

Senator McEWEN—A few people have made comments about the suitability of labour from the Pacific region to do this, but I understand that in Robinvale there is a Tongan community—I think on an almond farm or working in almonds. That seems to be working successfully and we will hear about that tomorrow. Are you aware of that?

Mr Hamley—Yes, we are aware of that. The Tongans certainly work well in the almond industry. We have not heard any negatives. The almond industry is not a physical labour industry. It is largely a mechanised industry and the Tongans are being used to drive equipment. Currently, whilst we have constraints on that, we are not critically short in that area in Australia. It is the physical labour of harvesting or picking and packing the fruit. Both of them are very onerous tasks. You will see a picking bag today on someone climbing a ladder on a citrus tree; it is formidable.

CHAIR—Senator Barnett is actually going to try it!

Mr Hamley—Packing is a job that requires standing for interminable periods. I would not like to do it. I have done it and it is not pleasant work. It certainly can be very rewarding work financially, but it is hard physical work. You can pick that up just by looking through any average picker-packer's WorkCover claims or if they have good occupational health and safety systems. From their accident reports, you will see that the major injuries come from using ladders, falling off trees or those strains, bumps and bruises associated with moving heavy weights around.

Senator McEWEN—Presumably the Riverland community then will have to think about the provision of medical services, which are already stretched to the limit up here, if you are bringing in even more people.

Mr Hamley—That is exactly why we would want people here who are physically fit enough to cope with it. The majority of our injuries occur with inexperience and people physically not capable of doing it and people who come to work with us and not declaring prior injuries. It is a sure-fire way of ensuring that. But, with regard to those who are physically fit and able, their injuries are not regular. They would be like your average footy team. They are fit and able to cope.

Senator BARNETT—That is quite encouraging.

Mr Hamley—They do not sustain many injuries from the combative nature of that game.

CHAIR—They do not really try here in South Australia. They are not serious about it.

Senator McEWEN—With regard to wages, I presume that you currently pay your employees pursuant to the two relevant awards. Would it be your intention to extend that to migrant labour as well?

Mr Hamley—As I said, we would want to execute what is legal with integrity. Our harvesting wages are all based on piecework though, and that is calculated from the baseline of the award in any case. So one has to pick 4½ bins in order to meet that unit, but fit and able pickers and picker teams pick between 10 and 15 bins per day and are therefore earning well above the minimum wage. They are often earning more than their supervisors and junior managers.

CHAIR—Thank you very much. I assume that you will make available the hard copy of your presentation to the committee.

Mr Hamley—I can, immediately, yes.

CHAIR—We would appreciate that. Thank you very much for your presentation today.

Mr Hamley—It was a pleasure. Thank you.

Proceedings suspended from 10.41 am to 10.58 am

BENNETT, Mr Trevor Ronald, Project Officer, Skilled and Business Migration, Riverland Development Corporation

CHAIR—Welcome. The committee prefers all evidence to be given in public. However, it will consider any request for all or part of the evidence to be given in camera. Thank you for your submission today. I invite you to make an opening statement, to be followed by questions from the committee.

Mr Bennett—Thank you. I welcome the committee to the Riverland and thank you for the opportunity to present to you and to show you what a wonderful region we have here. The Riverland Development Corporation covers the Riverland region of South Australia including the councils of Berri Barmera, Loxton Waikerie and Renmark Paringa. The region has a number of large towns as well as a rural community. The economy is considered to be underpinned by two separate segments: the high-growth viticulture, wine and horticultural industry, along with dryland farming, and tourism.

This region incorporates a large percentage of the state's horticultural production that is currently not able to be machine harvested, and it therefore requires manual harvesting. Horticulture crops such as citrus, apples, pears and melon crops all require manual harvesting, and most tree crops are required to be manually planted as well. The horticultural industry has experienced difficulties in attracting sufficient labour to meet the harvest demands for a number of years and in the last five years has relied very heavily on the use of working holiday visa labour to address these shortages. This trend is likely to continue as few resident Australians seem willing to perform this type of work.

The Riverland Development Corporation's involvement in this process resulted from when we were approached by industry to look at what we could do to progress the debate on seasonal contract labour. We carried out some research within the region. The research was not extensive—we interviewed a number of major employers along with a number of small producers. We basically posed this question to them: from 2000 to this point in time, what was the demand for seasonal labour and were they having difficulties filling those types of jobs?

In 2000, on average less than 10 per cent of harvest labour was performed by working holiday visa holders. In 2005, in excess of 50 per cent of harvest labour was performed by working holiday visa holders, with some operations reporting a reliance of more than 90 per cent on this labour source. There has been a much higher reliance on this type of labour in the picking operations rather than in the packing operations. Some packing operations have reported as high as an 80 per cent reliance but, generally speaking, the figure was around 20 per cent.

The demand for seasonal labour is creating considerable issues for employers in the region. One of the issues is undocumented workers and the obligations employers have in relation to them. There is the potential for a growing number of jobs to be filled by undocumented workers simply due to demand—particularly for the smaller growers when they feel that they simply do not have another source of labour and they do need to get their harvest off. This will only place further strain on the relationship between producers and immigration officials, but it is also highly disruptive to the harvest operations. It also has the potential to lead to the exploitation of

workers as they are not in a strong bargaining position. There are also ramifications for producers—not only can they be fined but they are also exposed to liability for workers' injuries, as undocumented workers are not covered by WorkCover.

Theory would suggest that the shortage of seasonal workers will eventually force up wages and conditions, and horticultural jobs will once again become attractive to potential workers. The difficulty is that Australian exporters, who compete against growers in countries like South Africa and Chile where the labour costs are much lower, will effectively be pricing themselves out of the market. Also, regional communities are struggling to maintain their population base as we are an ageing population. Both factors contribute to the diminishing worker base. This population decline leads to further pressure on provision of services to regional areas, once again making them less attractive as a destination for even temporary employment.

In discussion on the seasonal labour issues, what appears to be one of the stumbling blocks with any implementation of a process is the issue of overstay. I should point out that most of these views are what we have actually gleaned from industry and we are presenting a comprehensive overview. Some of the feedback we got from industry was that a way to combat the possible overstay of visa holders would be a retention of part income until participants could return to their home country. Another way is through selection criteria—I believe that was mentioned previously—that, I guess, favour participants in a program who have strong family ties to whatever region they have come from, therefore compelling them to return and so avoiding the overstay issue. One of the other points raised was the opportunity to return in future seasons for work, which would obviously provide an incentive for people to comply and do the right thing.

One of the issues that will impact on the region in particular will be accommodation, but we believe this can be addressed through a cooperative partnership between local government and industry. My role actually takes me down to the Murraylands region as well, and there is an excellent example down there of what can be done with a cooperative partnership of industry and local government. That region was generally a dryland-farming region 10 years ago. It has a very large potato-growing and onion-growing industry down there nowadays. They had difficulties not only attracting workers but also housing workers.

They put together a program where there was a commitment by local government and also by local industry and community, and they basically built their own accommodation facility in a place called Parilla, which has a population of less than 200 people. I believe that has been an absolute success story for that region. They have been able to address the accommodation shortages and, therefore, they are a more attractive proposition—for backpacker labour anyway. Considering where Parilla is, it is not really on a backpacker's list of destinations, I suppose.

CHAIR—It is not even on a map, is it?

Mr Bennett—On a good map—on a very good map! That is just a great example of what can be done by a local government and community partnership to address some of those issues. Other issues to be raised in any form of program would be, obviously, travel costs when we bring people in from overseas—who bears those costs? There would be the issue of health insurance. At this point in time, temporary visa holders are not eligible for Medicare; therefore, who would be paying for their private medical cover and how would that be worked out? There

is the issue of labour rights and working conditions and the impact that has on Australian workers as well. There is the appropriate provision of adequate training, and occupational health and safety issues in an organisation. I think earlier on you mentioned the issue of superannuation—what happens to super contributions and how that is going to work.

Another area to be considered is the impact of the work on the families and communities from other countries that we are bringing in as that sourced labour. Given that we have got people who are probably the head of the family, so to speak, potentially leaving the region for five and six and maybe more months at a time, there is a need to consider what impact that will have on those communities. None of those things are insurmountable but they are all things that need to be considered as part of due process.

There have been quite a lot of issues raised about the potential of other countries—and I do understand that this is a Pacific nations forum that we are looking at. But I do not think any program should necessarily be limited to Pacific island neighbours. It could also incorporate other countries that we have established relationships with. In Australia, we envisage building on the model of sister cities; in fact, Renmark is a sister city of Shishi in China. Perhaps under this scenario there is the potential to look at other regions and to build stronger partnerships where we might find that labour source.

Although the skilled migration programs are an option for people from any country, the experience of other programs would indicate a need for a structured agreement with the governments of any participating nations. What I am referring to there is the Canadian model, which is referred to quite frequently when we talk about seasonal contract labour. Given that the Canadian model is generally looked upon as the best practice model, it would be of considerable value to closely examine the process, policies and functions of this model and to establish an Australian pilot program based on such studies. Although the Canadian model has been extensively studied and there have been a number of reports prepared on it, I am not aware that an Australian report has been done—that it has been looked into at our level. I may be wrong about that. But I believe there would be considerable benefit in commissioning a study of that model.

CHAIR—Thank you. What is the logic of the sister city relationship with the Chinese city? Is it based on the region being a citrus area? We have heard from previous witnesses that you would actually want skilled people from a similar region, people who have some of the agricultural skills that would be useful here. So I am just wondering if that is the basis of the sister city arrangement and whether it logically flows that that would assist in the development of such a program.

Mr Bennett—The sister city arrangement, from my understanding, is a cultural exchange, with the opportunity to develop potential business links with those cities—or Shishi in this case. But it is primarily a cultural exchange.

CHAIR—So we do not know whether Shishi is an agricultural or citrus area?

Mr Bennett—I do not think it is, but I am not sure about that.

CHAIR—I must say that I have not looked at the Canadian study yet. You indicated that there have been a number of studies evaluating its effectiveness. Have you done any evaluation on its effectiveness?

Mr Bennett—I have read one of the studies done on the Canadian program. One of the things that I took out of the Canadian study was the statement that the Canadian model is not necessarily the complete answer. The point with the Canadian model is that it has been running since 1966. It has had 40 years of experience to find and work out the associated problems. Therefore, it presents Australia with an opportunity to short cut that process and to learn from some of the errors and mistakes.

CHAIR—Your presentation was based on information which you got from the industry. Did you do that in a formal way? What I am interested in finding out is the ultimate cost of the turnover of labour and whether we can put a percentage figure on that. A lot of that will go to what the real benefit is for the companies and what they may be able to contribute in terms of accommodation, pastoral care, health care and those sorts of issues. I am trying see whether we can make that sort of assessment on the actual savings, putting to one side the fact that there will be labour available—as opposed to relying on a constant turnover, retraining, reprocessing, tax file numbers and that sort of stuff.

Mr Bennett—Basically, the research we did was not extensive enough to ascertain that sort of information. It was primarily on what their shortages were in 2000 compared to what they are now and to demonstrate that there is a continuing growth in that shortage of seasonal labour.

CHAIR—I think it is information the committee will need. I am trying to work out where we will get it from. Is your organisation in a position to do some of that work?

Mr Bennett—Possibly.

CHAIR—It is probably a question we can ask directly of some of the larger companies, but they might simply give us a figure. I do not know how we would work through that. I think that is all I had. Senator Barnett, do you have questions?

Senator BARNETT—Yes. Mr Bennett, thank you for your submission and the efforts you put in to contributing to our committee. We appreciate that. We have had some witnesses today giving us a snapshot in terms of today compared to 10 years ago. Would you concur with some of their analysis on the make-up today—that is, that the vast majority are backpackers, 20-odd per cent are itinerant or grey nomads and the remainder are local/unemployed?

Mr Bennett—With the research that we have done, we basically asked where they were five years ago. That trend would basically be the same. In the last five years it certainly has continued to grow quite rapidly, and those figures are about what we got back. Where picking is concerned anyway, probably 50 per cent or greater is now done by backpacker labour.

Senator BARNETT—You think it is more than 50 per cent now?

Mr Bennett—We have a general overview from the industry. That was pretty much the figure we came back with—slightly over 50 per cent. But that varied quite dramatically. There were

some producers who said it was more like 80 per cent. There were some producers who did not have any great requirements for backpacker labour at all. They use local labour, but they had a core group of local labour that they had had for a long period of time—and I am talking about two or three pickers on a property. The larger percentages were more associated to the larger employers.

Senator BARNETT—I am interested in the differences between the large employers and the small businesses and the small production operators. How do they operate?

Mr Bennett—The difference is that the smaller producers—and some of the producers we are talking about are quite small—have the capacity to harvest a reasonable amount of their own crop themselves, whether it is through family labour or whatever. But the larger employers do not have that capacity, so therefore they will obviously have the shortages or the larger percentage shortages.

Senator BARNETT—To your understanding, do they all have labour shortfall problems?

Mr Bennett—Not all producers. As I said, some of the smaller producers do not, and some of the producers that have had a core group of people for a long period of time do not. But as a general overview of the industry we still came back to about 50 percent-odd that use backpacker labour.

Senator BARNETT—Would you say that across your industry there is overwhelming support for the need to, one, acknowledge labour shortage and then, two, do something about it?

Mr Bennett—Yes, absolutely. That was the feedback we got. Even some of the producers who were not actually experiencing difficulties or great difficulties at this time were concerned about where they would find replacements if they lost the core group that they have had for a period of time.

Senator BARNETT—The reason I ask is that a witness yesterday—I think it was the vice president of the Victorian Farmers Federation of the Sunraysia region—said that for him personally it was not a problem.

Mr Bennett—That is the sort of feedback we got from smaller operations. There was one particular packing operation that I contacted that said that they had no difficulties at all. They have a local labour content and they really do not utilise any outside labour at all. There were other packing operations that I spoke to that went as high as 70 per cent. It was quite different within the different sectors and areas.

Senator BARNETT—Based on the witnesses this morning, there are two issues: the first is the shortage of labour and the second is the continuity of that labour—that is, the backpackers would be around for a few weeks and then they would go and the producers would have to train others up. The costs of that and so on are issues.

Mr Bennett—That is certainly the feedback we got generally from the industry and, as has been stated earlier on, although a lot of backpacker labour is used, it is certainly not considered to be the ideal labour source simply because of its nature. The people are primarily here to

holiday and the income is to supplement that travel. I guess their primary destinations are often on the east coast, and a lot of those people can get work in the hospitality industry and that type of thing. They do tend to move on without giving a lot of notice when they do. When there is any seasonal disruption—rain or whatever—that is holding up the harvest, they will quite frequently move on at short notice and head on their merry way.

Senator BARNETT—Are you convinced that there would be a net benefit to the community as a result of going down the path of getting migrant workers to come to your area, bearing in mind that their income or much of it would go back whence they came?

Mr Bennett—There would certainly be a net benefit for the region in that it would supply a labour force to assist in harvesting crops if there was difficulty in harvesting it on time and in prime condition because if it is not harvested on time and in prime condition there is a loss to the region. Generally speaking, my role is that of a skilled business migration officer. We work in the skilled area specifically and there is a community benefit in bringing people in. Rural communities are struggling for numbers generally anyway. So even if they are on a temporary visa, there are still benefits in bringing those people into a region.

Senator BARNETT—We had a previous witness, Mr Hamley, say that Yandilla Park would happily represent his business if there were a pilot program to bring in migrant workers. Might the Riverland Development Corporation be the so-called representative and be the contractor or the key entity and then contract people out under any pilot program or would you recommend a contract labour hire company to be the key entity? Do you have a view as to which way to go so that the whole of the community is benefited and not just one large business?

Mr Bennett—I do not believe it would be the role of the Riverland Development Corporation. That does not generally fit with what we do. I assume that that role would probably be filled by a labour contract agency.

Senator BARNETT—Finally, you mentioned the overseas models, including Canada, which has been operating since 1966. Can you give us any other feedback on the overseas models and why they are working well and which characteristics are important, or haven't you had a good look at some of those?

Mr Bennett—From my interpretation of the reports I have read on the Canadian model, one of the strong points of that program is that it is an agreement between governments. It is not, for want of a better term, an open slather process. I think it would be very important that there is a structured agreement between governments for this type of program to be successful. From my understanding, one of the difficulties that has come out of the Canadian program was accommodation, not so much the lack of it but the standard that was being provided. So there are certainly things that need to be considered very closely. We all know that at the regional level accommodation is a difficulty, so a process would need to be in place to have some infrastructure to support that.

Senator BARNETT—Are there any other particular aspects? Accommodation is particularly important. Are any other particular criteria important, or don't you have a view on that?

Mr Bennett—Not particularly. Any program would require a workforce to be relatively mobile to be successful. I know there has been some discussion this morning about workers being able to shift to different regions. An important part of any project to be successful would be to supply continuity of work for a period of four, five or six months or whatever the time period these visas would be issued for.

Senator BARNETT—Do you have a view as to what the minimum and maximum periods should be?

Mr Bennett—Not specifically. I can only draw on what I have taken from the Canadian model. Their program is up to eight months, but the average is about five months, I believe.

Senator BARNETT—Do they have a minimum period?

Mr Bennett—They have a minimum requirement—and I am sorry but I cannot remember the exact figures—of X number of hours over a six-week period.

Senator BARNETT—Thank you very much for your input.

Senator McEWEN—Thank you, Mr Bennett, for your presentation. You talked earlier about the growers possibly entering into a partnership with local government to provide the necessary infrastructure for this. What exactly do you mean by that?

Mr Bennett—Accommodation is in very short supply throughout the region and, for that matter, right throughout regional South Australia. There would probably be a need to develop a purpose built facility to be able to house people coming in under this scenario. I do not see government bearing the full cost of that, and I do not necessarily see that they should either for that matter. Therefore, I assume there would be a possible partnership between local government, community and industry to put that infrastructure in place.

Senator McEWEN—Are you suggesting that it would be funded by local government? I am trying to get an idea of what the community would think if the Renmark Paringa Council suddenly decided it would build accommodation for 200 people from China, when I know there are already significant demands on the ratepayers.

Mr Bennett—I can only cite the example that I spoke of where at Parilla the local government put approximately $70,000 into that program. The other $70,000 was raised through industry and local community. That was very well supported. Any proposal that local government puts up that perhaps benefits one particular sector will always raise the ire of ratepayers, but that is what local government does.

Senator McEWEN—Raise the ire of ratepayers?

Mr Bennett—They do that at times, too. They put infrastructure in place and sometimes it does not fit with the opinions of everybody.

Senator McEWEN—Do you have any research that indicates the value to the Riverland economy of backpackers being here?

Mr Bennett—No, I do not have anything in the way of figures.

Senator McEWEN—Do you have any sense of what they contribute to the economy?

Mr Bennett—We can only assume that it is quite large just by the number of backpackers who are working in the horticulture industry. There is also the spin-off of tourism dollars into the region.

Senator McEWEN—And into pubs and stuff like that.

Mr Bennett—Yes.

Senator McEWEN—Would there be a concern that if you take the backpackers out of the equation and replace them with labour from overseas—which would presumably be relatively contained, and their objective would be to save as much money as possible to take home—that will have a net detriment?

Mr Bennett—I do not think we are talking about replacing backpacker labour; we are talking about filling the gap between what there is in backpacker labour and what the requirement is. I still believe there will be ample work for backpackers, even with a program such as this in place.

Senator McEWEN—You do not think the big agricultural businesses would eventually want to replace backpackers with a more reliable source if this kind of scheme were allowed to proceed?

Mr Bennett—I do not think they would have the opportunity to do that. Any program would have a set quota number and I would think that would be structured accordingly, so for the local worker content and the backpacker content there would still actually be work available for them.

Senator McEWEN—I would not want a region like this to cut off it nose and spite itself—importing labour to do a job that backpackers currently do could have a detrimental effect on the tourism industry, as you said, or something like that. But you say you do not think that would be the case?

Mr Bennett—No, I do not think so. Even though there has been a growth in the percentage of the work being done by backpackers, there has also been a huge growth in the amount of work to be done. Therefore, I do not believe it would impact on the backpacker market at all.

Senator McEWEN—Okay. I am concerned about the ability of regional communities like this to provide basic services to their existing populations, let alone to increasing populations of workers who will be coming in to harvest and pack the fruit from these expanding agribusinesses. Has your organisation or local government here done any research on the number of doctors that might be needed or other services like that?

Mr Bennett—No, we have not. I have seen in the media that at the moment we are about five doctors short in the region—that is what they are talking about. But I think on that point it is very important that we identify the right target group for doing this type of work, which I know

has been raised earlier on, otherwise there certainly would be the potential to place a considerable strain on services within the region.

Senator McEWEN—What are your comments on the ability of the region to accommodate another cultural group? I know the Riverland has a wonderful history of accommodating people, but say a large group from the Pacific islands came in on a seasonal basis—

Mr Bennett—I think this region has absorbed a multitude of cultures over the years and certainly in the last years probably some more diverse cultures—Iraqis and Afghanis. Generally they have been well accepted. The community has put in volunteer type programs, particularly with the some of the TPV holders, to assist them with English and that type of thing as well as a support network. No, I do not see that as being a difficulty in this region particularly.

CHAIR—Thank you for your presentation today, Mr Bennett, and for your assistance with today's program.

[11.28 am]

MARTIN, Mr Tom, Acting Chairman, Riverland Horticultural Council

CHAIR—Welcome. Do you have any comment to make about the capacity in which you appear?

Mr Martin—The Riverland Horticultural Council is a coalition representing stone fruit, wine grape, citrus and almond growers and a few small virtually non-financial contributors to council. Privately I am an almond grower, or that is the source of my employment, and a grape grower—somewhat a family farmer and partly a property manager for investor farmers. We farm about 1,200 hectares of almond and 100 hectares of wine grapes and we are involved in developing another 100 hectares, starting next year.

CHAIR—The committee prefers all evidence to be given in public; however, it will consider any request for all or part of the evidence to be given in camera. I now invite you to make an opening statement and the committee will then ask you some questions.

Mr Martin—The submission that I sent to this inquiry was addressed to the Riverland Development Corporation for another purpose. I chose to leave that as quite a general submission, which is the nature of the Riverland Horticultural Council. We represent probably the smaller growers. While the larger corporations that reported here this morning are not unfriendly, it is almost a small group that helps us balance representations for industry alongside the larger corporations. Some of those corporations are represented through council and some of them represent themselves.

Rather than talk to the brief submission that I have put in, I would like to pick up some things that might be in addition to that. Firstly, I thank you for the opportunity to put council's view, which is something that we have considered and worked on with the Riverland Development Corporation. Recently I attended a skilled migration conference and was invited to present on horticulture's future needs. In one of the workshops we white-boarded about 20 of the usual suspects to answer the needs of the community and the needs of industry. The organiser said: 'We need to get this down to three for our presentation to the general meeting'—and my preferred need was not even on there. I stated that and they said, 'What was your need?' I answered: 'The horticultural council has identified manual labour'—and I thought I had said a four-letter word. There was complete shock and horror. There was this whole bureaucracy destined to serve government's new direction. As a council, we identified labour, and it was not even on the radar. I hear questions about changing that slightly, and I think that is appropriate.

My children and the children in this region do not aspire to manual work. They have trade and university skills and they do not aspire to work in the fields. We are the only horticulture in the Western world that does not have sources of skilled manual labour. Most of them we compete with have cheap sources and none of the people that I represent are proposing to do anything other than award wages and conditions. We just want people who can use their bodies to do the manual work that will be required now and in the future in our industries. It will not be automated out of industry in a very short time, unless it becomes uneconomic—and that has

happened to a number of industries. We end up having what could be sources of labour for our industry being sources of labour for our competitors and buying our food from overseas.

One of the comments made was that almonds do not have a requirement for labour like other crops. That is true, but I think almonds are indicative of manual shortages. A lot of us are now engaged in minimal pruning. Some of us are doing mechanised pruning. I suspect both of those will end up shortening the orchard life, which is an investment cost will mean a reduction in productivity. To compete technically on an equal base with production in other countries, we should be able to choose whether we want to prune manually or mechanically as almond growers.

Project development is another area in need of manual skilled labour. They need large slugs of numbers for short periods. Setting out and installing irrigation and planting might involve periods of two to five months. In the one project we are involved in we would need 40 to 50 people for maybe two to four months for four years going out from next year. That is just one small project.

Our almonds are in an up cycle. Like all commodities, we are cycling up and down. There is a lot of investment going on, particularly in Victoria and New South Wales, and there are a lot of specific periods of high requirement for manual labour.

Backpackers, I believe, are a mirror image of our own youth. They do not aspire to fieldwork, but they do aspire to experience our natural environment in our country and they are willing to try things. But they are not the ultimate source for industry's needs. They are not in the numbers to satisfy people in large industry, as we have heard, and they are not in the numbers to satisfy project work, which has similar sorts of deadlines and short-term high number requirements.

There was one illustration that council identified as being attractive. Earlier on there was publicity from the development corporation at Swan Hill and their relationship through Oxfam with one of the Pacific nations. The attraction for Oxfam to deliver cash to Pacific island nations via employment in Swan Hill versus delivering a cheque to the recipient sitting on the beach for 12 months waiting for it was, I thought, a win-win for lots of different sectors.

I think the Canadian solution is probably more applicable. That is now going into the second generation. I do not understand the detail of that program, but it seems to be very successful. Through almonds, I am aware of the Californian source of cheap labour being Mexicans—some of that legal and some illegal. But we need to compete. Firstly, we need a source of manual labour to achieve production and future growth. Unlike agriculture, horticulture is a 20-year commitment. It is said that the life of a vineyard may be 30 to 40 years, that for citrus or almonds it may be 20 to 25 years and for stone fruit it could be six to eight. I heard in the questioning today something like we should have thought of that when we designed the project.

Industry is caught in a changing situation in Australia where we have become more skilled and educated and we aspire to a gentler life—at least physically. But agriculture and, particularly, horticulture will never be able to complete production with robots and machines. We need a source of people who are willing and able. The Tongans have been illustrated as being perhaps not quite a fit. I think, historically, they are a residue in Robinvale of days when grapes were picked by hand and the dry fruit industry was at its peak. They have just been taken into the

almond industry as machine operators and they are not a perfect match. They have good manual skills, but they are brutal on machinery—they can wreck it.

Questions have been raised about where small growers fit into guest worker situations. There is an opportunity to have a coalition, whether it is through a labour employment company or a specifically designed guest worker structure between larger corporations and maybe RDC as a driver to set up a dedicated operation. Our council's opinion is that accommodation is probably better off because, in the Riverland, five or six regional towns have the infrastructure that would satisfy guest workers more than farm locations. Farms and the people employing the guest workers would be better off providing the transport initially, if required. But I think there could be a Parilla type solution between industry, local government and hopefully government.

One side issue perhaps to this inquiry is in relation to the interim offer where the government initiated a 12-month extension to backpacker visas. One backpacker now in our employment is going through that extension. He has so far spent $600 on medicals to renew his visa. I cannot understand how he got here with no dollars spent on medicals and now he is spending six months to prove that he is still healthy to stay another 12 months. That sounds like bureaucracy gone mad. I realise that is an aside. The extension was offered by the government to ease the demand for this type of labour, and it seems quite obscure that the renewal process means that so much time is taken off work and so much is spent on our medical system. His money is being spent on justifying that he is healthy, one day after he has been here for 365 days. That is about the limit of the notes that I wish to report.

CHAIR—Thank you. Everyone who has appeared before us has made the point that they do not see this type of program leading to a cheap form of labour. Probably in larger organised companies where the personnel costs of turnover and retraining become quite prohibitive, the benefits of having consistent labour are more measurable, and so I probably accept that at face value. But you have been talking about a lot of smaller operations too. I am concerned particularly at the smaller operator level, where they probably do not have the acute shortage of labour at the moment—and that has basically been the evidence we have heard—that, if there is an opportunity to pay less for labour, given that the committee has been told that labour can be up as high as 40 per cent of the cost of production, and, if there is the opportunity to get labour cheaper, people simply take up that offer. I wonder whether you might like to comment on that. It is development of the market. If there is an opportunity to be more competitive by certainly reducing the costs of something that is quite a high percentage of the overall costs, why won't people take that advantage?

Mr Martin—Do you mean cheaper guest workers?

CHAIR—Let me put the scenario again; I am just asking for an opinion. There is the opportunity under the new industrial relations arrangements where penalty rates may not have to be applied. There is no provision for the regulation of piecework, as long as ultimately the minimum rate is achieved. So people could work hard and long, as long as they achieved the minimum rate. There are virtually no other conditions to speak of that would apply to workers in this situation, comparing that with the existing award arrangements. If you have a whole group of guest workers here, they are effectively here to work and have nowhere else to go. They are here to make some money. It has been put to us that the amount of money they make, even if it is halved, is still considerable compared to their standards at home. They will probably be very

willing to work for much less than the existing rates under the current industrial relations regime. I am asking for an opinion from someone who is directly involved around that small level. Don't you think that people will take advantage of this to get cheaper labour?

Mr Martin—I think the temptation would be there. To be an honest businessman in Australia, the ethics of going down that route would be unacceptable. I suspect that if we had a coordinated approach where there was a specific handling company or authority to set up a similar to Yandilla, smaller group requirement in a unified regional way—whether through a labour hire or dedicated group—then there would need to be a statement of ethics: that if you partake of this resource you behave yourself according to the laws of the land or the accepted labour hire practices, not dissimilar are to corporate law applying elsewhere.

Senator BARNETT—Thank you very much, Mr Martin, for your submission and for your contribution to the inquiry; it is appreciated. The small growers is an area of special interest to me, having a small business background. You mentioned the labour hire company as probably the most appropriate way to go—is that right? Can you outline how it would work to ensure that small, medium and large businesses were benefited?

Mr Martin—I have no fixed view as to whether it should be labour hire or a dedicated structure between a group of people who put up their hands and say, 'I want to partake of this and we wish to set it up this way.' It could be done as a dedicated structure or it could be done through professional labour hire.

Due to the cycles in, say, citrus and wine grapes, the older established irrigated areas, which are largely family farms—whereas the corporations are on the fringe of those areas—are going through tremendous restructuring. There are people of retirement age holding some of these properties who cannot viably get out. There are families that are unviable, and banks are looking at them, wondering where each of them are going. And we are seeing probably the start of a corporatisation going through the established areas that already exists around those established areas, and some of those people have given evidence this morning. So there is going to be quite dramatic change. No longer can somebody with 40 acres of grapes that are not economic go and plant potatoes. That is now in the charge of people who grow potatoes by the thousand acre. So are a lot of other things.

Senator BARNETT—Do you grow potatoes up here?

Mr Martin—Parilla is potatoes—

Senator BARNETT—Where is that?

Mr Martin—Parilla, as Trevor said, is about two hours south of here, on an underground basin. One large potato farmer in the Riverland forced the largest potato farmer out of New South Wales to come and grow in this area to get the cost of production. That is the economics. These people are growing probably 4,000 or 5,000 acres of potatoes a year.

Senator BARNETT—We grow a lot of potatoes in Tasmania. I did not realise that they did in this part of the word.

Mr Martin—I suspect that Tasmania are in a niche—not to say that in Tasmania they are small, but they are probably in a quality niche. I would not like to think that Tasmania could take some of these guys on.

Senator BARNETT—Just as an aside, what do you pay for your water up here?

Mr Martin—About $1,400 per megalitre capital cost and today it is about $40 to lease it annually.

Senator BARNETT—Do you broadly agree with the assessments provided this morning on the make-up of the workforce in terms of the proportions?

Mr Martin—I have no direct experience, but I do not doubt the evidence given. I see a lot of traffic and associate with some of the backpackers and I think those figures are probably quite accurate.

Senator BARNETT—With regard to the main problems that have been put to us particularly this morning, of continuity of employment and shortage of labour, is one more important than the other or are they intertwined?

Mr Martin—I think they are both vital to our production or our productivity. Earlier, the question was raised about the threats to local labour. I see the access to sufficient manual labour as actually increasing the potential to employ. The larger investment farms that I manage have permanent staff of 10 to 13 people. If you multiply that across the examples given this morning, if projects develop on the scales that are proposed—and I am sure they will—there will be an increase in permanent employment along with an increase in casual employment. You cannot base the production of anything on a three-month session by a guest worker if another nine months have to be taken care of.

Senator BARNETT—Do you have a view that we should be contained to the Pacific nations, or do you prefer a more global approach?

Mr Martin—I think a global approach is correct. I do not have enough detailed knowledge, but I hear a lot of sensible argument about why it should be in like regions.

Senator McEWEN—Thank you for your presentation—it was great. You said that growers will have to rely more on mechanical methods of pruning and harvesting and that that will shorten the life of orchards.

Mr Martin—Yes.

Senator McEWEN—Why is that so? Is that so for all fruit?

Mr Martin—You might exclude vines from that argument. They have been mechanically harvested and pruned for long enough to say that there is a sustainable method of producing in a vineyard for probably 25 years or whatever a vineyard life might be—maybe 40 years. I am not qualified to speak on citrus—I suspect that is different—but it is definitely the case for stone fruit and almonds that after two metres of penetration of light through leaf, there is not enough

energy to sustain viable photosynthesis and produce plant nutrition and active growth and buds. If you hedge that, you produce a wall that is accelerated, and that shortens the two-metre by probably 50 per cent. You can do some judicious mechanical pruning and get some short-term benefit, but eventually you have to take a more severe cut to reinvigorate that tree. Doing that, you are cutting off part of your productivity and deferring crop until you get another 18 months of growth. Some of those plants are not productive in the first year's growth and they need a second summer to see a crop. Both those types of cultures—whether you use mechanical means to prune or you do not prune—shorten productive life or orchard life.

Senator McEWEN—We have seen massive plantings around the place. So if they cannot get the labour to do it manually, the orchard will come to the end of its life altogether, like a huge area? To maintain continuity of income, will those big organisations have to buy equally big blocks of land to put more trees on so that they come on line when this lot goes under?

Mr Martin—If you are an investor in one of the super funds that have bought a share in one of these orchards that are designed to go poof in 18 years, all that will remain is the land and you may not own that—that reverts back to the developer. If you are a farmer and you want to renew your orchard, if it all turns in the one period, you can make choices. If the economic point is at 20 years, you can start to replant at 18 and prolong that through to 30 or you can get a bank loan and do it all at 20. But you do not need new land; you can do it in one year.

Senator McEWEN—On your small holding. Did you say that the big plantings are designed to expire in 18 years or something?

Mr Martin—One prospectus says that in 18 years your investment is complete and you will get no more returns and the title will revert back to the developer or the promoter. There are myriad other sorts of ownership patterns.

Senator McEWEN—I was curious about how that worked.

CHAIR—As there are no further questions, I thank you very much for the information you have provided to the committee and for your presentation.

Committee adjourned at 11.56 am