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Official Committee Hansard

SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION REFERENCES COMMITTEE

Reference: Pacific region seasonal contract labour

TUESDAY, 21 MARCH 2006

MILDURA

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SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION REFERENCES COMMITTEE

Tuesday, 21 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, Marshall, McEwen and Troeth

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 8.45 am

LYNCH, Mr Stephen, Director and Head of Agribusiness, SAITeysMcMahon; and Chairman, Almond Board of Australia

CHAIR (Senator Marshall)—I declare open this public hearing of the inquiry into Pacific regional 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 Islands Forum, renewed pressure was put on Australia and New Zealand from Pacific nation leaders to accept seasonal agricultural workers to help their struggling economies. The Senate inquiry will examine whether a 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 it will also visit Shepparton. Next month the committee will visit centres in Queensland. The committee will report to the Senate by 17 August this year.

I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten a witness on account of evidence given to a committee and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee. I welcome any observers to this public hearing.

I welcome our first witness from SAITeysMcMahon. The committee prefers to take all evidence in public. It will, however, consider any request for all or part of any evidence to be given in camera. Do you wish to give any additional detail to your appearance here today?

Mr Lynch—I wear two hats this morning. The first is as head of Agribusiness for SAI, which is an investment company, and the second is as Chairman of the Almond Board of Australia, being the peak industry body for that industry.

CHAIR—I now invite you to make a brief opening statement before we begin our questions.

Mr Lynch—I appreciate this opportunity. SAITeysMcMahon manages agribusiness assets in citrus, wine grapes, almonds, table grapes, avocados mainly in Sunraysia and the Riverland, but not solely, and also mangos in the Northern Territory. We have investments in excess of $200 million. It is perhaps important at the outset to note that this is the investment of public moneys, retail and wholesale investors. We are very pleased that this afternoon you will visit some of our projects here to the tune of about $50 million worth of investment. That represents about 500 people. I think it is important that this representation is not just about local growers and local processors but about moneys coming from all over Australia, which we are looking to service.

SAI in the sense of this presentation is I suggest a case study. In almonds, for instance, we are one of six major companies, of which two or three are well-known listed institutions such a Timbercorp and Macquarie which are investing in that industry in this region. I will come back

to almonds. I will start with what is known to all. Horticulture, according to Horticulture Australia Ltd, in 2005 had a GVP contribution of $6.8 billion. That is an increase in their GVP contribution to the national economy of 30 per cent over the last five years. The growth in further investments in table grapes, citrus and the like from our point of view is in part very much labour dependent.

The rapid increase in horticulture investment is driven by we believe three thematic trends. They represent a structural change. That 30 per cent increase is a structural change; so why are we here and why is there any difference? It is that we do have a significant and continuing increase in investment in this industry. It is not just a rollover change of the current areas. We believe it is being driven, firstly, partly by water. I am sure that you are all familiar with the water issues, but horticulture is in essence the highest and best use of water. With the white paper which all the governments have signed and the freeing up of water over time, a lot of water is moving to horticulture.

The impact of that is that the lower labour use of water in dairy and pasture, for instance, is moving to a much higher labour use in horticulture. Similarly, the land resource we use up here, which was wheat and sheep, is moving from a low labour use to a high labour use. So they do represent structural changes, which explain why we have this increased pressure on labour. The demographics for horticulture which go with that are the high value added products which we can export to Asia and the increasing population in Asia. Again, it is worth noting that the increase in the Asian population to 2020 will be 400 million people. That is a lot of extra people to feed and our good quality horticulture clearly has the potential to be part of that.

The third tenet of the thematic trends which drives this process is consolidation. Groups like us are working on large-scale models, vertically integrated businesses, dealing with the likes of the large public listed companies in the wine industry, the almond industry and horticulture. We are looking to drive cost efficiency against the classic cost-price squeeze which we have heard about in agriculture for many years. We can attract good management, good practices, OH&S, quality assurance and volumes to service Asia and the like. The cost of doing this is a significant increase in our labour requirements.

There are significant advantages in what these investments are doing, as well as all the local expansions, of course, from growers who have been here for many years. The advantages include the regional multiplier effects—which I am sure I do not need to explain to you—of employment, industry generation and so on locally. A lot of this comes from improved processes helping to improve the output from the labour supply. The high risk in all this is that these growth models may stall if a labour expansion policy is not adopted. In my view, we have effectively zero unemployment in areas where it counts—in other words, at peak labour times, in seasonal labour, we cannot get labour. We are using a lot of overseas backpackers. Without going into the arguments about employment and people locally who, for whatever good reason, may not be in employment or taking up particular types of skill in employment, we have an effective zero—and you could argue negative—employment position. That is a key driver to this discussion.

Just for a minute I will highlight the almond industry. In the late 1990s we had about 7,000 acres, to use the old terminology, and 7,000 tonnes of almonds—that is 3,000 to 4,000 hectares, for the record. By 2012 we expect to have in excess of 50,000 tonnes from 18,000 to 20,000

hectares. That is a sevenfold increase in expansion in that industry. That will be effectively a fivefold to sevenfold increase in labour. Efficiencies may mean it is not the same ratio.

In terms of the specific heading of this inquiry, in almonds we use quite a lot of Pacific labour. At Robinvale, where a lot of our investment is, and others as well, we have a significant Tongan community. At planting time, for instance, they have a team well in excess of 100 people over three months. They supplement that team by bringing in people from Sydney by the busload. Their current plantings are in excess of 2,000 hectares per year of almonds. There is a limit to the Tongan community in Sydney that will support their family and friends in Robinvale. So that is an example of where there has been discussion about labour coming in from their own Pacific nations to support that and of having training programs. But I think it is also important to note that, from our viewpoint, this is not a Pacific issue. There are other areas in our table grapes and citrus where there are people with agricultural backgrounds with current practices and cultural approaches to work who are in some cases better suited—be they from Vietnam, China, Korea or wherever—to the sort of harvest work which we see, some of which I hope you will witness today.

With those cultural groups coming in, I note that there is ample opportunity for training those people and for seeing them as skilled. We have in this country had a dearth of management in horticulture and we have seen an increase in management, semiskilled and skilled labour coming in from South Africa, Zimbabwe and to some extent New Zealand. Around those management people, those middle-level people, we need to skill up those who harvest. Harvesting in many cases is a skilled process. That is the nature of hand-harvesting for export quality fruit. So we could argue that there is a skilled labour requirement for the level of those people.

The issue we have with the backpackers, whom I have no objection to at all, is that you see them for three or four weeks and they move on. For instance, in Katherine, with our mangos, we offer incentives over a very short eight-week period just to hold them for eight weeks so that they do not stay for three weeks and then disappear to Darwin. You literally never see them again. If we have, let us call it, a foreign worker rolling process, you will tend to see, we would hope, a continuum. I guess one of the competitive elements—because we are very much in a world-competitive market, of course—is that in places like Canada and to some extent the US, without going into the positives and negatives of those systems, they get continuity. If we do not have that same sort of continuity, we will struggle to compete.

There is some argument about the cost of labour. That would be a debate in this country which is had at a number of levels. But, from my point of view, I do not think we need to have that debate. We need the extra labour. We need that efficiently. So then within our labour rules, whatever is the cost of our labour, we can compete better, but we certainly need a lot more of it.

If you look at what two groups happen to do over a three-year period here in table grapes, SAI and the Timbercorp Group, a public listed company, planted 1,000 hectares of table grapes. On a seasonal labour basis that is an increase of about 500 persons each year as those crops mature. That is a jumbo-load of people. That is just one development. With almonds, because there is a semimechanised labour rate, similar numbers but on a larger ratio apply. So you very quickly stretch the local labour, which is why I will come back to the notion of effective zero unemployment. If we cannot have some opportunity to create a workforce, I think we have serious expansion and investment restrictions.

I will conclude by noting that we work with three listed companies in particular—Select Harvests in almonds, McGuigan Simeon in wines and Chiquita in citrus and mangos. They all use the sort of labour that we are considering in this inquiry. They all have strong employment systems. They have the know-how to manage, let us call it, a foreign sourced workforce. They and we need more of that workforce and a knowledge about that workforce without having to retrain it every year to secure our strong horticultural future. We need to do so without disservicing or competing with the significant local family and business operations which have built the industries. In other words, there has always been debate about investors of our background. Are we just coming in and competing because we have the power of the dollar?

I think part of the issue is that we need and want to work with all parts of the industry. I think small and large players can benefit together and have synergies and bring in new technology. But we do not want to compete with each other. We have to have a united front onto the export market, and labour is a major issue in achieving that so that we all have enough labour. Therefore, in competing with the Chileans, who have low labour rates, and the South Africans—and they are our major competitors with a lot of horticulture into Asia—we need to look at every aspect that will give out what is our quality. We are world competitive. Our almonds are an example where we are doing as well as or better than California, albeit we are now heading to being the second-biggest producer in the world over the next 10 years behind them yet still being only 10 per cent of their size. We can compete and be efficient, but we need to make sure that we can get the crop off.

I would conclude by confirming that we have a strong positive view for this inquiry to look very favourably at the options for managed processes for regular workers coming in to support our industries.

CHAIR—Thank you. One of the threshold issues for the committee is first determining whether there is a labour need in the area and why that labour need cannot be sourced internally before we look at overseas options. I was interested in what you said about the notional zero unemployment number during the season. I do not have the figures in front of me, but I recall, when looking at this issue generally in the run-up to this inquiry, that the official unemployment figures for this area would be higher than both the state and the national average. I wonder whether you can expand a little more on the zero unemployment issue and then perhaps follow up with what your company, as a major investor in this area, is doing or plans to do to attract labour internally for your own business survival, as I would understand from your submission.

Mr Lynch—The way in which we see itinerant and backpacker workers used in packing sheds and less so, but to some extent, also in picking is reflective of there being a big rotation of those people. We do have a core group of local people, particularly but not solely some of the ladies who work hours in packing sheds which enable them to manage a household as well. That is always very much supported by those itinerant and backpacker people. We use a lot of contract labour in the field for picking or pruning or whatever. Some of that is imported locally. Teams come up together from Melbourne, Adelaide or wherever. But securing those people does seem to be competitive, as does maintaining the numbers that you need to get the job done in time.

I think at the end of the day everyone scratches and scrounges to get the job done. But the timeliness and efficiency with which you get it done reflect that we do not always have the ideal

numbers; therefore, you are stretching the envelope, which affects your costs, your reliable productivity and not only yields and volume but also quality and so on.

Our view is that that management process is very inefficient and reflects people literally having to chase and compete for labour and sometimes pay over the odds for that in passing the problem out to the contractor and saying, 'Just go and get it,' whether it is people from Adelaide, whether it is couples with caravans who work and move down from the Territory and so on. There are groups who move from Queensland to Victoria. But that is an ever-changing process and it is a scrounge.

What are companies like us doing? I would answer that question a little indirectly. We feed a lot of that through our on-the-ground managers. Our company is the fund manager/investor, so we do not manage on the ground, but we support the investment which will provide facilities. There are issues of accommodation and we are looking at some investments in slightly more remote areas where full accommodation is provided, where kitchens are provided. Again they lend themselves to some particular types of people who are comfortable to work in teams and live in teams like that; others are not—and I think everyone is entitled to that choice. Some of the zero unemployment commentary goes to that.

It is not necessarily fair to push someone in certain circumstances or families into a living situation which they are not comfortable with. We know that some of these groups who are used to working in teams and have a sort of group or cultural history of doing that can do that more comfortably, and I think that is a reality. We cannot make electricians out of mechanics and we are talking about skills—skills in background in the agricultural practice and skills in working together, and I think that counts for something.

We look at pay rates. We like to think our people are paid appropriately by our farm managers, and that helps. They have practices which look after people, be it with fresh water, be it in one case—and I think you will see it today—where you are now required to have bathroom and toilet facilities. We have installed permanent ones with running water. If you have people working in 40 degree heat, how you look after them includes lots of micro things as well as the macro things. There is a shopping list of things that you can try to do. But it is a constant process—to try and answer that question—of being prepared to invest in the security of your workforce.

CHAIR—It is interesting that you say that the shortage has probably driven the provision of toilets and fresh water. I wonder whether, if we go back to a better supply, we will reduce the need to make the jobs more attractive here.

Mr Lynch—My point was the micro example. What do we do? We do look at payment, we look at occupational health and safety, we look at training programs and we look at facilities. So, perhaps out of context, that is a small example. But there is a whole package of things that you need to be constantly looking at investing in. Perhaps the starting point answer should have been the training. But the training and the facilities—be it caravan parks, be it accommodation, be it all the things that make people comfortable such as airconditioned lunch rooms—at the end of the day all add up to: will people work for this business? That is also a competitive issue. In competing for labour, which we prefer not to do, if you have better facilities, more comfortable pay rates and ways of looking after people you will attract them.

CHAIR—I do not want to get fixated on this point. We have just started the public side of the inquiry and I think this is one of the issues we have to come to grips with. From what you have described and from what I have read in some of the other submissions, although we are describing this work as a seasonal type of work, the season in different areas could go all year round. Would that be a fair assessment?

Mr Lynch—That is correct. If we take table grapes, we are picking variously in this region from February through to April. We then move into pruning, which is quite a labour intensive activity. I should add that table grapes are one of the most labour intensive. We then have shoot thinning and bud thinning, which continue into the spring. There are activities over nine months of the year—some people would argue 12—so there is a continuing process. We do not always get the same labour group dealing with each of those components.

CHAIR—This area offers a fairly attractive lifestyle choice as well. If there are full-time job opportunities, what are the impediments to bringing in unemployed people and basing them here? Is that something you have looked at and tried? I am trying to get a feel for why we are not able to source these employees from Australia before we look overseas.

Mr Lynch—That is obviously an excellent question and perhaps a difficult one to answer. It goes to the root of where we are generationally, in our living culture. As we all know, we have had big moves to the city. There are educated people here, and from Mildura we have daily flights to Melbourne. People have taken educational opportunities, other employment opportunities and lifestyle opportunities. I grew up on a farm—and this is not a criticism—and we have perhaps a different work ethic from the people who grow up here and have different ambitions. So when we get to that process of doing the necessary labour on the farm our workforce is smaller on a relative basis to the sorts of developments we are doing.

If I can go back to my earlier comment, we are seeing a structural change and expansion. We would have to have higher retention of our local labour and I would still question whether, given our population, that would fulfil it. There are people and groups who have moved up here from the cities. We and our farm management provide some incentive for people where we can, but you cannot press-gang people to move from other areas when they like to be close to their families. I think it is a reality. I do not have an obvious answer to why it is, apart from all the obvious things about our way of life, but we find it difficult to get local family residents to move to these areas long term or on a permanent basis. I am not saying that it does not happen and certainly a lot of people have done it. I am sure some of the locals would tell you that a lot of people have moved to Mildura and it is a wonderful city to live in.

But there are limits to that. When we talk about 500 people to work the next 1,000 hectares we are going to plant, that is a lot of people and 300 more houses in this town is a huge suburb and so on. Even if we had a policy to help achieve that socially and politically, we will not see the sorts of volumes that we need. The sort of ramp-up we are seeing in horticulture will exceed it, even if we took an optimistic view of that. I could argue that we do not need to have a definitive answer to that, because it will not solve the problem alone with the sort of expansion we would like to think we are going to see with the structural change and the shift into horticulture from other industries that are less labour based. We are really stretching what we have anyway, which is made worse by the fact that we struggle to get some of those people from the closer-in areas.

Senator TROETH—I would like to hear some of the details of your minipilot program that you mentioned in Robinvale—I think that is what you said—using the Tongan population.

Mr Lynch—Yes.

Senator TROETH—I know it is probably not an official pilot program, but obviously it is a strategy that you are using.

Mr Lynch—That is correct. I should state that the program is Select Harvests, the ASX listed company who are managing our projects. They have had the Tongan community there for many years, as I understand it—perhaps even as much as 15 or 20. For reasons I do not recall—perhaps I have been told—that community developed a local presence and are quite a significant part of the Robinvale population. They have proved to be a reliable and interested workforce. Again, I think part of it comes back to this team ethic that culturally they work as teams with their own supervisors. One of the contract supervisors down there now for Select Harvests is a Tongan himself. As they got into expanded plantings in the last five years, the Tongans were able to call on their folk from Sydney to expand their workforce.

Speaking a little out of school, I know some thought has been given to the group down there in Select Harvests and whether that could be supplemented by running training programs in the Pacific and having people come out regularly on a three-month basis and then going back. They are able to be culturally accommodated because they have a group in Robinvale that is very strong. They have a choir and a church and so on. There is a very strong cultural process there that would be accommodating. It is something that works. It works for almonds. I think that with the style of almonds—which are semi-autumn and semi-mechanised—they are able to work. We do not tend to see as many Tongans in vineyards or citrus. I think that is where you get some differences. My view is that the discussion should expand, but it is a good example of where there is a Pacific community working.

But with the expansion that is going on—and Select Harvests are looking to expand by over 2,000 hectares per year and they have tripled their areas in the last five years—the Robinvale community's housing is being stretched, we know, and what the Tongans can draw on to do that is being stretched. They would be looking to expand that. That comes to that proposition of do you bring some of their folk in to support that? So it is potentially a pilot area, but my only comment on that would be: very good for a pilot, but there are other different examples that desirably could be looked at as pilots as well.

Senator TROETH—Certainly some of the written factual submissions that we have had looked at some of the overseas examples. If we took this concept to its practical extremes—if we brought migrant workers into this country, and employers or the contract labour group were responsible for transport, accommodation, immigration requirements, occupational health and safety elements and that sort of thing—there obviously would be a cost element quite apart from the wage component of paying migrant workers here, which you would presume would be the same as the Australian wage. Wouldn't this add, to some extent, to the cost structure of your company so that there may not be any initial advantage to bringing in labour? We have to be competitive on export markets, and I know we are certainly not about keeping wages down—I am leaving the wages component out of this—but the cost structure of bringing in migrant

labour may well add significantly to that, or to a lesser extent to the cost structure of the companies that do that or the labour hire companies. Would you have a comment on that?

Mr Lynch—While I have not modelled it—so it is a qualitative response—there is a high cost to the way we do it now. There is a high cost to someone sitting in an office chasing contractors. With the turnover you get even on a daily basis—and some other people today, including when you are out in the field, I am sure can talk about what their turnover issues are—there is a high cost to managing that, to paying all those wages, to training people, to having supervisors who are trained up and can be called back and are paid in many cases performance incentives.

One of the key issues, if the labour is paid correct rates of course, is the quality. The qualities and volumes that we can get off and get into the cool chain and on to ships in a timely manner to meet the export markets and meet our international competitors is a key. Therefore, without having the model, there is an argument that the cost of bringing people in, we believe, can potentially be equated to the costs we have of the inefficiencies we have now. Inefficiencies, as I say, reflect in quality and timeliness and they reflect in the real cost of having the people to run the people, to find the people and so forth. It is quite expensive now. If you know they are coming in every year or a percentage of them are, or we could go to the point where they are effectively here on a two-year visa and you can support them, I believe that in many cases we will be able to prove that that cost is justified because you can get on with the business of putting good quality fruit into the export market. So it does need to be modelled—to answer your question—but there is a good case for saying that there are certainly cost offsets as well as costs to doing it.

Senator McEWEN—I have a question about the grey nomads in particular and changes to the way people in receipt of Centrelink benefits have to report the amount of income they are earning from other sources. According to some of the submissions, that has meant people called grey nomads no longer participate in the harvest trail. Is there any evidence to support that, and has that had any significant effect on the amount of labour available?

Mr Lynch—I would have to refer that question, if I could, to some of the people closer to the action. For instance, you are meeting some shed managers and farm managers this afternoon. I think they are better placed to answer that specific question. I am one step removed from that.

Senator McEWEN—Considering the step that you are at, do you have any data that you can provide to the committee to support your claim that the lack of labour is hampering significant large-scale investment in horticulture?

Mr Lynch—The answer right now would be no, although I would like to take that on notice and think about whether it is and talk to our managers. We know that we are close to the edge—I suppose that is one way of answering the question—and that we have plans, and we know that the industry has plans, for further growth. We know from talking to our managers the sorts of efforts that they are going to, as I have described, to try to maintain that labour. If you look at the job that my group have to do in strategic planning and risk management, we have to look and say: will we have enough land, will we have enough water and will we have enough labour? All the feedback we are getting, even if it is anecdotal, is very strong, specific feedback from our managers, without it being quantified in a data sense, that that is a risk we have to consider. How will that impact? Some of it is by region. What are our risks in Katherine? What are our risks in

Mildura? I do not have specific data to hand, although I will investigate the question, if I may. So the feedback is in a planning sense: where do we go from here?

Senator McEWEN—So the money is there to invest. Where would it go if it does not get invested in regions like this?

Mr Lynch—That is an interesting question. I will give one example, which for me is not necessarily the whole industry or the best example, but it is one that has been quite well publicised. The managed investment industry had about a $900 million in new investment last year and they are predicting that will be over $1 billion this year. That is spread across trees, horticulture, aquiculture to a lesser extent and other types of investments, but horticulture now is a big part of that. That is money that is coming out of the equities market, out of international equities, out of property. We know that property has been very hot, and my company is a property fund manager. The competition for property means that property is expensive. Listed property trusts are offering yields at five, six or seven per cent. So if you can get eight to 12 per cent in agriculture, that is attractive for part of the portfolio. The financial planning and superannuation investment flows.

I guess what groups like us are trying to bring to the table is an investment capability. There hasn't been a medium for investment in this sector, and that is the other structural change: with the large increase in superannuation funds, it is looking for new homes, and we regard this as an emerging sector in this sense. We are maturing. We have the scale where it can be credentialed and attractive to that investment.

There is an increase in cash wealth. We as a company are seeing massive inflows of cash from retail investors and financial planners. There is a lot of cash looking for a home in this country and this sector has an opportunity to partake in that. So there is a diversion for other sectors. The equities market hit 5,000 points overnight—are people getting out of that? There is this continuing flow of cash looking for sensible investment homes, and this industry needs to participate. We saw that happen in the US with the superannuation funds of groups like Winchester and Hancock 10 to 20 years ago. I think you will see that evolution here. That is what we are embarking on now, as I see it.

CHAIR—Thank you, Mr Lynch. Without wanting to burden you too much, I think any work that you are able to provide to the committee in relation to the link between labour and potential investment that either retards or encourages it would be very useful for the committee. But I understand that you do not actually work for us.

Mr Lynch—We would be pleased to help you if we can.

CHAIR—Thank you.

Senator BARNETT—Mr Lynch, thank you for your submission. You have a business background, so you will understand the thrust of my question here. In today's *Australian*, there was an article headed 'Grapes dumped'. In *Sunraysia News*, your local newspaper, there was a story about a wine industry plan that is required to ensure that grape growers can plan their future and do not have to be forced into dumping their grapes. Is it just a matter of the law of supply and demand for grapes or citrus or whatever product we are talking about and indeed for

the labour? One solution that has been put to us in some of these submissions is that you simply increase your rates of pay so that they become more 'reasonable'. What is your argument in response to that?

Mr Lynch—I will answer the second part of the question first. Increasing rates of pay increases our lack of competitiveness against Chile and South Africa in particular, to quote two examples with lower pay rates. We need to therefore maintain our technology advances on quality and quantity and maintain our quality. Our proximity to Asia gives us some shipping advantages in our cool chain management because we can put that investment in, but do not underestimate what those countries are doing with the same technology.

To come back to the first part of your question, I think I might have quoted the example recently of the equities industry and the superannuation funds that had negative return signs in front of them three or four years ago. Agriculture is no different. We have different risk profiles and different cycles but, I would suggest, no better or worse. The wine industry is at the bottom of a cycle, having been through a 20-year massive growth cycle. They might have overstretched, but the world has a glut of wine. We are at the bottom of a cycle which is predicted by the Australian Wine and Brandy Corporation, I believe, to come back into par in about 2010, and that varies by variety.

So we are at a particularly difficult time in the industry, and each industry will go through that. We have had those issues in table grapes and citrus but for slightly different reasons—trade barriers and the like. Philosophically, our view is that horticulture will continue to grow because the demand, particularly for us in Asia, will continue to grow. The wine industry is very much a mature industry and it is also highly mechanised now. We pick very little of our wine grapes by hand. It is in a different part of the cycle and I do not see that reflecting the slight added potential of the other areas.

Senator BARNETT—You are probably familiar with some of the migration programs that we have in Australia and the program for skilled labour where, if there is a demonstrated need, skilled labour can be brought into this country on a 457 visa or what have you.

Mr Lynch—Yes.

Senator BARNETT—Do you think it is just a matter of redefining the definition of skilled labour? Would that solve your problem?

Mr Lynch—Again, I would hesitate to say that it would solve it, but I think it is an interesting approach which certainly could be looked at. We have been involved in bringing in skilled labour. We have skilled labour on sponsored migration in our operation in Katherine and some of our managers have done that here in Mildura. People who know how to pick or pack are skilled labour in their area and they are suited to that sort of work. To my mind, we need highly skilled labour picking fruit properly without bruising it and putting it into the right box in the right way.

Reflecting on Senator Troeth's question—I think it was—that is a cost efficiency. If we have people who know how to do that, we have savings in labour. You can cut down labour by percentage points in the shed or in the field if you have people who just know how to do it and

therefore do it fast and efficiently and maintain the quality. I think those people do have a skill and I think they could be termed skilled labour.

The issue then is the processes that we go through. I know we have seen some difficulties in South Africa at times. My warning would be that, to take my dramatic example of a jumbo load of pickers, if we have to go through the sort of bureaucratic machinations that we go through sometimes to get one person in and the time that that takes then it will not work. It would have to be a very slick, streamlined system compared to we are now in our skilled labour immigration program. Chair, my apologies. I am pretty much on a deadline and I apologise for cutting you short, but I came up, as you know, to give evidence today.

CHAIR—Thank you very much for your presentation to the committee. I think we have started off with some very valuable information, so I thank you.

Mr Lynch—Thank you again for the opportunity.

[9.25 am]

IRWIN, Mr John, Chairman, Sunraysia Mallee Economic Development Board

MILLEN, Mr Andrew, Chief Executive Officer, Sunraysia Mallee Economic Development Board

PEARCE, Mr Phil, Chief Executive Officer, Mildura Rural City Council

CHAIR—Welcome. The committee prefers to take evidence 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. Are there any changes or additions you wish to make to your submission?

Mr Pearce—I am not quite sure which one you have. We put in an amended submission on Friday. I assume that is the one you are reading from. If not, there are some minor changes to the front of that submission.

CHAIR—Thank you. I now invite you to make a brief opening statement before we begin our questions.

Mr Pearce—I will open the batting and I will be brief. I just wish to introduce Mildura Rural City Council to the committee. We are a municipality of some 24,000 square kilometres. We comprise 10 per cent of the geographical landmass of Victoria. Our population by ABS data is just under 52,000 although, given the influx of holiday, tourism, itinerant workers and everyone along those lines, we believe we service a resident community of 60,000. But, when you take in the regional status that we have as a regional service centre, we believe it is closer to 90,000, when you look at Broken Hill, Swan Hill and the Riverland district all feeding off this particular part of the world.

Agriculture is a very strong component of our economy. It comprises about 17 per cent of our GDP. The area that we are looking at today in relation to that 24,000 is probably in the order of about seven to eight per cent. It is that top northern irrigated district where the development board and council's submission focuses. The development board is a section 86 committee of council. Through that delegation, council has given them the authority to act on council's behalf to facilitate economic development and be the spokesman on economic development matters. That has basically set the scene. I will now hand to over to Mr Irwin to take it further.

Mr Irwin—I will make some further comments to the written material—things which we have not covered there. I will start with a little quote here from the Treasurer, Peter Costello. He has predicted that Australia is headed for a long-term labour shortage, much worse than the current situation. That was dated 1 April last year. I think the actual date is probably unfortunate.

The economic development board, which I chair, comprises the leaders of citrus, grapes, transport and the like. This board over the last three years has received the message loud and clear that the greatest problem, other than the markets we have at the present time, is the

shortage of skilled horticultural labour. I emphasise the word 'skill' because there are skills involved and Stephen has mentioned that in terms of the berry trimming, packing and picking.

The board responded in three ways—and you will hear me make reference, as I did in the written material, to China. Phil Pearce, the CEO of the council, and I went on three missions to China. We went to Yunnan province, which has 43 million people. The reason we went there was that La Trobe University teaches more English in faculties in China than any other university in the world. So we asked La Trobe University, which has a campus here, to pick a university in a city in China with whom we could as a board visit. La Trobe selected Yunnan Agricultural University, the capital of which is Kunming with 4½ million people. We went there two years ago and have had three delegations there with a fourth one coming up and we have had three delegations from that university and from the provincial government to Mildura.

As a consequence of that, we have just completed a graduate exchange program with the first lot of graduates from Yunnan university immersed in our industries here and we have formed a sister city relationship with Dali, a city over there. We have exhibited at a major international annual trade fair, which is absolutely huge. We went last year with our products. We are leading another exhibit and delegation there this June and taking Shepparton council with us to show them what we are doing.

The reason for that is that, up until three years ago, one-third of our citrus and one-third of our table grapes went into China through what was called the grey channel through Hong Kong to Guangzhou. The Chinese government terminated that. That has really thrown our table grape industry and our citrus industry into absolute turmoil. It has taken until three months ago to get access for citrus back into China. It is now through just seven northern ports. We cannot get table grapes back in. This was part of the reason we went there.

But the thing that came out, which was always in the back of our minds and was when Andrew went with me last year, was the skilled labour that we needed. We were aware through La Trobe University that Kunming and Yunnan send their workers to Japan year in and year out to pick their apple crops. It is a big deal. The mayor farewells them at the train and the governor of the province farewells them from the airport. These are highly skilled people in the picking of apples. The Japanese come back every year and the same workers go back and forth.

The beauty of working with the Yunnan university through La Trobe is that they are teaching English there. We have sat down and discussed with President Chen from Yunnan Agricultural University the ability to train up a pool of graduates—not university graduates; this is a bit like a TAFE course. This is where they take horticultural labourers and train them. It is a wine area and a citrus area. La Trobe did the right thing by us; they picked area for area. Your mission is all about the Pacific Rim. We have gone to the area that La Trobe believes could provide results. We know from the Chinese, the Koreans and the Asians that come here that they are adept, whether it is their work ethic, their stature or whatever. They also seem to work well in teams and we know that they are highly productive. As a consequence, we entered into a memorandum of understanding both with Dali and with the prefecture and the people who run the labour program. Likewise, we have entered into a memorandum of understanding with the Chinese government, sanctioned by the central Beijing government. This is not just between Mildura and Kunming and Dali; it has been signed off by the central government.

We are delighted to have the opportunity to talk to you today. We have looked at the modelling of a pilot project. We then spent a lot of time researching what was going on overseas in labour programs. It became obvious that the one closest to the model we wanted was Canada, because they take in 32,000 Jamaicans and Mexicans each year. We obtained from the Toronto government the contracts between them and the Jamaican government and the Mexican government and the contracts between the workers and the employers. Through the legal team available to our board, we have drafted contracts ultimately to present to the government via the Victorian Farmers Federation and the National Farmers Federation. We are doing this in a structured form. It is not as if we are saying, 'Here is the sex, the sizzle or whatever.' We are doing it in a very structured way to present ultimately to the government, through the appropriate minister and the department, how we believe a pilot program can best be done in this region.

Part of the modelling using the Chinese is that we have actually looked at all the costs of bringing them in here, such as union fees and the OH&S issues, because the Canadian model is very poor in many areas. They do not have a basic wage, OH&S does not exist and they do not have mediation. So I think the contract that we have actually drawn up—government-to-government, worker-to-employer—is, in fact, far superior in terms of it accommodates what our standards are in Australia, particularly the OH&S, the wages and the living standards, the accommodation.

With the Swan Hill Council and Oxfam we then funded Peter Mares to go to Canada—he also got a part-scholarship from the Canadian government—to look at how the Canadian model worked. It has been going since 1966. Peter's report will have been presented to you or will be given to you. He has looked at it from the Canadian view as to what the benefits have been and what the pitfalls have been and his final full report will be given to us, as the people who have paid the piper play the tune, in about a months time.

We have worked very well with Peter. I have an enormous amount of respect for him. He comes at it from a different viewpoint because he is very much in favour of the part-philanthropy—that is, he has a real bent for personal reasons in terms of the Fijians and Tongans, and we do not have a problem with that. In fact, I endorse what Stephen Lynch was saying—that is, there are certain industries we believe that are absolutely perfectly suited to the islanders. Stephen also made reference to the fact that, in table grapes and citrus, the South-East Asians—whether it be Malaysians, Filipinos or Chinese—are probably far better suited to working in the extreme temperatures which we have up here. Starting off with China and flowing through to the Canadian experiment, we believe that we are in a position where we would very much like to see the model here.

About 14 months ago it became fairly public what we were doing up here. Some of you would know Alex Arbuthnot who was for many years the chairman of the Victorian Farmers Federation. He is highly respected in the farming communities around Victoria and even interstate. He heads the Gippsland agriforum. He came up here and brought with him Brian Norwood who is the chairman of Elders. He was the head of the Australian Dairy Corporation for many years and, again, is highly respected in horticulture and agriculture. He is also one of the main brains in the future investment of Elders in regional Australia. They are both involved with Gippsland agriforum.

Since then we have met basically, I think, every month for the last 14 months. We have had two forums, one in Melbourne and a major one up here. They have brought along the heads of the equine industry, the berry industry, the poultry industry and the vegetable industry to these forums, one of which was here. Each and every one of them has presented the problems that their industry is facing at the present time. The Victorian Farmers Federation and the National Farmers Federation have come to these forums as well. To the most recent one, six weeks ago, the Victorian state government sent representatives along to listen to what the problems are that are being faced.

To take the dairy industry, it becomes so clear that young Australian sons and daughters of dairy farmers do not want to milk cows. There is a huge shortage. The equine industry, when they came along, said it is a $64 billion a year industry. They cannot get the people—the strappers, the muckers out of the stables or whatever. They all say they are skilled—the people, the milkers. The milk or dairy industry says it needs skilled people but they do not slot into the definition of skilled. I think it was Senator Barnett who said in one of his questions to Stephen, 'If you can somehow categorise these people, if they are from overseas and can speak English and are trained, do they have an appropriate skill?' If the same question were asked of me, my answer would absolutely have been yes, provided that you can prove that this is a skill that is required in horticulture and agricultural.

Just to bring my statement to an end, it is apparent from meeting with Alex Arbuthnot from the Gippsland agriforum, and the Wimmera agriforum, the Shepparton agriforums, the VFF and the NFF, that they are all very comfortable with what we are doing as an economic development board in having a pilot study. It is of no more than 100, because we know that Mildura, being an oasis, is in an ideal geographical position to monitor the benefits.

If I can go back 15 years to when Keating was Prime Minister, he chose two places in Australia to put two communities under the microscope to see how they operated, where they needed to go in social welfare, social services and transport. Mildura was one of those two. The reason it was selected—over a six-month period, and we met every Monday for six months—was because there is no spill over; we are an oasis. You can look at it—bang. It is not like say with Shepparton where you have a Bendigo, a Ballarat and others all around it.

So the city council and the economic development board in Mildura backed by these other organisations would encourage me to impress upon you the need to have a pilot study where we get things right. If we fail, so be it. But I think that the quality of the standards of accommodation has gone up dramatically simply because people like SAI, Timbercorp, Chiquita and Yandilla are having to put up good accommodation. The great thing about that is that, if you bring people, say, a pilot study over and put them into good quality accommodation, it will force every other grower around there who is desperate for labour to see where the high-jump bar has been put and to come up to it. You are going to drive up the conditions for people who come here. Whether they are the grey nomads or the presently unemployed, there will be a huge benefit by having a pilot scheme initially and hopefully a greater scheme. You will make people come up to a higher standard in accommodation and also make absolutely certain that they pay the basic wage and that they also pay the piece rate, which takes them well beyond that.

You probably did not see last night's *Today Tonight* show on Channel 7; it was interesting. Again, it partly answers one of your questions to Stephen. The presenter went to five or six

Centrelink places in Melbourne trying to get people. They offered a free car the next day to bring them up to Mildura to go picking. It was a week and a half ago when he came up and interviewed industry leaders. It was shown last night on the *Today Tonight* show: he could not get anybody. Everyone he questioned, no way did they want to go off the dole and come to Mildura. He got two in the end. Believe it or not—which I thought was fantastic and which did not come out—they were part-Aboriginal. He picked them up the next day. Others said, 'Oh yes, we'll be there tomorrow,' but they did not turn up. They said on TV, 'Yeah, we'll be there; we'd love the job'—not there. But the two who came up here—and are still working down at Robinvale picking table grapes—were interviewed on the program a few days later. They were asked, 'How's it going?' and these two part-Aboriginals said, 'Great.'

I think the answer is that we have to encourage people off the dole by one means or another. We have to encourage the backpackers. But our board is looking long term. We know that, if there is a problem here now, in five, 10 or 15 years time the modelling that we have done says we will need about 10,000 and 15,000 people. Given that Stephen mentioned about 500 or 600 and they are only one of many companies, we are looking to the future. We know there is a problem now, but there will be one huge problem facing the industry—and to encourage new investment. I think the time has come where we have to bite that bullet and get a pilot program up sooner rather than later, iron out the bumps and get a program. I think it has to be a mixture of Pacific islanders for certain industries and I think the South-East Asians and the Asians are better in other areas. I will leave it at that.

I think you can gauge that there is a certain amount of passion from the board and from the council that we are given partly the privilege but also that obligation to look after our industries which we take very seriously. We would be totally negligent if, having identified the problem with those industries, we did not encourage the government to make the changes necessary to bring in seasonal labour for three or four months. Thank you for giving me the opportunity to speak to you.

CHAIR—Mr Millen, do you have a contribution?

Mr Millen—I might add some points quickly to our presentation. In our submission, the committee will see a number of points, but perhaps I could highlight a couple. The feeling of the industry is that it is effectively being discriminated against with respect to the types, quality and where the labour can be sourced. It is the only industry in the country that is told to get either backpackers, grey nomads or people from the unemployment lines. There is not another industry that does not have the selection process that horticulture is involved in.

The next thing to mention to the committee is that we have moved from anecdotal type evidence of just going and talking to farmers and employment agencies and the like. The study of Peter Mares provides some fairly significant evidence that there is a difficulty out there sourcing the correct type of labour and the numbers. Some farmers have had to resort to undocumented workers. The board feels that, if a scheme were in place for the whole of the country, in time the undocumented worker situation would be reduced because there would be the amount of workers required. Also as part of that study, 70 per cent of the farmers that returned successful surveys said they would support some form of offshore employment scheme.

In conclusion—and quickly, because I know that you want to ask questions—any program that would be developed or introduced into the country needs to be done with baby steps. We are not going to get 10,000 workers on day one. We need to build our process and the reporting and the mechanisms to make sure the scheme runs right and correctly. Above all, we need to have the stability of a work force for our growers. We must protect the rights of the workers that potentially would be brought to the country. We also need to integrate any form of process, policy or program with existing Australian conditions and employment programs. The other thing I would stress is that, if a program were to be introduced, it needs to contribute socially and economically to the countries where the workers would come from.

CHAIR—Thank you. The committee is very interested in the work that you have done already on this issue. While our terms of reference do talk about the South Pacific, I think some of the work that you have done in Asia and South-East Asia is quite relevant and we would be interested in receiving all that information. I am also pleased that you have done quite a bit of work on some of the microissues in terms of housing and, as talked about by Mr Millen, employment standards and issues like that, which are very important to us.

That probably leads me back into the question that I was exploring with Mr Lynch. You may have heard him talk about the notional zero per cent unemployment in the area. I am interested in exploring this issue a little further because again we do have to get over that threshold issue—at least in my mind anyway—about the ability to employ people locally. I would be interested in your comments in relation to what is the official unemployment rate versus Mr Lynch's notional unemployment rate, whether you agree with that and what you see as the impediments.

You talked about the *Today Tonight* program. While I am not particularly interested in stunts that they may orchestrate, I am interested in the more general issue of the lifestyle choice that can be made in a place like Mildura. If there is reasonable, decent employment on effectively a full-time basis, what are the impediments to getting unemployed people to make that lifestyle choice and move to where there potentially is secure, good quality work? I know that is a fairly broad subject but if any of you could address your comments to those broad issues I would appreciate it.

Mr Pearce—I will not get into the zero unemployment debate; I had an introduction to that last night. I do not think that is the issue. We are slightly above the average unemployment rate up here but not significantly above it. There are some geographical imperatives with Mildura. It is a terrific place to live. It has, as you indicated, a very high quality of life, but also its location is remote. That in itself may well be one of those difficulties you have to overcome in moving people into this area, from a workforce point of view.

I agree with the previous speaker in that why unemployed people will not move is probably a bigger issue than this particular committee's terms of reference. I think it is related not only to our industries but also to other industries where there are higher unemployment rates in some areas than others. I would not make a comment in relation to the barriers that are there, but I would say that the numbers of those who have traditionally been employed as seasonal workers in the past in this particular part of the world appear to be diminishing—that is, it is not seen, in my opinion, by those people who are looking to supplement a retirement income as being as attractive as it has been in the past. It might well be that they do not need the same supplements as in previous times. I think that the expectations of backpackers and the composition of

backpacking have changed, along with their economic circumstances and everything along those lines. There is now in Australia a far greater service industry in tourism and everything along those lines than there was previously, and I think that is impacting on the market as well.

There are a number of issues in there which I would not have the qualifications to give a specific answer to. But I think, when you pull all the variables together, they are quite considerable. I think that is what you are seeing now: all of these variables from the past changing because of demographics, economies and everything along those lines. Those traditional areas that people were employed in are not seen as being as attractive as they were in the past, and now those shortages are being created.

Mr Irwin—Perhaps I could add to what Phil has said. In the packing shed that you will go to today you will see 30 or 40 people working and they will all be backpackers. The proprietor of the packing shed said that the problem he has is that there is no certainty that they will be there tomorrow. It will be the same if we go out today into the field: they will all be backpackers. The minute they go the middle managers have to get new lots coming in. The backpacker industry is booming, but it is not helping. It is helping with the picking, but we were talking before about the cost of having to train people the whole time.

I can give an example, because I grow grapes and citrus. Two months ago we had temperatures of 46 degrees in the shade and it was over 40 for about six days in a row. One of the guys there got a phone call from a mate down at Bells Beach who said, 'The surf's great, mate. What are you doing?' He said, 'I am sitting under a tree at the moment; it is 50 degrees in the sun.' Six of them just packed up and left—and I had to fulfil a contract for Coles Myer via Yandilla.

I can give one example of what happens with the backpacking industry. It is so unfair. I am lucky because I am a lawyer and I have another income, but think of those people out there, those farmers who are dependent upon backpackers. The stress it must put on those people, knowing that their entire livelihood is dependent upon the backpacking industry, is so unfair. I think that is probably why I am more passionate than most people, because I am at the coalface and can see what is going on out there. If you can bringing in a team of people, sure it will cost more to bring them in, but what Stephen Lynch said was absolutely right: that cost is nothing compared to the peace of mind of knowing that you have that reliable workforce there for four months and they are happy to work in those circumstances.

CHAIR—That is an issue that I have been trying to come to grips with too: are people happy to work in those circumstances or will they be required to simply because the nature of the type of employment they have been engaged on is of a seasonal nature? I can understand that if it is 50 degrees or 45 degrees in the shade—and I suspect they are not actually picking in the shade, so it was 45 degrees-plus—whether they be a backpacker or anyone else, are they suitable working conditions? You talk about other people being happy to work in those conditions. I am not quite sure that would be true. How will we resolve those sorts of issues? What will you do if you have people over on a contractual arrangement, say, for five or six months and we have our fifth day of 45-degree heat and people do not want to work any more in that?

Mr Irwin—I think the answer to that is quite simple. The people, even the backpackers who are here at the moment, seem to have a work ethic. You have to stop them working seven days a

week. Physically, the Koreans in particular are a good example. You will say, 'Today is Sunday; you will not work today.' It is the money. They want the money. They are hungry. This I think is the problem: backpackers are really a bandaid. Let us say that we had an avian flu pandemic or another 9-11: the backpackers will disappear. That is what happens. You have to have skilled labour that is reliable and, like the Canadian model, over 40 years the same people in and out each year. Believe it or not, when I was a kid I picked lemons in Doncaster in the holidays and I was happy to work long hours because I needed the money.

CHAIR—I can assure you that it has never been 45 degrees in Doncaster.

Mr Irwin—But 100 per cent humidity. I also come from Shepparton. I milked cows for 20 years and I know what it was like there too. Years ago, when the picking season was here, all the Mildura people including the wives went out and picked grapes. That was the standard thing to do—but not now.

CHAIR—Thank you for that. Mr Millen, you mentioned dispute resolution. Can you perhaps address some of the concerns I have? I am a bit concerned about the assumption that, if we bring people over contracted to do this, they will have less opportunity to exert their will or their rights than others who may be in the same employment situation.

Mr Millen—Thank you for your comment. The model that the board has been working through has developed a dispute mechanism. Wherever the worker comes from, there need to be representatives that would come with the workers. They would not do the work but they might be minders or confidantes. They would represent that workforce from a Pacific nation or an ASEAN type country. The mechanism that the board felt would work best is that, if there is someone representing the interests of the workers, it is a consistent response and also a consistent set of conditions that each worker would work under.

There are provisions where you would need to have accountants and/or labour companies within Australia and within the country of origin or you would use Australian companies that would have sister companies in overseas countries. So the whole thing about wages, conditions, work hours, occupational health and safety, transport and accommodation would be sorted out before any pilot program would even start. If you do not have those issues sorted out before you commence, the program is doomed to fail.

The board has looked at those sorts of issues. We have canvassed talking with the unions and the unions are happy to work alongside us as long as we are not doing things they obviously do not agree with. In some cases we will not agree with what the unions want and they will not agree with what we want to do, but our particular model is fairly simple in its way of introducing the workforce. But at the end of the day we are trying to achieve a skilled workforce and, if that is a change in definition, so be it. If it is a change in government policy, so be it. If we do a pilot and it does not work, we can address the things that do not work so we can make it better for us.

The Canadians have been doing it for 40 years and the New Zealanders have been doing it for 20 years. It seems to me that Australia is behind the eight ball. Why do we not have, in this case, a farm skill visa? Why do we not have a program that our farmers are able to access? It seems to me that we are always fighting a global market, whereas we do not have a program to make us

competitive in a global market. These are the things that the board, the council and our communities, as well as communities all over the country, are really passionate about.

John mentioned that there was an article in the *Financial Review* two Christmases ago. That article came out between Christmas and New Year—we were talking about this last night. We would have had 200 or 300 phone calls in the next three or four weeks from migrant agents, from workers looking at getting their relatives into the country, from politicians of all persuasions and from other industry bodies saying, 'Fantastic. What are you doing? We are happy to give you a bit of support. Can we come down and talk to you about what you're doing?' It just happened to get into the *Financial Review*. That is what the ground swell was.

Our board and a number of other agencies have now got together and we are trying to work the system forward. This is why this committee is crucial to us. The board had put farm skilled labour almost on the backburner. We had spent two years going to government and the migration agents saying, 'This is what we want to do.' Only a couple of months ago we were told, 'Under no circumstances is a program going to be put in place.' So the board decided it could not go anywhere further there and that it needed to look at skilled migration to our region—and that has its own positives and negatives.

This committee has reignited our interest in unskilled labour and it also gives us an opportunity to talk to you as senators. With the report, it will be very interesting to see what response we get from the federal government, because you get different responses from ministers. The agriculture minister says that we need labour, the immigration minister says that we need labour and then the Treasurer and the Prime Minister do not agree with that. It will be quite interesting to see the response to your report. I must say that I am looking forward to your report and to the government's response.

CHAIR—Thank you, Mr Millen.

Senator TROETH—I do agree that we need to have this debate. I was parliamentary secretary for agriculture for seven years, particularly in charge of horticulture, and these comments came up time and time again. I must congratulate your board on the work that you have put into exploring this as a concept because I think it is a very valid area, which we should investigate. However, having said that, there are a couple of issues that I would like to explore with you as much to get you to think about these issues as I am sure you already have. For instance, bringing migrant labour in on anything more than a visitors' type visa, which would be for a couple of months, would necessarily involve health and security checks for every single migrant labourer, if the scheme were brought in—and I am sure you would appreciate that. That would be quite a time-consuming process, especially with your concept of widening it beyond the Pacific Rim, if you were talking about, as we heard from the previous gentleman, a jumbo-jet load of migrant workers. That would be quite a time-consuming process. So you are willing to encompass that, I take it.

Mr Millen—Yes.

Mr Irwin—If I may answer that, there are agencies in Beijing at the moment and elsewhere in China that bring skilled labour into Australia. Pat McNamara, Director of Asia-Pacific Connexions, has talked to us about these issues. His company is prepared to do medical, dental

and all those sorts of checks before the labour comes here. Those checks would be done in liaison with Yunnan Agricultural University.

Senator TROETH—To satisfy our immigration requirements.

Mr Irwin—Yes. They are doing it with skilled labour. All we have to do is make this a form of skilled labour and there is no difference. As Pat said, they have the ability to do that. They are doing it now in China for the skilled labour that is coming in.

Senator TROETH—I am leaving aside the Chinese question for the moment. This inquiry is particularly looking at the Pacific rim.

Mr Irwin—Whichever country it comes from, there have to be health and dental checks before people come.

Senator TROETH—That is right. If we were looking particularly at Pacific rim countries for the sorts of crops that you are particularly concerned with here in Mildura, even with regard to the equine industry and the dairy industry that you spoke about before, basically unskilled labourers would be coming in from Pacific rim countries and we would need to skill them. Would you agree with that—that there are not many horses, cows and citrus farmers in those countries?

Mr Irwin—And if there were a university you could do the pretraining and the upskilling before they came here; I agree.

Senator TROETH—That would have its own brand of logistical issues as well, I guess.

Mr Irwin—That is right.

Senator TROETH—So, when the first batch arrived, there would be a need to train them further, which might well encompass a good deal of time and effort on the part of training authorities.

Mr Irwin—Yes. If you confined this to the Pacific islands, I think the answer would be yes, because they would not have the chance to be preskilled before they came here. But that is no different from a group of backpackers who walk in tomorrow. They have the same skill levels and have to be trained.

Senator TROETH—I agree with that. However, there is often not the same level of language ability that we need for occupational health and safety.

Mr Irwin—Yes, indeed.

Mr Pearce—Can I butt in? I guess it is the discussion on the Pacific rim versus the wider context of this particular study. I know that you have your terms of reference, but we would like you to look at it in wider terms. I think if you do that, you will overcome some of the issues you were talking about. They are easily overcome because of the nature of the work that is carried on in some of the countries that might be looked at with a broadened scope of this. The question is:

are we looking at this from the point of view of relieving the employment issues we have in relation to these industries or are we looking at it for other reasons? We would argue that, from an economic development board and council perspective, our position has been put forward quite deliberately in relation to overcoming the labour difficulties that we have here. Therefore, if you follow that through, we should be looking at the most expedient way to resolve those issues. That would overcome some of the problems you are talking about at present.

Senator TROETH—Yes, and I too am looking at it from the point of alleviating the shortage of labour. But to do that and to get the economic outcome that you are looking for, you have to be able to communicate with your workers and make sure that they are working in a safe and efficient manner, leaving aside all other considerations.

Mr Pearce—Absolutely; I have no argument with that. But I guess the position we are putting forward is that, particularly with the work that the board has done, there are structures in place which can ensure that and which would bring in a skilled person, capable of going into the workplace prepared for that activity, as opposed to having to put in place significant training activities once they arrive in country.

Senator TROETH—I still think you would probably need to do that, at least on the person's first visit.

Mr Pearce—There would be familiarisation—there is no doubt about that—but the skilling and some of the other issues can be taken care of in country through some of the programs that have been spoken about previously.

Senator McEWEN—Many statements have been made about occupational health and safety. Mr Irwin or Mr Millen, can you elaborate on what you mean by occupational health and safety in these industries? What are the issues and what is done to ameliorate the conditions? Obviously heat is one.

Mr Irwin—It is not that. It is more the use of chemicals and farm equipment, the machinery. That is where the accidents take place—even to the extent of, say, in the citrus industry, the proper means of using picking ladders. That is why we were delighted with the choice of Yunnan University. With this being a citrus and vineyard area, the people coming in need to have been taught the proper use of chemicals. To me, the key problem with OH&S is that they would have to be taught as part of the courses at the university there the handling of chemicals that we would use here. Also the equipment we use here is very different from the equipment that they would be using, in terms of tractors, harvesters or whatever. Having seen where these people come from in Yunnan province, that is the area where we see the real emphasis being on OH&S—farm machinery and the proper use of chemicals.

Senator McEWEN—In MADEC's submission there seems to be a contrary opinion as to whether the labour requirements for the industry are met. It states:

It is MADEC's view that through the work of the Harvest Offices and the National Harvest Labour Information Service to attract workers to the industry, together with the availability of an additional twelve months on the Working Holiday Visa, if three months harvest work is undertaken, we have effectively addressed any perceived shortage of unskilled harvest workers.

Would you like to comment on that?

Mr Irwin—Yes, we would. Let me give one example, even though I know that there is a gentleman sitting behind me from MADEC. Last Tuesday a woman, Maria, rang me; I had never spoken to her before. She rang me, thinking that somehow I was involved in a labour office and could get her some labourers. She had six Filipinos in her accommodation quarters picking for the property next door. They were all illegal immigrants and had been arrested that morning. Those workers were meant to come the next day and work her property, so she was looking to see whether I could get six workers for her. I said, 'My best suggestion is that you go to the National Harvest office here.' She said, 'No, I will not.' I said, 'Maria, why not?' She said, 'I have been there time and again. The people they send out here either last one day or, worse than that, we are a citrus property and they take one look at the ladders and say "Do you expect us to climb those ladders?" I will not go near that office again.' That comes through loud and clear repeatedly.

On our board we have the heads of all the peak industries—citrus, table grapes, wine and transport. That message comes through. They do fulfil a role, but they are just not accepted by a group of people. You cannot be friends with anybody anyway. Our board is really saying that even if they are fulfilling a need today, we are looking five, 10, 15 years out. As a board we are seeing the massive increases of labour that will be required and they will have to be skilled.

The people that the national harvest people are putting up are backpackers and grey nomads looking for work. We want skilled people who are there year in, year out, who are trained and reliable. Reliability is the key word in all of this. They are there today and they will be there tomorrow and they are skilled. We do not want to end up in a conflagration with the National Harvest office. They are doing a very good job and they might be servicing 60, 70 or 80 per cent but that still leaves a shortfall that Stephen talked about and that we are talking about. I understand what you are reading; I have read it before. It is not the complete answer.

Mr Millen—I will add something to that, if I may. The development of the holiday visa—you work three months and get an extra year on your visa—has created an inordinate number of backpackers available in the country. Take Mildura as an example—because that is the one I know. The backpacking groups here are almost 100 per cent full. There are backpackers everywhere at the moment because they can work three months and get an extra year on their visa. It is not because they want to work; it is because they can have another year's holiday in Australia. Generally a backpacker will start in Sydney or Queensland and, as the crops become available for picking, packing and shipping, they will move down the coast.

It is the whole argument of getting a reliable, secure and definite workforce. The backpackers are the workforce that our horticulturalists are required to rely on at the moment. Our horticulturalists are telling us in no uncertain terms that if they have to rely on this they will, but they want a better solution. The labour harvest trail is another opportunity. But not all farmers list jobs on the Harvest Trail website. Some of them do their own thing. Some of them have contract labourers and some of them have people who come back time and time again.

We encourage the committee to look at having a dedicated and secure source of employment. These other options are available to farmers and they are working at the moment, but in the future they may not provide enough people to pick, pack and ship all of our crops. This is just

from a Mildura point of view. From an Australian point of view the situation is obviously compounded. I am sure that in your deliberations through South Australia and Queensland you will get this same argument time and time again.

Senator McEWEN—Of the labour force at the moment, what proportion is backpackers, what proportion is local residents and what proportion is itinerant Australian citizens? Is there any indication of what proportion of the backpackers is without documentation?

Mr Irwin—Those figures are not there, but the Peter Mares report is the most comprehensive that has ever come out. All that Peter would say is that, from all the reports, there was a shortage at the time, in January and February, and there was a need for an immediate additional 500 people. About 30 per cent came back with all the forms. Every citrus grower, every wine grape grower and table grape grower was given a form—a census thing—to fill out. From those who did reply, there were an immediate 500 jobs available. Those are the best figures we can get, but we do not know what the break-up is between the grey nomads and the—

Senator McEWEN—Mr Pearce, do you have that?

Mr Pearce—No, I do not. I had some anecdotal discussions last night. I think Senator Barnett was talking with Mr Morassi, whom you will meet later on this afternoon, just trying to get to grips with that. You should probably have that discussion with the people who employ those workers.

Mr Millen—A lot of the backpacking agencies in Mildura—and that is an example that we could provide—have created their own industry. They provide the transport and good quality accommodation and in some cases they have links with the national Harvest Trail and/or a number of growers. They have created a business themselves other than just having accommodation. I call it 'bums in beds'. If they have bums in beds, they are making money. If people are happy to work, their bums in beds are still there. In one case, they are sourcing their labour and they are providing it to the farmers. It is a fluid thing. They are getting the numbers up in their individual accommodations.

There are a number of locations here where farm managers have bought old pubs, old nursing homes or that type of structure and have created their own backpacker association or backpacker group. They have created their own source of labour. They source it from one, two or three backpacking associations or groups. You can see what the farmers have had to resort to. If they do not have the accommodation on the farm, they will buy, build or reconfigure something so that they have that source of labour. That is what they have had to resort to because there are not either the abilities or the numbers of workers that can just come to the region and then work from there. Hopefully that will give you an impression of what some of the farmers have had to go through.

CHAIR—Supporting infrastructure is going to be an issue that we will have to look at.

Mr Millen—Yes—always.

Senator BARNETT—Following the discussions last night, I did a little bit of further research. One report that I read stated that, of your total workforce, 50 per cent or thereabouts is

working holiday makers or backpackers, 25 per cent is itinerant workers and 25 per cent is from the unemployed and local group. For your interest, that was just one report. I am interested in knowing whether you are aware of a recent report by Monash University that was commissioned by the Australian government and released in the last couple of months called *Workforce Tomorrow*. The conclusion of that report is that, over the next five years—I say this because you referred to the Treasurer, Peter Costello, and his view that over the next 40 years there will be a workforce shortage in this country—there will be a shortfall of 195,000 people in the Australian workforce due to the ageing of the population in Australia. I assume that is further evidence in your view to support your claims and your submission.

Mr Irwin—Yes. Part of that said that, in the next 40 years, the number of people over the age of 65 will double, but the number of working age people will hardly grow. That came from the same report.

Senator BARNETT—That would be the *Intergenerational report*, I assume.

Mr Irwin—That is right. It is very much the same up here. Mildura, historically speaking, had either soldier settlers or a mass of migrants coming in from Europe in the 1950s and 1960s. As I said, they are getting old. Stephen mentioned that a lot of their children have left the district; they have gone to Melbourne, Sydney or Adelaide. Those properties are the ones that are in the most trouble at the moment. They have not expanded. The crops that they have are no longer wanted. It was interesting. Someone mentioned the wine grapes. Someone—it might have been you, Senator Barnett—said that they read about the dumping of grapes in the paper today.

Senator BARNETT—Yes.

Mr Irwin—Interestingly, at the very same time that they are dumping grapes, the wineries are having new areas opened up for grapes. Two hundred acres are going in at the present time for one of the wineries. It happens to be that the wineries want pinot gris and gervaise. The big companies know what they want. There is expansion going on, and at the same time the people with the wrong grapes, like shiraz or merlot, are having to dump them.

One statistic that came out only two weeks ago was that 80 per cent of the land in this region is owned by 20 per cent of the proprietors, which means 80 per cent of the people are on 20 per cent of the land. That comes back to what I was saying about the Italians, Greeks and Yugoslavs. They have lifestyle sorts of farms of 20 or 30 acres, which is not profitable. They do not need labour; husbands, wives, children and friends come in. But that is 20 per cent of the land. The future is going to be with your Stephen Lynches, Chiquitas and Yandillas of the world that are going to need a lot more labour. They are the ones that need literally 80 per cent of the labour. That is why I put so much emphasis on listening to what Stephen was saying—because I think he has it right.

Senator BARNETT—I want to drill down now to the migration laws. You referred to Canada and some of the other countries that have schemes that take on people from overseas. Philosophically, I cannot see any reason why it should be limited to the Pacific region. Nevertheless, that is an issue that we will be discussing over the next few weeks. Drilling down on that, do you think we need just a simple change of the definition? Under the current arrangements, if there is a demonstrated need in Australia, you can bring in a skilled migrant to

fill that need. Do you think that, if there is a demonstrated need in this particular area where at the moment I guess we use this word 'unskilled'—which is probably unfair on these particular employees or these people—a change of the definition would work? Can you give us the terms and conditions on which they would come in—who would employ them, who would be responsible for them, would they be here for 12 months or longer and so on? Would it just be a three-month period? Who is going to be responsible for these people?

Mr Irwin—That is a very wide reaching question. The answer is that the definition should absolutely be changed. If a demonstrated need for particular skills in horticulture could be shown and you could just change the definition to accommodate that, it would solve our problems in terms of the accessibility overnight. I think are you right. We have to prove that the need is here. I think the problem is the definition and how you change it from what is perceived as unskilled to skilled.

To me, the berry trimming of grapes is an absolute skill and the picking of mandarins, where you need little scissors, is a skill. A good picker can pick 10 times more in an hour than an unskilled, untrained person. Going on from what you were then saying, I think that the pilot program that we have talked about in itself will show as a model who should be running it. I suspect it would be a recognised, accredited agency. They are there at present, but—

Senator BARNETT—Like a labour hire firm?

Mr Irwin—That is right. It may well be MADEC. They have the infrastructure and the personnel there. There is no reason why MADEC could not have the management as a branch. The government are already paying them to do that particular job. I can see that there is a very appropriate role for MADEC in this region and a similar one in other regions.

Mr Pearce—I made a flippant comment last night that, if we changed the definition, we could resolve the issue tomorrow. But I think you also need to take into account that we are talking about skilled migration, permanent residency and things along those lines. Social issues need to be addressed which are fundamental to the Regional Skills Migration Program. You need to look at the labour market and how you would manage that, but I think the social issues also need far more investigation rather than just saying the program is a panacea for all evil. It is something that would have to be researched in conjunction with the existing programs.

CHAIR—Thank you for your submission today. You have given very valuable information. You mentioned earlier some of the work you had done on a model and that you had got to a level where you had made proposals to government. I am not sure that the committee has that information before it.

Mr Irwin—We have a copy for each member of the committee. I was wondering when that question would come; I would have been disappointed if you had not asked it.

CHAIR—I was waiting. I wanted to check whether we had received that information.

Mr Irwin—That was our oversight. As I had not given it to you, I apologise.

Proceedings suspended from 10.26 am to 10.40 am

MALONEY, Ms Mary Anne, Coordinator (Tasmania, South Australia and Northern Territory), National Harvest Labour Information Service, MADEC

POLWARTH, Mr Maxwell John, Manager, National Harvest Labour Information Service, MADEC

STIZZA, Mr Cosimo, Harvest Labour Coordinator, Harvest Labour Office, MADEC

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. Are there any changes or additions you wish to make to your submission?

Mr Polwarth—There are no changes, no.

CHAIR—I invite you to make a brief opening statement to be followed by questions from the committee.

Mr Polwarth—We are very happy to be here and we thank the senators for coming to Mildura. MADEC is a not-for-profit organisation established in 1970 as an alternative education provider. During the 1980s, it was expanded to include a diverse range of projects and programs including Commonwealth Employment Services, such as Skillshare, and a wide range of other labour market programs. MADEC operates a range of programs through its core business units of employment services, education and training and community development throughout the Sunraysia and mid-Murray regions in Victoria, the Riverland in South Australia, and Wentworth and Balranald in New South Wales. The organisation currently employs over 160 full- and part-time staff spread over 13 sites in Victoria, New South Wales and South Australia and has over 50 community groups registered as corporate members. For the past 10 years, MADEC has held federal government contracts for harvest labour services in Wentworth, New South Wales; Mildura, Swan Hill and Robinvale in Victoria; and Berri in South Australia, since July 2003. Its harvest offices work very closely with local growers to supply their harvest labour needs.

In July 2003, MADEC commenced the inaugural National Harvest Labour Information Service. This is a federally funded government initiative to match an itinerant pool of workers with a range of seasonal work Australia wide. This free-of-charge service mobilises people from areas which have finished harvests to regions where harvest work is available. The National Harvest Labour Information Service uses three key links to support the Harvest Trail. We have a national telephone service with a free-call number that runs from 8.00 am to 8.00 pm eastern standard time on weekdays throughout the year and most public holidays. The call centre operators take calls relating to harvest labour and connect callers to appropriate harvest labour offices or whoever has lodged the vacancy on the Harvest Trail website. We currently field over 1,000 calls a week.

The Harvest Trail website is part of the Commonwealth government's Job Search website and has been significantly expanded and improved, providing comprehensive information about harvest opportunities in all states of Australia. We have also have the *National Harvest Guide*, copies of which have been made available to you, which provides comprehensive information

about harvest work opportunities and locations, working conditions, transport options, accommodation arrangements et cetera. This guide is available free of charge and distributed nationally. Last year we distributed over 50,000 copies.

To support the above links, the National Harvest Labour Information Service has three state coordinators who are responsible for liaising with growers, grower organisations, government agencies and harvest labour providers to ascertain demands for harvest labour and any issues which may affect the horticultural industry in relation to employment. We also travel to all harvest regions annually and attend various field days, conferences, expos and whatever to not only encourage growers to register their jobs on the Harvest Trail website but also raise awareness of the service.

It is MADEC's view that, through the work of the harvest offices and the National Harvest Labour Information Service to attract workers to the industry together with the availability of an additional 12 months on a working holiday visa if three months harvest work is undertaken, apart from areas that have issues with accommodation and/or transport to farms, we have effectively addressed any perceived shortage of unskilled harvest workers—and I do emphasise 'unskilled'. I think that is the difference between what the previous submissions have been about with regard to skilled work. For any guest worker program to be successful, there are a number of issues that need to be addressed. They are included in our submission and have been discussed by others, so I will not go into them here. Thank you for the opportunity to make a submission. We invite any questions you may have.

CHAIR—Maybe you should tell us a little about the difference between skilled and unskilled as you see it.

Mr Polwarth—I might pass that question over to Cosi from the harvest office. I think there is a difference with national harvest, which is a contract that deals with the whole of the country. We are very much trying to get people to call our service and then we put them in touch with the grower or their agent who has lodged the job. Cosi's area is with another contract that MADEC has—it is a federal contract but a different one—they are the people who are dealing directly with the growers every day.

Mr Stizza—I guess the difference is that, if an employer phones in with a vacancy to us and he is prepared to take anyone on, whether or not they have done that type of work before, it is very easy for us to fill those positions. That happens very often—even more so now with the table grape industry, which is becoming much more competitive. The quality and everything has to be presented at a much higher standard. A lot of employers now say that they want experience—they must be experienced—therefore they must have done it before they go there.

We tend to have a lot of itinerant workers who come to the area and even some locals, but they just have not done it before so they do not have that experience. Therefore we find it difficult to refer experienced or skilled people to these positions. That is where the shortage then falls. We have vacancies that tend to roll on a bit simply because we are just not getting that personnel in who have done it before. Most of the locals who have done it before find their own jobs because they tend to return to the same employer year in and year out, so you do not get too many of them. Therefore, we rely on backpackers, the grey nomads and just itinerant workers that do come to the district. That is where we have that shortfall of people who have done it. We also

find that every employer has a slightly different technique. What we might refer to as experience may not be quite suitable for that particular employer. That is where we have that problem.

CHAIR—I think there has been a little bit of confusion. I think we come from the point of view that all work has some skill—and I think everyone accepts that. But, when we talk about skilled migration, it is a little bit different from those people who are in what is considered an unskilled area with skills. I think the application of the word 'skilled' is being used in a different context. I notice you use the word 'experienced', which may help to ease some of that confusion. What happens if people say, 'We want experienced workers in that area,' but there are none available? It has been put to us that one of the attractive parts of a proposed migration scheme would be that you would get regular workers coming back on a yearly basis to do work. They would already have that training, experience and skill and there would be some consistency. What happens when people ask for experienced workers and you are unable to provide them?

Mr Stizza—That is the problem we have. They are the employer. If they stipulate that they want experienced or skilled people only—I tend to call them 'more experienced' rather than 'skilled'—we cannot refer anyone unless they actually walk in the door and says: 'Yes, I have done that. I have just finished up in Queensland and I am on my way down.' If the personnel that come in do not say 'Yes, I have those skills,' we just cannot refer them to those jobs, and therefore those jobs lapse or are rolled over. We also find that a lot of employers will employ unskilled backpackers or itinerant workers but then come to us and say: 'We have so many unskilled people out there that we can't possibly train them. We need you to find us some trained, experienced people so they can become supervisors and help us to train the others.' But people with that level of experience in the employment group we require are just not there.

CHAIR—The question that I was asking follows on from one of the previous witnesses who said there was a period of hot weather and he had to fill a contract for Safeway—I think it was; it does not really matter—and the reality was that he did not have the workers at that time. But, whether or not you require experienced workers, if the work has to be done at that time, employers will provide the training, won't they? Even though they might have a preference for taking experienced people, they will provide the training.

Mr Stizza—Yes. If they get into a situation where a crop has to come off straightaway, they will get unskilled people. But that job may not be lodged with us; we might only have positions for skilled people. People say, 'We couldn't get staff from MADEC,' but that is simply because they have asked us to refer experienced people only.

CHAIR—I want to understand that. I think one of the threshold issues for us is: can labour be sourced internally or do we have to look at other options such as a South Pacific rim nations seasonal labour scheme? You have indicated that you can fill any requirement for unskilled labour. I am going to the next step and saying that, if there is unskilled labour, employers will train that labour. One of the issues that has been raised is that, time and time again, that labour may not return, so there is an ongoing training need. Is this more of a balance of convenience, or is it absolutely necessary to have a regular experienced workforce in the area?

Mr Polwarth—For years, harvest workers—and that includes skilled and unskilled—were predominantly locals or skilled itinerants who came back to an area year after year. But those people just are not about any more, so we are filling the need with backpackers.

CHAIR—Do we know why?

Mr Polwarth—We do not have any evidence, but I think the work that the NFF has done over a period of drought and relatively low unemployment shows that the people with these skills who were in country areas and were prepared to travel around have found something more permanent and have been prepared to move to work there. They have not come back to regional and country areas. At the same time, we have had an influx of working holiday makers who have stepped up, but they are not filling the farm-skilled, farm-ready worker need. If you just want strip picking or something you have to get off quickly that does not need a lot of expertise, they can do that fine. But, if you let a backpacker hack away at a citrus tree, for example, you lose five years worth of production. The difference between having a skilled worker who knows how to prune properly and just anybody off the street is very important for growers.

CHAIR—I am interested in exploring a little further what you said about the previously experienced workforce having now found something more permanent. Yet, just flicking through your guide and based on some of the evidence given previously, I see there is permanent employment in these industries, particularly in this area. Your graph shows medium- to high levels of work in this area all year round. Why wouldn't people settle and find permanent work here? Is the work difficult? Is it unpleasant and backbreaking or is it desirable and something that you can do all year round?

Mr Polwarth—Certainly it can be hard and unpleasant work at times, but at other times it can be quite enjoyable. I think it is just what has been occurring, as unemployment rates have come down and there are alternatives for people to go to, that horticulture work is not seen as a work of choice. If there is other work that pays as well and that is not seen as difficult, then that is where the workforce goes. We are just not getting that replacement of the horticulture worker. With the expansion of the various industries the ones who were there, as you say, have been taken up by various large companies and are working full time.

CHAIR—My understanding—and I do not have the exact figures in front me—is that the official unemployment rate in this region is slightly higher than the Victorian and national averages; it is around seven per cent. One of our witnesses earlier talked about in the peak of the season there being a notional unemployment rate of zero. I wonder if you could comment on that—whether there is unemployment in the area and how those figures may be reconciled.

Mr Stizza—I guess you are always going to get a percentage of locals who are not prepared to do the harvest work. I know as harvest labour providers—and we also have the Job Network side of things—it is also very hard to get these people to go to work; you cannot physically make them go. Also, if you tend to push this type of person into a job the employer is not real happy because this person is not going there of their own free will, therefore they are not very productive or very reliable. I guess we will always have to contend with that side of it—that there will be a certain number of people within the district who are not prepared to do it for whatever reason they choose, whether it is because of the difficulty of it, the pay rates or they do not think they can make a living out of it. That is always going to be there—that the locals just choose not to do that kind of work at times and we cannot force them, unfortunately, to take it.

Senator TROETH—I am pleased that we have made some distinction between a level of skill and a level of experience, because I think that is quite an important part of the debate. I

know that this will probably be only your own opinion, but in terms of picking fruit or other products—which seems to be the basic skill and the most urgent one that is often required—how long would it take to acquire the degree of experience which would make the grower happy to employ a particular person? Would it be three days, a week?

Mr Stizza—I would say that if a person was willing to be trained and taught, they could pick it up in a couple of days. I would also advise any job seeker—all the staff in the harvest labour office advise job seekers—that if they go to a harvest job, do not expect to make $150 a day on the first day; give it a week, try it. But to actually teach someone, I would say you could do it in a couple of days if they have a proper overseer there showing them and they are willing to look at it.

Mr Polwarth—But it is also different for every crop.

Senator TROETH—Yes, I do appreciate that.

Mr Polwarth—One of the big problems—especially for citrus—is to pick through winter. You cannot pick the fruit when it is wet; it has to be dry, so they are not starting until 11 o'clock and they are knocking off at about four. No-one can make wages on that, so it is very hard to get employees to go and work like that.

Senator TROETH—I gather from your submission that you think that much of the anecdotal evidence of worker shortages and not being able to get sufficient local labour to get the harvest off is, if not largely untrue, certainly overstated.

Mr Polwarth—Yes, exactly. I think there is a perception among some growers that the harvest offices that have not been going all that long are tied up with a similar scheme from back in the old CES days, and that we only send unemployed Australians who are going to be breached if they do not go. Growers can stipulate the type of worker they want. They can say whether they want experienced workers or if they are prepared to take inexperienced workers; they can stipulate if they want backpackers. Seventy per cent of our callers to the national harvest office are backpackers. So we are not sending unemployed Australians anywhere that no-one wants them, because we do not have them, basically.

It is really very frustrating for us to hear that sort of anecdotal evidence, and to see reports in newspapers or whatever, that we are not meeting the need when the growers just are not registering the jobs. There was one in the *Weekly Times* last week who could not get an experienced picker. That is probably true, but they had never registered a vacancy with the harvest office—and they are saying that they cannot get them. They have to give the system that is there to help them the opportunity to try and help them.

Senator TROETH—Yes, that is right. There was a report in the *Australian* newspaper this morning of grapes being left to rot on the vines. The headline initially would seem to tie in with this inquiry, but it states in the article that the growers are leaving the grapes on the vines because of their unsuitability for sale or very low prices, which is a totally different matter from not being able to find enough workers.

Mr Polwarth—Yes.

Senator TROETH—What is your view of the guest worker scheme? Do you consider that we have a sufficient labour shortage in this country to start looking at these sorts of schemes?

Mr Polwarth—Yes. We have formed the view that it does need to be explored, for no other reason than that mentioned earlier: the backpackers are discretionary workers and if they do not come we are definitely in a lot of trouble in this country. MADEC is of the view that it makes sense to have a scheme that has been trialled, whose various impediments have been addressed and that we could then ramp up for whatever reason.

CHAIR—Following on from Senator Troeth, one of the witnesses also talked about when your office did supply labour the workers looked at the ladders and said, 'You don't expect us to climb them.' I do not want to put words into their mouths, but they were words to that effect. Does your agency provide or expect better standards? I am interested in why people might make that comment. Is it a problem that there are some places that do not provide proper facilities for their workers and therefore find it even more difficult to get people to stay in that environment? How do you police that? I am asking a very general question, really.

Mr Polwarth—I will hand over to Mary Anne in a moment because she is more experienced on the ground in other areas in Australia. Whoever rings up and says they want to work, we put them through to a harvest office and then they supply them to the grower. Not a lot of vetting goes on, other than questioning them on their level of experience. If they want to work we think that is a good enough reason to send them out, especially when in the past we have been desperate to find people who were prepared to work, so we were not picking and choosing too hard. But we also find that it is very difficult to service areas that have no suitable accommodation and no transport out to the farms. No matter how much work we do, if that is not there and not available those farmers will always struggle to get anyone to work. Anyone who has good quality accommodation never has any trouble getting good workers. That is our experience.

CHAIR—That goes not only for overnight accommodation; we also talked about having toilets, the provision of fresh water during the day, airconditioned meal rooms and things like that. Is that the accommodation you are talking about as well?

Ms Maloney—Most definitely. It is either on-farm accommodation or it may even be a simple case of having backpacker hostels or caravan parks in town that will accommodate harvest workers. In some cases in some towns around Australia, they are in a situation where the caravan parks will not accommodate the harvest workers because they can get a higher dollar from the leisure tourism market. Even though we have a lot of people calling and inquiring about work opportunities in a particular region, that does not necessarily mean that we can refer them immediately to that region if the infrastructure is not there to support those workers. The distinct lack of affordable accommodation and transport is a real issue for us in some of the key harvest regions around Australia.

CHAIR—One more question, which is really the other side of what I was asking. Some employers or potential employers really do not provide what is expected as a minimum, and this links into what we are talking about, because we would not want to be in a position of having any type of seasonal worker migration program which then put people in conditions that were less than satisfactory and of a lesser standard than we would expect. Are there employers in that

situation and do you still recommend people to those employers—do you have any responsibility in that regard?

Mr Polwarth—Certainly, if we get complaints back from job seekers or backpackers that we have put through about the standard of accommodation—

CHAIR—I am talking about working conditions also.

Mr Polwarth—and working conditions, then we are somewhat reluctant to refer workers on to those people again. We do not have a black list as such, but we certainly keep them in mind. In the past, through our state coordinators, we have gone to the peak bodies in that area or that region and said: 'There is a problem with this particular grower or farmer; we're going to have trouble getting people to go there. They do not want to stay and they are not treated well and there are substandard conditions,' or whatever. We then look to the industry to put some peer pressure on and explain the truths to the grower member.

Senator TROETH—Have you found that has any result?

Mr Polwarth—Yes, generally, I think the grower can see the sense of that. If they are not meeting the standards that the rest the industry is, they will be the last ones to get people referred to them.

Senator McEWEN—I would like to ask a question about the so-called grey nomads. You said that the number of itinerant Australian citizens available to do this kind of work has reduced over time. Do you have any evidence, anecdotal or otherwise, that the changes to the Centrelink income-reporting requirements for the so-called grey nomads have had any impact on the number of people who will work? They now have to declare their income fortnightly instead of averaging it over 12 months.

Mr Polwarth—No, that is not something that has been raised with us. We had a discussion about that when I heard you ask that question earlier, before we came to our seats here. Anecdotally, when we go to caravan and camping expos—we have really targeted those, especially this year—to look at grey nomads in terms of encouraging them, we have been getting incredible levels of interest. At the last Melbourne Caravan and Camping Show, we gave out 800 guides and just had people lined up wanting to talk to the state coordinators who were there. But that does not appear to necessarily relate to the number of inquiries we get through the harvest office. I think a lot of it is preparation: people who are going to those shows are thinking of retiring in perhaps two or three years time and how they are going to supplement their income then. So, to answer your question, we are not really aware of that situation. We do know just from our contacts that there seems to be a lot of interest, but whether or not that ever gets to people actually doing the work I do not know.

Senator McEWEN—Do you follow up? When you go to the caravan and camping shows and get information from people, their contact addresses or anything like that, do you follow up with emails about jobs that are available and stuff like that?

Mr Polwarth—No. We provide the information about where the work is and encourage them to ring our 1800 number before they go anywhere, to make sure there is work there for them. We

put them onto the harvest officers when the employers lodge the work. One of the gaps in the system, I suppose, is that we hand them on and we do not really get any feedback as to whether or not they have turned up and done the work. It is a difficult one for us in that we are sending them on—maybe DEWR has some figures that we do not see—but we are not getting that feedback.

Senator McEWEN—Some of the previous witnesses—Mr Irwin in particular—said that, in relation to the management of a skilled or unskilled migration program, MADEC would be in a position to manage that. I would like you to have an opportunity to comment on whether you think you would be able to manage that. It is one of the infrastructure things that we would have to look at if this program went ahead.

Mr Polwarth—Certainly, through our work with the harvest officers—and MADEC has five of those—it would really be only an extension of what they do now and not very different to what a labour hire contractor would do. So we would certainly be in a position where we could extend our current services to take that on board.

Senator McEWEN—What things do you think you would have to do, bearing in mind that these people would come from overseas?

Mr Polwarth—We put a number of issues in our submission. We would expect a culturally cohesive group from a region or an area—that helps with a lot of issues—rather than having people of different nationalities or whatever and trying to put them through as a group. That side of it would work. The transport would be relatively easy. The biggest thing we think would be the logistics of keeping a group like that in full-time employment. Especially if the costs of transport and accommodation and everything else are coming out of their wage and what they are going to have to send home, they do not want to have any down time travelling between jobs and they do not want to have excuses like the crop is not ready—and we get that all the time now. You have done your forecasts, you have done your work with your growers and they have said, 'Yes, we want 50 people in a week's time' and then the week comes up and they say 'No, we have just had a cold spell,' or something has happened and they say, 'We do not want them for another week.' The logistics of keeping those people in work and not having down time will be the significant issue to address for anyone who takes on that role.

It will mean having different areas and backup where you could take them in. I was talking about some of the big growers earlier and the problems with citrus, especially over in the Riverland. The bigger growers have pruning they can do. They could do grape pruning in the morning. They could have a team doing that until 11 o'clock and then put them on to the citrus in the afternoon. Instead of knocking them off they could have something else for them. In that way they would manage to fill in a full day. That is not bad if you are on one big property. But, obviously, when you are trying to deal with smaller growers and what they have to do, it is much harder than that.

Senator McEWEN—You said, Mr Polwarth, that there is an expectation that the cost of accommodation and transportation would be taken out of the worker's wages. Is that what happens with workers now?

Mr Polwarth—I might get Cosi to answer, but that is my understanding of the way contractors work.

Mr Stizza—Some on-farm accommodation is provided free of charge by the employer, but there is some on-farm work where fees apply. They might have a caravan facility on-farm or some other huts or something. There are fees that apply. We tend not to get involved in the fees that apply, but we do let employees or job seekers know if there is a fee and they can discuss that. Some is for free and some is charged for. How minimal that is I could not say.

Mr Polwarth—Each contractor tends to work differently in terms of how they are set up and the region they are dealing with, I suppose, as well as what accommodation is available. They may make arrangements with caravan parks. I know there is one employer in South Australia who, if you stay for the season, which is two or three months, will actually pay your accommodation or refund that to you.

Mr Stizza—We have had some situations where, if you stay for the full harvest season, they will go halves in the caravan fee. It varies. Unfortunately, there is not enough of it available. That is the unfortunate side. Some that is available is free of charge and some of it is subsidised.

Senator McEWEN—I will probably ask growers this as well. You are a group that deals with a whole pile of growers and workers. Do you have any sense of how much money people can walk away with at the end of the week if they work a five- or six-day week? How much cash in hand would you have when you take out your accommodation or whatever you might have had to pay?

Mr Stizza—That is very difficult to say. The majority of the work is contract work. It is piecework. The more hours you put in and the quicker you are—if you can develop a knack to it—you can pick more. So it is very difficult. But, just going on what I know, you should be able to get $350 or $400 a week if you put the effort in, I would imagine. But, as I said, I do not know what their costs would be.

CHAIR—Is that clear after expenses?

Mr Stizza—I would say so.

Senator BARNETT—So that is net?

Mr Stizza—I would say you should be able to do that, but you have to be prepared to have dips. It is not easy work. It is hard and hot work and it is continuous. You have to have a go at it. That is why we have a lot of backpackers looking for an hourly rate rather than that type of thing because then they are guaranteed X amount of dollars.

Senator BARNETT—Are you familiar with the government commissioned report by Monash University called *Workforce tomorrow: adapting to a more diverse Australian labour market*, which was released in the last month or so?

Mr Polwarth—No.

Senator BARNETT—It demonstrated that there will be a workforce shortage of about 195,000 over the next five years due to the ageing of the population. Have you done any modelling of the Welfare to Work proposals that the government have planned and which start on 1 July this year and the impact of those in bringing people back into the workforce in the region? Has any analysis been done of that?

Mr Polwarth—I believe that MADEC has through its Job Network area, but I have not been involved in that work. It is a very specific contract and certainly at this time of the year, when we have just finished with the busy harvest time, we have been concentrating on that and I have not been involved with that at all.

Senator BARNETT—Have you had a look at the Peter Mares report, *Labour shortages in Murray Valley horticulture: a survey of growers' needs and attitudes*?

Mr Polwarth—Yes, I have read that report.

Senator BARNETT—Do you have any response or observations to make about those conclusions?

Mr Polwarth—I suppose it is just our frustration that we are still dealing with an entrenched attitude amongst some growers that harvest offices and the national harvest service cannot help them. That is not based on their own experience; it is just previous experiences. They have never given the new services a go. They are basing their attitude on previous experience, or they are confusing us with Job Network. We are not Job Network; we have separate funded contracts. We are paid for placements and it does not matter who they are, whether they are Australian job seekers, backpackers or anyone else, whereas Job Network only get paid to put Australian job seekers in the roles. As I said earlier, we will supply anyone they stipulate, or we will try to. If they do not want Australian job seekers, we do not send them. If they stipulate that they do not want someone coming off the dole and that they want a backpacker, someone else who is experienced or an itinerant worker, they are the ones we try and get. We do not send them people they do not want.

Senator BARNETT—Can you meet their needs?

Mr Polwarth—Not always, no. We talked earlier about that. We can for unskilled work, but we do struggle to meet the farm skill needs.

Senator BARNETT—What about their observation that one in 10 said that labour shortages are already preventing expansion? Does that sound about right to you or not necessarily?

Mr Polwarth—It is difficult to say. The problem I have with the survey is the sample size. There were over 2,000 surveys sent out and I think 176 responses, which is about 8.6 per cent.

Senator BARNETT—Yes, that is right—8.6 per cent.

Mr Polwarth—To me, that says that 90 per cent did not have a big enough problem to bother responding. I know that surveys must be worked on a sample size, but I think perhaps the ones

who were really not happy and who support a guest worker program were the ones who responded.

Senator BARNETT—I have noted that it was an 8.6 per cent response rate—176 completed the survey out of the 2,000-plus.

CHAIR—Thank you for your submission today.

Mr Polwarth—Thank you for the opportunity.

[11.20 am]

CRISP, Mr Peter Laurence, Chair, Sunraysia Citrus Growers Inc.

DAMIANI, Ms Judith, Executive Director, Australian Citrus Growers Inc.

CHAIR—Welcome. The committee prefers all evidence to be given in public but will consider any requests for all or part of the evidence to be given in camera. Do you have any additional information you wish to give to the committee at this time?

Mr Crisp—I am also a farmer. I am vice president of the VFF Horticultural Group as well as treasurer of the group. I sit on an NFF trade policy committee. I am a local government councillor. I am also involved in western New South Wales as a counsellor in an area health service. And I am a candidate for the next state election, so that also needs to go on the record.

CHAIR—Thank you for your submission. Are there any changes or additions to your submission?

Mr Crisp—Not as written, but as presented there are a few things I would like to elaborate on as a farmer.

CHAIR—I am happy for you to now proceed with an opening statement and we will then move to questions.

Mr Crisp—You have the discussion paper there. There is growth in the demand for seasonal labour already in the system because of what we have planted. So that is established. The issue is where that labour is going to come from and how we are going to find it. I am going to pay out a bit on one of those sectors I have mentioned in my submission, which is the unemployed and that Welfare to Work program you have. I finished picking my grapes last night. That ends a ten-month cycle of dealing with seasonal labour. I now get eight weeks off and I really need it, Folks, because this is what goes on out on the farm. Half the labour I have had has been excellent, but for the last 10 or 12 weeks the other half has been an absolute nightmare.

CHAIR—What sort of numbers are we talking about?

Mr Crisp—I am talking about 15 to 20 people. This would be an exaggerated but average day if I want to be 20 times more productive than my competitors, and I challenge you to a day like this. My day starts at four in the morning. I have to get the business ready to go for a six o'clock start. At six o'clock I have to assess what labour is available. Some of it is camped out on my property and some of it arrives by car. My farm manager is a mechanic. Normally by eight o'clock he is fixing somebody's car somewhere to get them to work. I have managed to get a few out of bed. I was late this morning because I had to slip around and pay some bail. Police pick on seasonal labourers. Last night, as they were turning into my drive, the police pulled them over, according to them, for no reason at all. But the police said they did pick up that it was the usual unregistered car, probably being driven by the unlicensed driver. They were going to let it go until a long neck—that is a beer bottle—sailed out the window and onto the road. One of my

pickers—for the fourth time caught driving three times over the legal limit—is the guest of Her Majesty. He will front the court for unlicensed driving and having an unregistered vehicle. The others got littering offences which they will not pay. I will have to sort all that out.

Then when you have them in the paddock, no-one makes doctor's or Centrelink appointments in the afternoon. It is always in the morning and they need transport. So someone gets despatched to fund them into town to see Centrelink or take them to the hospital. I run an orientation program for them, which takes four hours. There is an OH&S component. On day one of grape harvest, one of my labourers cut themselves on a knife before they got to the paddock requiring two stitches. They go onto workers compensation for two weeks, so I have to cover that. There have been three warnings this year to a bloke about the use of syringes in the workplace, because of unfair dismissal. We sorted that out. I had to buy someone's identity back. They foolishly sold their passport, Medicare card, drivers licence and birth certificate to someone for $300. We sorted that out.

They require cigarettes normally by lunchtime. I have to provide them with a meal in the morning and pay them every night. By the time I have done all this, it is 20 times more productive than our competitors. So, if you are looking for that growth to come out of there, I am going to be a welfare provider and you can send me the cheque. I am not doing this for nothing anymore; it is really driving me nuts. In order to make it work, I have to get the farm settled down and everybody settled by about 9 o'clock—having heard about all their personal lives. Then I go home and spend two hours on the computer, and then generally go and do my work through the night. My doctor has told me that if I keep working 40 hours straight, things will change shortly and I will not live all that much longer. That is the sort of period that I have just had.

I am very concerned about where we will find this labour. I will pay more for guest labour in order to not to have these problems, because I have just had enough of it. As for where to find it, if you are not going to use guest labour but you are going to use the unemployed, be aware that many of us have just had enough.

I could go on. It is very hard to keep labour settled when, after a bad night out, someone runs out and is hallucinating and seeing red-back spiders. Everybody evacuates the paddock and nothing more happens for the day. This is 20 times more productive than our competitors. That is why so many growers are so stressed about managing labour that they do not want to talk about it. They do not want to appear discriminatory to certain sets of labour, but they just do not want to do it any more. So I think that pretty much covers it. I have had to counsel blokes. I really would appreciate them not drinking at lunchtime; but many of them have to, so you return them to the paddock in the afternoon after having had a few drinks. This disrupts the good labour enormously. In two or three days, they will all be gone from my farm and I will recover my sanity. If you had come in May, I would have probably said something different.

Out of all of that, even being here today makes it worse. We are under so much economic pressure. Remember, what I get for my product at farm gate is no more than someone gets in South Africa or South America. The fact that we have an expensive economy here to move it around has nothing to do with my farm gate price. I have to be competitive with what is happening elsewhere in the world, and this labour stuff is—if not one of the major expenses—the thing that drives our guys to the point where they cannot see reason any longer.

That is the harvest labour cycle. This was written on the back of an envelope, because I did that while I was sitting around at the police station this morning. I hope that, when these guys do cool down, the police were picking on them because littering is a problem and driving while drunk is a problem, and that seems to be the life of some of them. Whenever you get these people in a work team it is enormously disruptive. That has been my 10 months. I have really had enough of the hassles. I am sure my competitors elsewhere in the world do not have these sorts of problems; or, if they do, there is ample labour available at whatever the going price is—which is probably one or two dollars an hour—and they just get rid of it and find someone else. The cost of orientating someone onto to your property means that you stick with them and you try to get them through this. They are human beings and they are Australians, but gee, it is bloody hard.

Ms Damiani—How do I follow that one?

CHAIR—I am wondering.

Ms Damiani—I will make just a short statement. I have not made a separate submission, but I have been on the Horticulture Australia Limited and Horticulture Australia Council subcommittee that developed the horticulture submission for this inquiry.

Australian Citrus Growers is the national peak industry body and represents about 2,500 citrus growers around Australia. That is basically through the local grower associations, such as the Sunraysia Citrus Growers here. You have just heard the example that Peter has given you, and if I sat someone there from the Riverina or from Central Burnett, Queensland, I am sure they would be saying all the same things.

Labour in our industry represents the highest item in the costs of production—about 40 per cent. In the 2002 Productivity Commission inquiry into the citrus growing and processing industry, labour was a particular issue that was looked at in some detail, as well as a number of other issues. One of the key findings of that report was that the growth of the citrus industry is impeded by some regulatory factors, such as high trade barriers in some overseas markets and costly labour market arrangements. It goes into some detail on some of the areas the Australian government should be looking at to help not just the Australian citrus industry as highlighted here but other labour intensive agricultural industries.

The only thing I really want to reinforce—and it is in the Sunraysia Citrus Growers' submission—is that our industry is facing increased plantings of navels and mandarins in all our major producing areas. These varieties are focused on fresh domestic and export markets in particular and they happen to be harvested through our winter window. That is where we are envisaging our greatest need for harvest labour.

Since this report was written, our industry has undergone some major and significant changes, including a lot of corporate investment. You had Stephen Lynch here this morning. He is one of our citrus growers at the moment. You also had Timbercorp. They have stated that they would like to be Australia's largest citrus grower by the 2008. They want to have planted 2,000 hectares of citrus. They have just planted 300 hectares in the Riverland. This is new citrus all under Martinez open hydroponics. It is the largest such scheme in the southern hemisphere. Massive changes are happening in our industry over a relatively short time. The problem is only going to

be exasperated by aspects of the bigger economic picture such as the ageing labour force, et cetera. I would like to finish by saying that we would definitely welcome the opportunity to explore a scheme which brings in some temporary workers to meet those particular needs.

CHAIR—Mr Crisp, the presentation you gave us today goes a little further than your written presentation. I want to clarify the status of that. Your presentation today was a personal submission as a farmer or are you seeking to represent your organisation?

Mr Crisp—I need to make that a personal submission because I have not cleared it with my board of directors. It was just to give you an insight into one part of the labour issue and what it is like. They are looking for something to do for a couple of months; you can whip them into your office and give them a try to see how you go with these people because it is really difficult. It is a personal snapshot of what has happened at my farm for the last few months.

CHAIR—You indicated that you were satisfied with half your workforce, and you are looking at 15 to 20. Ms Damiani also said that this would be a common experience. I guess that is something we will find out on our journey around the country. I do not want to understate any problems that people have but I do not want to overstate them either. I am just trying to put this into some perspective. You are talking about the potential of half-a-dozen people?

Mr Crisp—It would be about six in a revolving circus.

CHAIR—Okay. We have not had anyone else indicate the level of concerns that you have. Are you unlucky?

Mr Crisp—No. I think people find it so emotionally challenging to deal with this sort of stuff that they just do not talk about it. The idea is to get rid of it and find someone else to work you farm. If we are going to go to Welfare to Work then you are going to ask the industry to take on more of that scenario. Where are we going to find that extra 12 per cent of labour that we are indicating here? That is the challenge.

In my submission, there are four areas that I have identified where it can come from. But if it is going to come out of our welfare recipients, we are going to have to do a heck of a lot more work to get those people into the workplace. I can probably handle three or four, but not six or eight. It disrupts the balance of the team far too much. In putting together a team for this period, you need some experienced workers, some people living on farms, some people living off farms and some young people—some backpackers. If you can put a good team together, it can go very well. But if you get one—particularly one of the unemployed or a backpacker—out of balance with the rest it is very difficult to manage.

Times of high employment, like at the moment are wonderful for Australia and mean that our social issues are quarantined into this four or five per cent unemployed who we are now looking at working with. That is generally a good sign for Australia—except if we are having to operate in that area to an extent that is beyond our ability to cope. Times when we have economic downturns—and recessions do come—are often very good for horticulture because we find there is high quality labour for a short period. But that is very bad for the country, because you have high unemployment and other destructive elements in our economy.

It is a cyclic thing, and we have had a particularly good economic run. We have had high employment for far longer than I can remember in any particular cycle. Normally, when this comes along you may deal with the issues I have spoken of for one or two years and then the economic cycle turns and they go away. Then the economy rebuilds and the issues come back for a few years. Of late, we have had such a good run for such a long time that the issues with that particular segment of the work force that I have discussed are far more overbearing at the moment.

CHAIR—You referred to the Productivity Commission report and you talked about some of the difficulties, which include this industry's expensive labour arrangements—I think that is what you said. I am not sure what those arrangements are, because we have not heard any evidence so far about that. We have only just started the inquiry, of course, but I have not heard any examples of expensive labour arrangements. Given what Mr Crisp has told us, I am not sure whether there are in fact any arrangements. Maybe you could be a little bit more specific about what those labour arrangements are.

Ms Damiani—On that particular issue, when we were discussing it back then a lot of the industry's concerns were falling on the administrative and management issues surrounding labour. For example, we were looking at workers compensation, superannuation and the level of tax et cetera. All those particular issues were looked at in some detail.

CHAIR—Superannuation, workers compensation and tax are all going to be elements of any seasonal labour migration scheme; they are givens.

Ms Damiani—That is right. I was just about to say that they were the things we were looking at back then in looking at the cost of the labour, which is one aspect of the problem. The other aspect was access to labour. The cost and availability of labour were the two major issues that were looked at in this particular study. Our industry has changed and there has been some investment and expansion, so the focus now is on the availability of labour, particularly in that short time window, because our varieties have changed as well. So the focus has changed a little in that particular area. The industry looked at immigration policies as well in this particular study, so there was a broad look at all the issues.

CHAIR—Let me ask you directly: is the cost of labour an issue?

Ms Damiani—The cost of labour is obviously an issue because it is the biggest cost in growing the product. That 40 per cent is almost understated because it does not really take into account all the time that the grower has to spend trying to manage the labour and trying to find it—getting them out of jail, for example. I hear that story all the time; I really do. It is not just Peter's personal experience. Most of the growers I speak to have had similar experiences. It is an area they find very difficult to manage, particularly as our industry is moving more to export varieties and not relying so much on the old Valencia juicing industry that we had 10 years ago.

Mr Crisp—Just to assist with what Judith is saying, remember that the Productivity Commission were looking at our international competitiveness. We not only have the problem of the labour that we have in the country but also how that, within our cost structures, affects us in our international competitiveness. We are paying far more for the labour, we are having many more problems and we then have to be competitive internationally. The Productivity

Commission was looking at the world as a global market, not just Australia. The stuff that is given here is not given in the rest of the world, so it really does magnify that issue. You are not here to study the economics of competitiveness, but the Productivity Commission is certainly looking at where you stand in the world as an industry.

CHAIR—Some of the standards here are provided in the rest of the world but clearly not in all of the world—that is true.

Senator TROETH—I would like to go on with some of that. All the accounts that we have heard in the submissions that we have been provided with assume that any seasonal migrant labour would be paid at exactly the same wage rates as pickers are paid now. Would you agree with that?

Mr Crisp—Certainly. However, from the citrus industry's point of view in Sunraysia, we recognise that there may well be higher costs than there would be for Australian labour. However, in the discussions I have had with growers about this, there is also an expectation that productivity would be higher, so therefore it would be worth additional on-costs. They would be paying at the same piece rate per bin to pick the fruit and we appreciate that there may well be some costs above that. But if they are more productive, available and do not cause me all the other headaches then I think there is a willingness amongst the growers that I represent to pay a slight premium in costs, because overall we are looking at the big picture of being productive here. If I spend most of my time driving these guys around or trying to get them orientated to work or teaching them how to work versus someone who can do the work, there are some advantages for me in just having someone who can get on with the job.

Senator TROETH—In some of our earlier discussions this morning, the distinction emerged between skilled workers and experienced workers at one level, in that they may not be skilled in the same way that you would expect them to be skilled but perhaps they would be experienced. But why do you imagine that it will be any easier with unskilled workers from a non-English speaking background working in the industry than with the workers that you have at the moment?

Mr Crisp—Willingness to work.

Senator TROETH—That is the difference? You are assuming that? How will you be sure of that before you take this on?

Mr Crisp—That is something we will have to develop. That is one of the conditions that I think we would need to look at within this inquiry—that the people we get are willing to work. One would assume that they are not going to separate themselves from their family and come all this way unless they are willing to work. Other overseas labour programs that I have had a quick look at generally go through a vetting process to ensure that you do meet the requirements of the employer—and that is a willingness to work.

Senator TROETH—I think you said in your comments to us to start with that you would be willing to pay a bit more to get what you wanted in terms of the calibre of worker. So I take it that you would be willing to share the costs associated with a scheme such as this, which would

include airfares, accommodation, recruitment and induction training, or would you expect that some of that would be deducted from workers' wages?

Mr Crisp—I think we would have a partnership arrangement between the farmers, government and workers. How we split that up will depend on the market and what it will take to get those people to come here and develop that. I do not see it as solely the farmer's responsibility to deal with this, nor do I see it as solely the government's responsibility, and to place it all on the worker who comes in will clearly be a disincentive. So we need to come to some arrangement over time and that will shake itself out. If we proceed down this path, it will be one of the areas that will need to be resolved.

Senator TROETH—Given the difficulties that you have outlined to us, in terms of the individual employer dealing with the individual employee, would you see this better organised through a labour hire company or would you look at organising something like this yourself?

Mr Crisp—Through a labour hire company. To delve into that a little more, I would envisage that the scheme that you are inquiring into would probably apply to the larger farms and not necessarily to my farm as a smaller employer, but it would free up other elements within the employment market that would give me access to better quality labour. So it may not be that they would go to the smaller farms; it is probably more likely that they would go to the larger farms where there are longer term jobs and all the services and facilities that are required can be economically managed. But when we look at one large labour pool where one segment is satisfied from one area then the rest of us can be involved with what is left and get the supply and demand right.

Senator TROETH—So the Australian workers who at present are working for the larger farms would be displaced from those farms and would then be available to work for you.

Mr Crisp—I would not necessarily say 'displaced', because we have a growth situation coming. It is more that I would think the larger farms would be in a position to pick up that growth. Maybe there will be some displacement that would enable us to manage our smaller farms a little easier.

Senator McEWEN—Ms Damiani, you talked about a significant amount of new citrus plantings that is going on at the moment. I am curious: why are people planting citrus, which will need to be picked, if there is no guarantee of the labour to pick it when it is ready?

Ms Damiani—That is a very good question. We are asking the same questions of the corporate investors: why would they want to invest in citrus when we are having such a hard time anyway, let alone the labour issue? A whole range of factors are influencing people's decisions to invest. As I said, in the last two or three years there has been increased investment into not just citrus but also almonds, wine grapes, avocados et cetera. Other reasons prevail—it could be tax advantages or all sorts of things. But I think at the end of the day labour and water but, most importantly, the markets and the price are dictating what they are moving their money into. If they can see a long-term advantage, they will certainly be in there. Why do citrus growers currently grow citrus? Obviously they can see a future for it. There are obviously challenges along the way, and we have to address them as they come along and see if we can get the best deal for our industry.

Senator McEWEN—But there is a potential to have lots of trees and lots of fruit and no-one to pick it in a few years time.

Ms Damiani—We had that problem last year. We had a lot of dumped fruit. In this area and in the Riverland, there was a lot of dumped fruit. It was because of market conditions, unfortunately. Coming out of our two years of fairly light crop in drought conditions we were almost back to our normal sized crop—it was not even a large crop—and we found ourselves in a bit of difficulty. The processing industry decided to import much more than they have ever in the past. There was low demand for processing fruit or low prices, and it was more convenient to roll it out to the cattle rather than to try to pack it in a box. So the problem is here already. That is why we are very intent on finding all the markets that we can, all the export markets that we can and the best arrangements to reach those markets. There will be other factors involved.

CHAIR—However, the example that you just used was not a labour issue but a cost issue, wasn't it?

Ms Damiani—That was definitely a market issue. It is the same: if they can see that the market conditions are not conducive to harvesting the fruit and they do not have the people to harvest it, what is the point?

CHAIR—I thought you were making the link, but I lost the link between the labour and the market issue.

Ms Damiani—No. I was just highlighting the fact that that is almost happening now. We have the product now, and the marketing conditions were such last season that there were not enough consumers to buy it all at the prices that were required. It will only become worse with all these new plantings and existing plantings in the ground of those particular varieties—that winter window that I highlighted.

Senator McEWEN—This question is probably best directed to Mr Crisp: from the few witnesses we have heard from already, there is a perception, rightly or wrongly, that people from overseas are somehow going to be harder, better and faster workers than Australian workers. I am just not sure what evidence that assumption is based on. The work is the same for whoever is doing it—hard, hot, dirty and long.

Mr Crisp—I think that perception is built up by the increasing labour sector we have had access to in recent years of backpackers. There seems to have been a marked difference in their approach to work from the approach of the return to work or welfare workers that we have been dealing with in the market. The only difficulty with backpackers—and this is my personal experience—is that they tell you right up-front how long they are staying, which is normally about three weeks. I think the perception is that, if you want to see Australia in 12 months, you do not stay anywhere for longer than three weeks, you keep moving. They are motivated and quite easy to manage, but very itinerant.

CHAIR—Unless it gets hot. We have heard that if it gets too hot, they will move on straight away.

Mr Crisp—Yes, and early January was extraordinarily hot. I even considered moving on from here if I could have found somewhere else to go during that period. We were not doing much harvesting during that period locally. But yes, extreme heat, which is sustained temperatures over 40 degrees, is a negative factor.

Senator McEWEN—There is an argument that importing foreign workers will stifle innovation and inhibit investment in new methodologies in horticulture; that, by importing labour to do the work in the same way that it has always been done, we are not going to improve the way that we grow, pick and process fruit. Do you of any comment to make about that?

Mr Crisp—Yes. In a previous life I was an electronics engineer and spent some time looking at mechanical harvesting, and I dream on to the day that we can put a robot in the paddock. It will not stop innovation in that direction. It is still a long way off, but it would solve all our problems very quickly if we could go through mechanical harvesting. It still remains on the growers' agenda for R&D investment and for discussion, particularly for watching overseas. As I have said, I dream that in my lifetime I will have a robot that can come in and harvest the fruit, because it will pick exactly what the market wants and that would be a godsend to us. So that will continue, because we are a high-cost country; 40 per cent of our costs are labour. We are only tinkering at the edges and experiencing the frustration. The innovation will remain there to try to come up with a mechanical option. Mechanical harvesting of grapes was but a dream 25 years ago, so you never know.

Senator McEWEN—I suppose robots do not drink long necks either.

Ms Damiani—On that particular point, if you look at stifling innovation, all you have to do is identify a market opportunity in an industry, whatever that may be—it could be a labour opportunity or a market access issue—and you will find that the industry will do all it can to improve its own situation.

I would like to give the example of our market access into the United States. It took many years to get into the United States and also years of discussing how we would market our fruit into that country. Once we had got ourselves set up and got the fruit flowing over a period of five to 10 years, the amount of money reinvested into our industry was astounding. It was reinvested into new technologies on farm and in the packing house and into more R&D than we had ever seen before looking at specific decay issues, out-turn problems and all sorts of oils for use in the packing line. It was incredible. It was just that market opportunity. If you provide that for the industry and they can see a way forward, it may be a more expensive option—and sending fruit to the United States is an expensive option—but the reward for doing that and the outcomes of that in our industry were quite amazing in that the reinvestment into our industry was something that could not be understated.

Senator BARNETT—I put this question to either witness: some months ago, last year, many Australians were horrified to see aerial photos of oranges that had been dumped because of the glut in the industry and simply the uneconomic opportunities for the growers. We were quite distressed to see it all, especially when we are back at home paying the same amount in the supermarket for our orange juice. Can you give us an understanding of how that happened, knowing that there are cycles? Mr Lynch said to us that there are ups and downs in this industry, and I assume that will be your response. But that leads to my next question: if there has been

considerable multimillion dollar investment in your citrus industry over the last five years, and the prognosis is that there will be another multimillion dollar investment over the next five years, what is the problem? It is a devil's advocate type question, but I think you will understand where it is coming from.

Ms Damiani—I wish we had the answer.

Mr Crisp—Citrus is a long-term industry, as you may or may not know. It takes around nine years to get a tree to economically break even. Senator Troeth would be very familiar with this. She may want to take a walk, as she has heard all this before. We have to aim over the horizon in trying to match markets or get supply and demand to match up.

Last year we had great difficulty. Part of that difficulty was that we had been supplying China through arrangements in Hong Kong for 5,000 tonnes to 7,000 tonnes a year. We were in negotiations with the Chinese about a market access arrangement. By about this time of the year, or earlier than this, I have to assess my crop—we have ways with our statutory bodies of assessing the crop—assess the markets and make decisions about how I am going to match supply and demand both on an industry level and on a micro-level on my farm. Last year the negotiations were maybe yes, maybe no and maybe, and we were caught in a bind. If we took that fruit off the trees and had access to China and could not supply it, then Australia would become known as an unreliable supplier. If we left it on the trees and did not get access to China, we would oversupply every market and have an economic catastrophe, and that is what occurred. It was a case of choosing your poison.

In a very macro view, Australia does have opportunities with citrus. In the Southern Hemisphere it is South America, South Africa and Australia that are the producers. South Africa is a high-quality producer and aims very much at Europe, Australia aims at Asia, and North America and South America are beginning to take aim at everybody as well but they have mostly been in the processed area. There are counterseasonal opportunities and those have been well identified in the citrus industry. We underestimated the market access difficulties with countries that appear to have markets for citrus but do not have the desire to import it, and that impose quarantine, trade, tariff or regulation barriers which have to be worked down through the WTO with bilateral arrangements. This has proved to be far more difficult for Australia than any of us had imagined. Based on that environment over recent years, people have been making decisions about planting into the future in the hope that some of these problems will be solved within the time frames that we have. When did we start working on China, Judith?

Ms Damiani—In the mid-90s.

Mr Crisp—Yes. We thought if people were replanting and we were restructuring our industry, we would have seven to nine years to economically break even, and it looked good. However, as the years ground on and the problems mounted, we did not get there. The fact that we missed by one or two years history may well treat kindly. But when you have just come off that one year and are looking at a second, it is not good out there in such a long-term industry.

Senator BARNETT—Do you want to try to answer the second part of my question, or are you saying that it cannot be answered? You have multimillion dollar investments and you are requesting major changes to the labour market arrangements.

Ms Damiani—I think we have investment in our industry and last year we had lots of media looking at the dumped fruit in the paddocks. It was a combination of factors that led to that particular issue last year and all the changes happening in our industry. What I would like to say to my industry is this: I think we are underestimating the changes that are happening in our industry. It is not just citrus specific; it is across the board. We are struggling to keep up with it. Yes, we will see cycles, but they will become longer and longer. I cannot really see a good year coming around again unless we make some major changes. I think we have come to the realisation that a lot of things have to change in our industry and we have to be innovative in the way that we approach things. If one of those things is looking at a temporary worker scheme to assist, we should look at it with all our heart.

We have to do things differently; otherwise we will not be able to compete and the growers will become unsustainable in terms of their returns. They are always at the end of the line. They always get what is left over. In most instances, those oranges that you see in the paddocks—the grower had to grow them, pick them and send them to a packing house. The packing house would pack them and in most instances have no market for them. They would sell what they could, dump the rest and send the bill to the grower. That is totally unsustainable. You just cannot sustain an industry like that.

Mr Crisp—Can I just enlighten you as to what might be driving our industry. This is difficult, so I will try and choose my words carefully. At the moment we have a lot of interest from managed investment schemes that perhaps are looking far enough ahead that they believe these problems will be solved. If they are not, they can take less than the private business grower and survive a downturn. They are in a position to use some muscle. If we have one of these downturns, then, as a corporate entity, they can manage it far better than the smaller family business grower can. It is a fair way off, so no-one is talking a lot about that. But that is perhaps what is driving it. These are investment schemes and there is demand from a super flush economy for such investment schemes, so they are going into it looking forward to where that fruit will be marketed. That is a long time off. But, if push comes to shove, they can handle the loss better than I can, so they will probably take my market and I will have to go and do something else. That is life. That is perhaps what is driving that. This is a decision not for your committee but for elsewhere in Australia—whether we want to have a food industry that is run on managed investment schemes. It can be a very flighty beast, and it could be gone. That is an argument for another committee in another place.

Senator BARNETT—I want to know your response to the observation by Peter Mares about labour shortages in Murray Valley horticulture and whether you agree or disagree with the observations from his survey. Have you had a chance to look at that and do you have an assessment of whether you agree or do not agree with the observations he has made?

Mr Crisp—I have not read the detail; I have read the conclusions. I think he has looked at us fairly well. The aspect I have not dealt with here is that I have not looked in the mirror: there are some issues on my side of the fence as well. That was alluded to in the MADEC part—that we are not all angels as growers either. But it is not my job to point in that direction. Some of that came through in the NFF labour shortage action plan—that, as well as looking at a comprehensive action plan for our industry, we need to look at this. I think Peter Mares mostly has it right, but, as with everything, there are a couple of bits and pieces that I would take issue with. Judith, have you have a chance to look at it yet?

Ms Damiani—I cannot comment on the specific regional issue, like the Murray Valley problem.

CHAIR—Thank you both for your presentation today.

Mr Crisp—I have the names and addresses of a few cadets or interns, if you want them.

[12.06 pm]

de GROOT, Mr Chris, Private capacity

CHAIR—Welcome. Is there any additional detail you would like to give about your appearance before us today?

Mr de Groot—I appear before the committee as a director of two labour contracting companies.

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

Mr de Groot—It is along the same lines, but I have a couple of little changes.

CHAIR—Will you present them to us now?

Mr de Groot—Yes.

CHAIR—I invite you to do so now and then we will go to questions.

Mr de Groot—I am the principal of two companies. One is Trim Vine, which is a labour contracting company which particularly deals in seasonal workers within South Australia. The other is Altus in Mildura; we do not deal with seasonal personnel at this stage, but we plan to move into that area as we see a demand along those lines. In Trim Vine at the moment, our main seasonal peak demand is through the pruning season of grapevines, which usually runs from late May through to October. At the moment we use a lot of Afghan refugees to fill those positions. They are out here on either an 866 visa or a 785 visa, which is either a temporary or a permanent visa.

We normally run up to about 300 people through our pruning season and we will probably run somewhere between 50 and 60 of these Afghan people through our process. We manage these people. They come to us. We then administer them. We actually employ the people and then put them out on the farms to fulfil the work. We find them to be very good people to work for us. We have broken down the language barrier over the years. I have had them working for us for four years as of this season, and they keep coming back every year. Each fortnight, we pay them a contract rate or hourly rate. We also pay their WorkCover, super—all the necessary details. We do not employ anybody who does not have a current work visa, who cannot supply a tax file number or who cannot give us bank details. No. 1 is that the person has to be totally legal before they come to our organisation, before we actually put them across to any farm.

We then have the privilege of being able to move these people from farm to farm. A grower will contact us and say he needs X amount of people to do this job here, there or wherever it is. We have the ability then to be an employer with a multidiverse range of employment options for these people through the busy times. That then allows us to move these people from one place to

another. They are still covered under one employment; they do not have to change any other details. They know that all their conditions and everything are still all met, and we can satisfy the growers' needs. We have managed to do that over a long period of time.

We find that our biggest threat or our biggest hurdle in the whole industry is people who come into the industry, get an ABN number and go off to work. They will go out to a grower and say, 'We'll prune your vines or do your vines at X amount of dollars,' which normally would be just above what we are paying our people. Instantly the grower is seeing an option there to save a lot of money. Normally it is in the vicinity of somewhere around $6 an hour cheaper than we are. That raises my questions: are these people being paid the right wages; are they being covered for WorkCover, superannuation, tax et cetera? No, they are not. They are being paid cash under the table. They are probably totally illegal.

CHAIR—They are probably now independent contractors, aren't they?

Mr de Groot—They are very independent contractors. I would not even call them contractors; I would call them thieves.

CHAIR—Unfortunately, the definition is the same.

Mr de Groot—Yes. Our organisation lives by its reputation. We are straight down the line and totally legal in everything we do. We are open to any audit that may be bestowed upon us. We have no problems with that. We have a paper trail that we can follow from farm to farm. You can see who worked on what farm on what day and most of the time, if there is a contract, we can even tell you what person pruned what row on what day and how many vines he pruned, we have it set up so well.

I have been dealing with the economic development board here in Sunraysia, helping establish a way to manage the immigrants and the seasonal workers—to correctly get any party into the country, administer them and put them into different organisations legally. No. 1 is that all their entitlements are paid properly—which supposedly is a given—and that they are being administered properly. By working for one person, an employer like us has the facility to network with the growers and move people from block to block when a peak is required and somebody needs to get something off real quick, or whatever it may be.

CHAIR—Do you organise accommodation?

Mr de Groot—At the moment we do not organise accommodation. They look after that and their transport themselves. They will come three or four in a car. They will normally go to a caravan park and get their own accommodation and then they will come to work. I have had no problems with my people.

CHAIR—Do they stay for the season?

Mr de Groot—Yes, they come and knock my door down every season and stay for the full season.

Senator BARNETT—How long is that?

Mr de Groot—It is usually from late May to October—for a good 3½ or four months. We generally do not employ backpackers because they only want to hang around for a few weeks and then go, which is no good to us—we want them there for the season. A lot of the people we are getting back are now what we call trained people. We can put them into a farm and tell them that the grower wants it pruned that way and they have a good concept of that. We monitor that as much as the grower does. With seasonal workers coming into Mildura or regional areas like that accommodation could be as much of an issue—as highlighted previously—as transport but, if logistically and properly managed, that could be overcome.

CHAIR—If we just transplanted South Pacific Island people for your current arrangements and managed it the way you manage your company now, taking your problem with independent contractors out of it, you would be able to provide a service across the industry. Our last witness talked about such a scheme probably applying to the bigger companies, potentially freeing up displaced labour for some of the smaller arrangements. If you paid people on an ongoing basis or a more permanent basis for that period, you would be able to place them across various farms and arrangements. Is that right?

Mr de Groot—Correct. The bigger companies could take up the shortfall, and the long fall of it as well. We say to some of our bigger growers, 'Can we put in some extra people here for the moment while we are waiting for something else to come on line?' and then we will take those people out. That fast-tracks their process, which they are not really worried about. Then we bring it back to a manageable level, plus try to help out the smaller grower with the same scenario. We take some of our people and get them weekend work. They can work on a Saturday. We do not like them to work seven days a week because we think you need a rest when you are working at this level, especially with the seasonal work because it is physically hard work. You do not want to burn them out and end up with WorkCover cases and all that sort of stuff. If we can find them Saturday work, they are very happy to work that Saturday, because they are there for the money. Some of our people whom we employ through the winter are taking home $1,000-plus a week.

CHAIR—Is that an average? We would like to get a genuine feel for the sort of money that is made by a person of average skills and average ability. What sort of money would they make?

Mr de Groot—We do it two ways. We can pay an hourly rate, and a lot of growers pay an hourly rate because they want to slow it down so they get a really good job. We pay an award rate which is about $15.53 or $15.63 an hour at the moment, which is equivalent to the wine and spirit industry award, which we work to in South Australia. I believe that, as of 1 April, we will be looking at a minimum wage level for a casual person of $15.53, so we are above the mark on that.

We monitor our contract workers to make sure they are making above the hourly rate. If they do not make above the hourly rate, we highlight the issues why. They might not be there for eight hours a day, they might have long breaks or they might just be slow at it. We have to analyse that and highlight to that person whether they continue on that way or whether we pull them out and put them on to an hourly rate. Most people, if they are on an hourly rate of $15.53—and you can do the sums pretty easily—will still make their $500 in a 38-hour week. Some of our contract pruners will make anywhere from $600 to between $1,300 and $1,500 a week in their hand, if they are really good—the Afghani type people who work really hard—and

then they take out their expenses on top of that. We go in and help price the blocks on that as well. They are priced fairly so that they are not disadvantaged.

That might sound a high figure but they work hard. These guys actually work hard. A lot of our growers are looking for this next generation of hungry people, if I can put it like that, who want to come to work, who want the money, who want to save it and want to do that. If we set up some systems to bring these people in from overseas and then send them back when they are finished, they will be the next hungry generation that we can actually control and say, 'We're going to bring you here for four months, you're going to do this pruning and we're going to send you back home.' Then we will bring out another lot later that will maybe do citrus. We have to look at a cycle of when these particular industries are at their peak demands. For argument's sake, if we bring out a mob that can do the pruning through the four-month period and then we send that mob home, the next year we could bring that same group out to do the same job again. We have found that they have retained their skill. We have a skill base; they can go into the place and then say, 'I know what I'm doing now.'

CHAIR—I want to ask you about skills. In your situation as the employer, do you provide the training? Who takes responsibility for that?

Mr de Groot—Absolutely. We induct all our people. All our people go through an occupational safety induction for starters. They do not go out there unless they have done that. We also provide or sell to the person the proper equipment—not the cheap stuff that they can go and buy from Bunnings. A set of secateurs is worth $120 to $125. A set of loppers is worth $80 to $90. So it is good quality equipment to use for starters. We put any person who has not had previous experience in pruning or anything like that through a three-day training course, which is conducted by TAFE. We have set that up.

CHAIR—Do they get paid during that course?

Mr de Groot—No, they do not get paid for the training course. We use that as a bit of an example. If somebody can go to the training course and last three days, they will hang around for a while. That is what we need to look at—people who want to stay and do the job. Also, the people who do the training course can work out whether or not they are suited for that particular type of job.

CHAIR—Do you pay for the course?

Mr de Groot—We get funding through the economic development board. The Fleurieu Regional Development Board provide funding for training. We put a submission into them to do it through the TAFE, which lectures in viticulture. We get the viticulture lecturer to come and train these people. Normally, we would train anywhere up to 100 people a season.

Senator TROETH—I am sorry that I missed part of your presentation, but I get the general gist of what you are saying. Are you saying that we do or do not have difficulty at the moment filling the labour requirement for these industries, which is why we may need a Pacific migration scheme?

Mr de Groot—Definitely, we do. In our area in South Australia—and we deal in Langhorne Creek, which is the second largest grape growing region in South Australia—we seem to be able to cover that area; there is no problem with that. The unfortunate part about it is, as I mentioned before, there are a lot of these so-called contractors who keep running around in little Taragos full of people and who are doing everything illegally. In other areas I have seen, I can see that there will be a definite need for a controlled mechanism. I think that controlled mechanism should be something—a licence or something—that a company like ours would obtain from the government to say that we have met a certain criteria, that you allow us to be able to administer these people.

Senator TROETH—Accreditation or something like that.

Mr de Groot—Definitely, if it is done under a supervised, accredited system, which we can put into place quite easily. I am more than happy to be involved in a pilot of the whole thing, to be able to administer this, talk to the growers—find out when their peak needs are—and set up a network between the growers so that I am then able to say, 'Right, we need X amount of people; we can put them here, here and here,' and manage those people across that particular horizon.

Senator McEWEN—Do you, as the employer, receive any subsidies from the federal government?

Mr de Groot—None. We do it all off our own bat.

Senator McEWEN—Are the growers okay to pay you that amount of money?

Mr de Groot—Yes and no. It depends on the timing. At the moment, the industry is in a downturn. Our turnover would be 30 per cent down at the moment, hence the reason they are looking for cheaper options to go through.

Senator BARNETT—Do you mean citrus or viticulture?

Mr de Groot—Mainly viticulture—in the grape industry. We do have a lot of established growers and corporates that will not deal with those sorts of people. We then get them knocking on our door, and they are happy to pay the money. They have been paying it for quite a long time. They are up there with it, so when the new workplace reforms come into place they will be okay. Their budgets are all set, so they will be ready for that, whereas I find that the growers who are not prepared to pay that money and have not done that are the ones who will really suffer. I think that the issue too is what they actually pay a person compared to what they actually get at the end of the day.

Senator McEWEN—Knowing Langhorne Creek as I do, it is not exactly a centre of multiculturalism. Have there been any issues with having Afghani people living there? How do you manage that sort of stuff?

Mr de Groot—Ironically enough, there is really no accommodation at Langhorne Creek. They have to travel from Murray Bridge or Mount Barker or up from Adelaide. Some of them do drive up from Adelaide every morning. We have not had any issues with multiculturalism or any discriminatory aspects. I suppose the way we operate our business is fairly close with our

growers. If there is an issue or there is a problem, we are right on to it straightaway and we do not tolerate that sort of stuff. But we find it to be minimal. We find these people turn up—they are there before they need to start. It is amazing; it is still dark and they are there. You can go past and they are ready to start. They do not want to go home; they are there to work. That is where I think that, if we are getting the right culture of person to be able to come in and do this sort of work, I do not think there will be an issue. As my predecessor was saying, he is going to come across and stand here pulling his hair out. I sympathise with him about those aspects. Their options are limited. They need to look at their options: 'What are my options, and what can I do?' What are they paying their people and what are they prepared to pay? That is what they need to get. There is the old saying: if you pay peanuts, you will get monkeys. But we need to get to that level of minimum wage levels, which has come into play, so that everybody is playing on the same level field and then they can work together on that aspect. It makes it easy for people like us who do the right thing.

Senator McEWEN—Indeed. Perhaps you should tell the federal government about that.

Mr de Groot—I would be more than happy to do that.

Senator BARNETT—You mentioned that your Afghan people are on 866 and 785 temporary and permanent visas.

Mr de Groot—Yes.

Senator BARNETT—What is your response to extending that example that you use up here? You are using just Afghan refugees, I understand, in South Australia. Is there any reason why you cannot expand the program that you currently use?

Mr de Groot—None at all. That is exactly why I have bought the business in Mildura—so that I can network my own businesses to be able to offer that service to other growers. When my people are finished down there, if I can find a network in which I can move them from there to here and keep them employed for longer periods of time, it will be a win-win situation for everybody. But there will be a shortage. Once again, you have to make sure that you have the right person to do the right job again. A lot of these Afghanis are very resourceful and they will leave me but be up in this area doing some other work. The way I look at it is: why can't I get them that work and they can still work for me up here but also for another grower or something like that? That is what I have been developing. I only purchased the business up here in early December, so I am still getting it all sorted out, set up, and talking with people and understanding what their needs are and how I think we can work in with them and rectify that.

Senator BARNETT—As a former small business operator, I congratulate you on your purchase. I hope it goes very well for you.

Mr de Groot—Thank you. So do I.

Senator BARNETT—What terms and conditions apply to those visas in terms of their employment? Can you advise us of any conditions?

Mr de Groot—They cannot work outside Australia; that is one of the conditions of their visas. They can leave Australia on their permanent visa and come back. A lot of them have worked for three years on their temporary visa and have then tried for residency.

Senator BARNETT—But they can work full time?

Mr de Groot—Yes. There are no restrictions on their working ability or anything like that. They can do as much work as they can get. Actually, if you do not give them work, they become very upset. The more work they get, the better off they are.

Senator BARNETT—Why isn't this happening in other parts of the country, or is it happening?

Mr de Groot—I believe it is happening to a degree but not to the magnitude that is required. There is only a limited number. What is happening now is that a lot of them, since they first started with me, are coming into their fourth year, and after three years they get their residency. So their families are coming out and they have stopped travelling and moving around. They have based themselves in one place and that is where they are staying. You cannot get them out of Melbourne. They will not come out of Melbourne; their families are there. They have cultural problems—their families cannot speak English and they have to help them through all that sort of stuff. It is going to take them a little while to get to a certain level before they can then start looking at moving abroad or whatever. But they will want to stay with their families because they have been away from them for three or four years. The first time they get the chance to go back home is once they get their permanent residency. Then they can get on a plane and go. But they will not go back home to Afghanistan; they will go to Pakistan and get their family to meet them there because they would probably get killed if they were to go back to their own country.

Senator BARNETT—Our terms of reference relate to the Pacific region and getting people from there. Do you have a view that there is no reason to limit it to the Pacific region? Would you like to see a global approach perhaps rather than a so-called Pacific solution?

Mr de Groot—I think it should be a more global approach, looking at areas that have a high population with people that would fit the needs. China would be a perfect example. I have been dealing with another company, called PAC, which operates out of Brisbane and has connections in China. We could put together a pilot project, I believe, within a short period of time which would allow us to bring these people in. The criteria that would have to be set for these people would obviously be determined by the government. For instance, we could bring into the country a person who speaks English and has some training and is married and has a child. We could do that. That would ensure that, No. 1, that person would return to their country—not try to flee or make a break for it or anything like that, but that would still control everything.

Senator BARNETT—Witnesses keep talking about pilot programs. You have just mentioned there a scenario where workers are married with a kid and maybe they come out. Have you thought about for how long, and other terms and conditions that would apply? You mentioned that your company or perhaps other companies that were accredited could, say, receive some sort of tick from the government. Have you thought more about that and can you tell us more about the terms and conditions that would apply to that entity?

Mr de Groot—I would probably still work it in the same way as I do with the Afghans to ensure that the criteria and everything like that were met. The period of time that the person would come out to the country for would depend on the season. You would not want to bring somebody out for two months when you were in the middle of a four-month season, say, pruning vines, because that would be just like using backpackers, who leave you in the lurch all the time. You need to bring them out for that season. When that season has finished, you would send them back home. Hence, I was saying you should bring that same group of people back out again the following year to complete that season as well. You have trained them in that area; why spend money or training on other people when you have people that you have already trained if you can get them back? As for the wage that you would pay these people—through that period, if they put their heads down, they could save $5,000, $6,000 or $7,000 in that time. Take a Chinese person: I think their average yearly income is only about $90 a year or something like that. This would be phenomenal for them.

Senator BARNETT—You said earlier in your submission that the costs would have to be shared between the government and the employer. Did you say that?

Mr de Groot—No, wrong submission. That was my predecessor.

Senator BARNETT—I am sorry; that was your predecessor. Who would share the costs? These people might make $1,000, or up to $1,300 a week for a really good operator, but they have to cover their accommodation, travel and so on.

Mr de Groot—Obviously, the person that you employ would cover their own accommodation and travel. You would have to take their money out for that sort of thing. For their plane fare out, I would talk with another company, PAC, and we would have to organise how that works from that side of the fence to get them to here from there.

Senator BARNETT—Who would pay for that?

Mr de Groot—Perhaps the person themselves would pay to come out, but I am not sure yet. I have not gone that far into it at this stage.

Senator BARNETT—It is interesting. Thank you for your submission.

CHAIR—Thank you for your submission and presentation today.

Mr de Groot—Thank you.

[12.31 pm]

BELBIN, Mr James Norman, Vice-President, Victorian Farmers Federation, Sunraysia Branch

CHAIR—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. I invite you to make a submission to the committee to be followed by questions.

Mr Belbin—I am the owner of a 10-hectare wine-growing property and I also manage another 50 hectares, which is a mixture of dried fruit, wine and citrus, which belongs to my family. I employ about 25 people during the harvest and up to 10 people during the rest of the year. I am also chairman of the First Mildura Irrigation Trust, which is one of the two irrigation authorities in Sunraysia. The VFF branch has about 250 members and is the largest branch in Victoria and those 250 members would by and large be farmers who own 50 hectares or less.

We are deeply concerned about the proposed importation of Chinese contract labour and we think that the Economic Development Board submission reflects the interests of the organisations that they named, Chiquita and Timbercorp. We are also concerned about the figure of $1 billion of managed investments which will come into the area. If I could take up a point that Senator Barnett asked of the citrus people—and I do not think they answered this particularly directly—the fact that there was so much citrus dumped did not have anything to do with the price. As growers, we would have let the processors have it for any price they offered but they were not offering any price—not one dollar a bin for it. It was dumped because the processors had bought large amounts frozen fresh orange juice from Brazil, as they had the previous year. They said there was a light Valencia crop and so they imported frozen fresh orange juice and therefore had no reason to process Australian fruit for juice.

I would also invite you to visit, say, Fishers supermarket here and try their Fishers orange juice, which they juice fresh at the supermarket. You can also try the local product, Curlwaa Fresh, which is an all Australian orange juice processed here locally. Then go and sample Crusta or one of the other varieties you can find on the supermarket shelf which is made from fresh and imported juice. You can make up your own mind about the taste. People give colourful descriptions, but I will not do that.

Senator BARNETT—So Fishers IGA use the local orange?

Mr Belbin—Fishers IGA on Deakin Avenue have a juicing machine, and on their shelf they have plastic bottles with a Fishers label on it. They juice it right there, and put it straight in the bottle, and it is beautiful.

Senator BARNETT—It is all local oranges.

Mr Belbin—Yes. And Fishers is a local company. That was one of their responses to the glut of oranges and the fact that people could not sell it or get it processed

Senator BARNETT—A fine independent supermarket.

Mr Belbin—Yes, indeed. From our point of view as small farmers, as we consider ourselves, the importation of contract labour is the last piece in the puzzle for large-scale corporatisation, particularly of the wine grape industry and perhaps the table grape industry as well. On the question of the level of skills of the workers, I certainly do not consider them skilled in the sense of an electrician or a plumber or a cabinet maker or anything like that. They would be best described as semiskilled.

When I employ my backpackers, I give them about a 15-minute instruction session on how to pick grapes and then let them go. By the end of the day, they have picked up enough skill to be quite competent. Another question was asked: how much can somebody earn? About $120 a day, I think, is an average sort of amount, which is approximately eight times the hourly rate of about $15.60, which pickers and people on an hourly rate earn. Good pickers can certainly earn a lot more, but that is the sort of money involved. It is hard work, but it is what people want to make of it. In the 18 years that I have been on my block, only one year did we have labour problems, and that was due to poor crop and not any labour shortage.

I live only 10 minutes out of Mildura. We do not provide any on-farm accommodation, but many of our members do. But people in the closer settlement areas here around Mildura generally, by and large, do not have labour problems. There is plenty of accommodation here in town. It is people who want labour out in the more remote areas like Nangiloc, Wemen, Pooncarie or Menindee who have trouble. They are out of town and use large-scale properties, and there is a not much for people to do after they have finished working anyway. From my own experience, I would agree with Senator Barnett's figures that about 50 per cent of my labour force this year was backpackers, 25 per cent were local, and 25 per cent were itinerants. We use locals for pruning and for our citrus picking, but I have only got about 10 acres of citrus so it is pretty small scale.

Generally, we think that the Mares study, undertaken by the economic development board, was quite flawed. In fact, my parents-in-law, who are returned service people, were really offended about the suggestion of using illegals. It is difficult at times when somebody comes to work for you. You ask them their name and you ask them for a tax file number. If the person says their name is David Brown, you cannot accuse them of being John Smith or something like that. You have to accept that. But most people do not knowingly deliberately break the law, and I think that is very much the case.

There was only a very small response to that survey, and I think it is quite misleading the way the economic development board have presented those sorts of figures. Seventy-five per cent of growers are under the 50-hectare area, and there is no demand, from our point of view, for importation of overseas contract labour, particularly not Chinese. We think that would create problems. I also note that reference was made to possible disagreements with unions, and I just wonder to what extent this idea of importing contract labour has to do with some other agenda to do with undermining working conditions as well.

We also see a loss of money in the local economy if labour is imported and those people export the money with them. Perhaps I could make one suggestion, which our branch members are certainly pushing for, and that is to change it from the 29c tax regime for backpackers to the

13 per cent tax regime for casual labour. Our view of that from a practical point of view is that those people spend all their money in Australia and making them save up by the tax system means they are more likely to take it with them than spend it while they are here. For the foreseeable future, as far as we are concerned, there is no problem with labour and no demand for importation. I was quite amused by Mr Crisp's rendition—

CHAIR—That was going to be my first question to you, so go on.

Mr Belbin—Peter did spin a good story, but I would have to say that it is quite exaggerated. In reality—and I heard Senator Barnett mention that he had been in small business—we all know that when you are in a small business if you employ people you have problems. People are like that. They are not robots. They all come with their own baggage. But by and large those problems are manageable. The other thing is that most of these people are employed on a casual basis. If a person turns up to work stoned, drunk or whatever, that is it. It is a case of, 'See you later.' There is no unfair dismissal, as far as I am concerned, with casual employees.

CHAIR—Mr Crisp indicated that he paid his employees by the day. I suspect they were all casuals.

Mr Belbin—As far as I am aware, you do not have to go through the three warnings and things like that with casual people. It is a matter of when you require somebody, if they are in a fit state they work, and if they are not they do not. I wonder whether he does have a more evangelical approach to dealing with those problems. By and large there are a few problems, but generally they are quite manageable. We can all tell funny stories about that stuff but they are just exceptions.

CHAIR—Accepting what you say about local farmers or the smaller farmers—and I guess I am talking about family-owned farms—not having problems sourcing labour at the moment, is there an issue given that there potentially is a multimillion dollar development coming down the track? Even if it is not a problem for family farmers, is there going to be a problem providing labour, albeit for large corporations and fund managers? It is still an issue which we would have to look at and I wonder about your point of view on that in terms of the future. One could assume that they may be in a position to manage their arrangements better because of the scale that they might be able to do it in and, in fact, they may take labour away from you ultimately. I am asking for your point of view. Is there potentially a labour shortage issue, regardless of what areas it may be in?

Mr Belbin—My view on that is if you have a look at the principal commodities that I am familiar with: dried fruit, wine grapes, table grapes and citrus—and I have a small familiarity with nuts, but not a great deal—the situation is that there is a greater supply than there is demand at the moment. The question has been asked: 'Why would people be planting more of these sorts of commodities if you can't give away wine grapes?' You would certainly be able to drive around this district in a couple of weeks time and see wine grape crops that have not been picked and other blocks that have been left—not to be worked next year and not to be watered and that sort of thing. So why the development now? That comes back to the managed investment and corporate side of things.

One of the major wineries here indicated a bit over 12 months ago that they would cut the number of existing suppliers they had and would go and look for overseas investment to plant up a 3,000-hectare development, which would be managed by the winery owners. The winery would process the fruit, market the wine and, of course, would take its fees and income all along the track, and the investors would get something down the track. They would plant up new areas and cut their existing suppliers.

Now, will they have labour problems with that? They have got labour problems at the moment and that is why the Economic Development Board is putting forward that particular prospect. People do not want to sit in a bus for an hour and a half while they travel out into the backblocks and work on a large property where they do not see anybody for the rest of the day. There is no shop to go and buy their lunch and then they sit on a bus back into town for an hour and a half and get here at dark tired and exhausted. Alternatively, they do not want to live out in one of these barracks way out where there is no infrastructure, no community, no social life or anything around. That is the problem. It would be nice for them to bring in contract workers who come from a background where they are not used to those sorts of facilities and who are not going to make a problem. The local people and ordinary travellers have different expectations, so this idea of bringing in contract people is potentially undermining the normal standard of living accepted by our society. If you want a short answer: yes, there are labour problems in that sort of area. They can overcome them, but there is not a lack of a pool of labour.

CHAIR—We are running short of time. We have put you on as an extra. I will ask each of my colleagues to ask you a single question and potentially a supplementary one as well. Please try to keep your answers brief. If you feel you have not been able to cover anything, we are very happy to take a written submission from you in addition to that. I apologise that you were not on our agenda to begin with.

Mr Belbin—Thank you for hearing me. I am sure the branch will want to make a written submission along the lines of what I have had to say.

CHAIR—That would be fine.

Senator TROETH—Just to clarify your answer to Senator Marshall's question: in view of these expected very large plantings by the corporations that you have indicated, is it your view that there will be a suitable pool of labour here in Australia to accommodate the picking and pruning process for those?

Mr Belbin—Yes; I believe there already is. The only thing is that if they want to use that labour they have to pay something of a premium to try and retain it, as opposed to the current situation. As you can see, the idea of people having different expectations is attractive.

Senator TROETH—Thank you.

Senator McEWEN—The push has been from previous witnesses for us to consider labour from China, and you mention that yourself. Why do you think they are targeting China as a source of this labour and not the Pacific?

Mr Belbin—My opinion on that might be a bit more colourful—it is just an opinion; I have been to China—but it is to do with the way that things are managed in China. People are not encouraged to ask questions. They have lots of capital punishment over there. I think they execute more people over there per annum than the rest of the world. They have kind of indentured labour. Also there is endemic corruption as well. So there are opportunities to have kickbacks along the way. We have had the AWB—it is another form of that sort of thing. They are not going to have problems from the people. They will not ask too many difficult questions or be putting up their hand and saying, 'What's the health and safety occupational impact of this, that and the other thing.' They will come out and be very appreciative. I do not know the rate of pay over in China, but if it is $A10 a day and they are ending up with $50 a day, they will not care if somebody else has creamed off $150. They are still five times better off than they would have been.

I also believe that China is placing some pressure in a trade relationship. It has been put to me that China is a net exporter of labour, so we want to put things into their market and they want to sell us labour. There are a whole lot of reasons. Why the economic development board? They outlined why they have made connections over in China and they see it as a way forward. It dovetails nicely for the corporates and the investment farm mentality. We recently put to the minister for agriculture, the Hon. Peter McGauran, that there needs to be a hard look at the way these managed investment schemes are working because as farmers ourselves we do not think they are working for the good of the community and the society more broadly.

Senator BARNETT—I want to clarify your representation of the Sunraysia Branch of the Victorian Farmers Federation and you are vice-president and you are representing them today. The economic development board in their submission to us say this:

Such a scheme—

which is the one they are supporting—

is supported by the majority of horticulturalists industry bodies, including the Victorian Farmer's Federation and the National Farmers Federation ...

Mr Belbin—People can make those sorts of assertions of course and it is on the table too. I can certainly say that the Sunraysia branch of the Victorian Farmers Federation definitely does not support their submission and I would call into question whether the Victorian Farmers Federation as a larger body does support that as well. I certainly will be making that inquiry. I think we will be asking for the president of the horticultural council of the Victorian Farmers Federation to provide you with a clarification as to the extent of support. I believe that there is some support amongst farmers for these sorts of schemes, but it depends to what extent they have thought through the broader implications. For Mildura if we were to have a thousand Chinese contract labourers during picking here in town, history shows that you will have racial problems. Those things—

Senator BARNETT—I am trying to clarify your representation. Has your branch had a meeting? Do you have a majority of members who have said they oppose the program? How have you made your assessment on behalf of the branch? Have you had a meeting? What has come about to cause you to be here today?

Mr Belbin—We have had a number of meetings on these particular issues. As recently as about two weeks ago we had a visit from Peter McGauran. Prior to his visit we discussed all these issues, including the matter of contract labour, and we put a submission to the minister on that particular matter. So it is a matter that has been under discussion for some two years. It is fair to say that probably two years ago, particularly amongst our table grape members, there was support for this particular position. But with the changes to the visa requirements for backpackers we have seen a much greater availability of backpacker labour. Also with the moves from Timbercorp, talking about large-scale table grape plantings, there is a lot of concern amongst the established table grape growers.

CHAIR—Mr Belbin, I am going to have to wind you up there. I thank you very much for your forthright and frank submission. I am sure you will clarify in your follow-up written submission to us the issue that Senator Barnett has asked about. Thank you again for your presentation today.

Committee adjourned at 12.56 pm