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SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION REFERENCES COMMITTEE

(Subcommittee)

Reference: Pacific region seasonal contract labour

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SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION REFERENCES COMMITTEE

Wednesday, 19 April 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, Moore, Nettle, O'Brien, Payne, Polley, Robert Ray, Santoro, Sherry, Siewert, Stephens, Sterle, Stott Despoja, Trood, Watson, Webber and Wong

Senators in attendance: Senators Marshall and McEwen

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

BROWN, Associate Professor Richard Peter Coventry, Private capacity 27

DUFFY, Mr Raymond Eric, Mayor, Burnett Shire Council 13

LYON, Mr Robert Gordon, President, Australia Fiji Business Council; Immediate Past President, Australia Pacific Islands Business Council; Vice President, Australia Papua New Guinea Business Council 37

PANITZ, Mr Mark, Chief Advocate, Growcom 2

YOURN, Mr Francis Alric, Executive Director, Australia Papua New Guinea Business Council, Australia Fiji Business Council, Australia Pacific Islands Business Council 37

Subcommittee met at 9.03 am

CHAIR (Senator Marshall)—I declare open this public hearing of the inquiry into Pacific region seasonal contract labour. On 7 December 2005 the Senate referred to this committee an inquiry into the need for new measures to meet the seasonal 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.

This Senate inquiry will examine whether a seasonal work program can meet labour shortages in rural areas and at the same time advance the economic development of South 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 has visited the Murray River centres of Renmark, Mildura and Robinvale as well as Shepparton. Today's proceedings are set down on the program issued. The committee will report by 17 August this year.

PANITZ, Mr Mark, Chief Advocate, Growcom

CHAIR—Welcome. I remind all witnesses that these are public proceedings. At the committee's discretion, evidence may be given in camera if this procedure is requested. Witnesses are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage 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 the committee. Do you have any comments to make on the capacity in which you appear?

Mr Panitz—My role as chief advocate involves dealing with government policy related issues, and obviously this is one of those.

CHAIR—Thank you for your submission. Do you have any changes or additions you would like to make before we proceed?

Mr Panitz—No, thank you.

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

Mr Panitz—Growcom is an industry organisation representing fruit and vegetable growers, principally in Queensland. The Queensland horticultural industry is made up of about 3,500 farming enterprises along the length and breadth of the state. The value to the economy is about $1.5 billion. Most of those fruit and vegetable products are consumed domestically, and they go particularly to the major interstate markets. We have some significant export markets for some of our products, and that is an area of growth into the future.

There have been claims of labour shortages in our industry for the last 10 or so years, and we see this Senate inquiry as a great opportunity to explore the issues about the opportunities of guest labour. Labour shortages can manifest themselves in a number of ways in our industry, and those have been outlined in our submission. The demand for labour in our industry is particularly because of the seasonal nature of our work. It is not full-time work all the time, so there is a need for large numbers of experienced workers in different areas throughout the state, based on planting, harvesting and packing times in the different regions and for the different crops. As a result of the consultation and the work we did in preparing our submission for this Senate review, we are recommending that a pilot program be conducted with some of the South Pacific nations to further test the benefits of such a scheme.

CHAIR—Thank you. I ask you to clarify a number of points. On page 4 of your submission you say:

… the following employee perceptions contributed to labour shortages:

- Low wage rates;

- Low security of employment;

- Poor image;
- Lack of career paths;
- Tough work conditions;
- Physically demanding;
- Location;
- Poor recognition of skills development; and
- The hours of work.

But all that is true, isn't it?

Mr Panitz—Most of it is true. They are the perceptions that exist amongst some of our employers. They recognise there are some limitations to the working environment in which they are providing opportunities. Some of those are also reflected in employees' views.

CHAIR—These are not perceptions; they are the facts of the industry. That is one of the issues we are looking at generally: how do we overcome some of those issues? Is there a recognition that those issues are more than perceptions—they are the facts of the industry? How can we address some of them to take some pressure off the labour shortages?

Mr Panitz—That is correct: they are an accurate reflection of different issues in our industry, and I think that some work can be done on each of those to try and boost the attractiveness of working in our industry.

CHAIR—Does your organisation have any strategies to accommodate some of those issues or to make the industry more attractive to obtain internal labour sources?

Mr Panitz—We have done a number of analyses of the current situation. A potential solution is the guest labour option, but a number of other solutions may be around. Some of them relate to those things. One of the difficult issues for our industry is that in the marketplace it is a price taker, so that with any increase in wages, which is a significant part of the overall cost of the business, the producers do not have the ability to pass that on automatically to the marketplace. That is a real limiting factor in our industry.

CHAIR—I want to ask you more about that. Under section 6 of your submission, on page 12, you say:

Several issues or concerns regarding the scheme to import seasonal workers from the Pacific Islands were also identified. These issues included—

and the second dot point says—

- ***Decrease in market prices***—some expressed concerns that although labour shortages are prominent in the industry, an increase in labour supply would increase productively resulting in market saturation and a further decrease in market prices.

You are joking, aren't you?

Mr Panitz—That is the view of a couple of producers who were surveyed during the consultation phase. We need to recognise that the nature of the industry is that it is very production driven and most of the time we are in full-capacity or overproduction mode, so any additional production has the impact of decreasing prices returned to producers. So there is a fine balance in meeting supply and demand.

CHAIR—So what do people want then?

Mr Panitz—Differing views came back, as reflected in the survey. We feel that the use of guest labour needs to be done on a trial basis and it is not the one-stop fix, if you like, for labour related issues in our industry, although it is one important part that can be looked at.

CHAIR—You talked earlier about the inability to pass on savings to the consumer. Can you explain that further?

Mr Panitz—When a producer grows and harvests their product, they have the opportunity to sell that through a couple of means. The majority of fresh fruit and vegetables in Australia are marketed through the two major retail chains, Coles and Woolworths, and they have a significant amount of market power in terms of quantity and the demand from consumers. So a grower cannot automatically increase their price by 10c a kilo or 50c a kilo because that grower's costs have increased; the price is usually set by the supply and demand forces of the marketplace.

CHAIR—What about the reverse, though? Again, let me emphasise that we are not talking about displacing internal labour sources. Given your submission talks about the high reliance on the backpacker workforce, if a guest worker scheme were to displace some of that and give you more reliability and, ultimately—given the reduction then in the need to constantly retrain, re-induct and reprocess employment—a more cost-effective workforce, would you able to pass on those savings to the consumer, if there were savings there? I am making that assumption.

Mr Panitz—There would certainly be more efficiency and consistency if there were a more reliable, well-trained and work-ready group of people employed in our industry, so that could have the effect of decreasing the farmers' overall operating costs, and there would be the opportunity to pass that down the chain.

CHAIR—Is that real, though, or would you expect the two main buyers to just grab that anyway?

Mr Panitz—That is where I was going—

CHAIR—I do not want to put words in your mouth, but you can be quite frank with us.

Mr Panitz—in terms of the market ticket. The price that you see, say, in the supermarket—the $2.99 or $3.99 price ticket—does not always reflect the returns to the growers. That is the nature of the marketplace in which we are working.

CHAIR—That is an issue we have been seeing throughout this inquiry in terms of the domestic market. But many of the submissions have come from people who primarily serve export markets, where they seem to have much more ability to determine their own prices—and the prices overseas seem to be better for premium crops. Your members and the people you surveyed: are they primarily exporters or domestic suppliers?

Mr Panitz—They are primarily domestic suppliers. About 85 per cent of our production is focused on the domestic market and 15 to 20 per cent on export markets. However, we need to recognise that we are in a relatively free-trading environment, so we need to be internationally competitive in both the domestic and overseas markets. Because wages are a significant cost of production, the balance between that and our international competitiveness is very tight.

CHAIR—What would be the potential for wages in the industry if there were such a scheme in place? Would you see that as putting downward pressure on wages?

Mr Panitz—No, I do not see guest labour as putting downward pressure on the cost of labour. I see it as being more about the consistency, the reliability and the work-readiness. A lot of producers talk about the productiveness of their labour force, so they see it as a real positive to have work-ready workers there doing the job, picking crops efficiently; that helps the farm business.

CHAIR—One more question on your submission, and then I want to talk about how such a scheme might work from your point of view. You say:

The majority of growers supported the scheme to import seasonal workers from the Pacific Islands.

You also identify some of the reasons for that. I am just wondering how many did and how many did not support it.

Mr Panitz—It was not a survey where we counted that—for example, 20 people in favour, 15 people opposed. It was more of an attitudinal survey, what their views were. But the majority did say that the whole issue was worth investigating further by having a trial.

CHAIR—Because one of the issues confronting the committee will be how such a scheme, such as a pilot potentially leading to a more regular scheme, will be received by the public. And, of course, there will be emotive issues presented to the government of the day, including that this is simply usurping the ability of Australians to work in Australia in Australian jobs. So I was just wondering whether any of those issues were flowing through in the survey. And if you could just talk a little more about the actual needs. We have talked about some of the views, again attitudinal, that there is a generalised problem with getting labour. If you could be more specific—I do not know if you can—about how many growers, for instance, actually failed to meet their labour needs this season, last season et cetera.

Mr Panitz—There is no empirical data on that, so I would not be able to say that X number of growers were short of labour last season. But, as I have said before, there is a general thread through the industry because this issue of labour shortages has come up from time to time over about the last 10 years, and a number of strategies have been employed to help with that—for

example, Harvest Trail, which was about getting a better matching of supply and demand in the different seasonal harvest areas around the country.

CHAIR—All right. Let us say we ran a pilot in this area and let us say it involved 100 or so people at one time. Although these are other problems which we need to address—and I will not ask you to address this side of it—you might have a view on how people are selected and their country of origin. Feel free to discuss that if you do. Assuming they are here, they will not be coming with any infrastructure: they will not be bringing pots and pans, they will not be bringing beds or other furniture. So they will have to have accommodated. They will have to be housed appropriately. They will need some sort of basic infrastructure in order to look after themselves, some social infrastructure. How would you see that being managed in Queensland or in the areas that you are looking at? And do you think some of the larger employers, who probably have most to gain in some of these areas, might contribute to those things?

Mr Panitz—You have touched on some pretty important issues there. I was working through how a trial might operate on the basis that it is important that a community or a growing region is self-selected. There is no use forcing a trial on a group of people or individuals who do not want that to occur. So there would have to be a critical mass of farming businesses who want to trial a scheme, and I think the community in which they operate in would also need to be willing to trial a scheme. I would imagine that it would be a three-month trial, which is a relatively long period of time that would meet harvest needs. I had not made any decisions or had any thoughts about selecting the country from which persons would come. The communities or regions selected would have to have some basic infrastructure in terms of accommodation facilities. They could be another version of backpacker hostel or caravan park, which a lot of the harvest labour currently stay in.

CHAIR—In our visits we have been to some regions that are very supportive of having such a scheme, but when you look around you see there is simply no infrastructure to accommodate the sorts of numbers they need or would like to have. People who are being brought over specifically to work will obviously be working long hours, and it is very hard work. It is a bit of a different situation from backpackers who are making that decision as part of a holiday and who probably have some very basic infrastructure surrounding them. They make that choice to live in those circumstances. That is probably not an acceptable level when we are talking about bringing people over to work full time in that sort of work. I am not quite sure what my question is here. I guess I am flagging that we have not seen any readily available infrastructure, so we asked some of the larger growers during our visits whether they would be prepared to assist with that. It would mean providing or organising proper accommodation and proper services to assist people with their cooking and laundering arrangements, because all that needs to go with it. Do you think some of your members would be prepared to contribute financially to such a scheme?

Mr Panitz—Some of them may, but it would be difficult for them to make a significant capital infrastructure investment decision just for a trial process. The other point that needs to be taken into account is that a lot of the existing infrastructure for accommodation services has been provided by nonfarmers. For example, businesspeople developed the backpacker hostel, which is a separate business. They have also acted almost as a de facto labour exchange for people. They have provided bus services to take workers to the farms and those sorts of things, so there is another sector apart from the farming sector that has shown a willingness to invest in this area in the past.

CHAIR—In section 5, page 6 of your submission you talk about the five employee classifications, and you list them there. But in fact there is another one, isn't there? There is the illegal worker classification, for want of a better description. Can you tell us what your view is on the level of illegal workers in this industry at the present time, and whether such a scheme may assist in a diminution in numbers? Or are they so far below the radar that the number will remain constant? We are looking at the consequences of such a scheme, and if a consequence were a reduction in the use of illegal workers that would be seen as a positive. If there were no change, that might be seen either as a positive or as a negative. Certainly we do not want to displace Australian workers, and we certainly do not want to displace backpacker labour, because that is a good economic stream and is needed in a lot of regional centres. I just want to get a feel for how that is made up.

Mr Panitz—I have not seen any data on illegal workers which says that there are X number around. You hear of the occasional Immigration raid on a property in the horticultural industry, or sometimes it can be in the tourism or hospitality industries. I would imagine that the numbers of illegal workers would be quite small in terms of the total capacity. If the number of illegal workers is very small, I do not see the guest labour scheme having a significant impact. My personal view is that there are a certain number of people in the community who will break the law; that is just the way they are.

Senator McEWEN—Mr Panitz, thank you for coming along and talking to us. You mentioned in your submission and also today that, while the majority of produce is for the domestic market, some 15 per cent to 20 per cent is for the export market and that there is potential for growth. Would you elaborate on what sorts of crops and the time frames. In particular, are labour shortages holding back the development of those export markets?

Mr Panitz—The major export market is basically in Asia—that is, Japan, Hong Kong, China, Singapore and Malaysia. The major crops in the export market are mandarins, mangoes and a range of vegetables. Of those, mangoes and mandarins would be significant crops in their potential for growth. There is now formal access for mangoes and mandarins to the Chinese market, so there is enormous potential to grow that market. There is potential for growth in the vegetable export market as well, as long as we are internationally competitive. Relating this to labour, I think the issue is having the consistency and reliability in our labour force in order to make our industries internationally competitive to meet those market demands.

Senator McEWEN—What regions of Queensland would benefit if there were an improvement in the export market?

Mr Panitz—I will need to give you a short geography lesson. Production in Queensland goes from the Queensland-New South Wales border in the Stanthorpe area, which grows apples, grapes and stone fruit, right through to the northern areas inland from Cairns, which grow tropical fruits and mangoes. There are probably a dozen major production regions in Queensland. Starting from North Queensland, there is the Atherton Tableland, which is a significant mango-producing area, and mangoes are one of the major export crops. In the wet tropics at Innisfail and Tully there are bananas, pawpaws and tropical fruits. Some of the tropical fruits have export potential. Further south, the Burdekin and Bowen regions are mainly vegetable- and mango-producing areas, so there is export potential there. Moving to Emerald, apart from the citrus canker disaster that occurred there, there is significant potential for

rebuilding that industry principally on export opportunities, and there is also a significant grape industry. Bundaberg is a major vegetable- and mango-growing area, so there is export potential there. Moving further down and closer to Brisbane, the Sunshine Coast hinterland is a major fruit production area, but there is probably less export potential in that region. Then there are the Lockyer and Fassifern Valleys, which are major vegetable production areas which have export potential. Travelling further south to Stanthorpe we find apples, grapes, stone fruit and vegetables, and there is some export potential there. And lastly, travelling further west, out towards St George there is a grape industry that has some export potential.

Senator McEWEN—Okay. Some of those regions are also areas where there are significant mining developments. Is that right? Your submission talks a bit about how people, Australian workers in particular, are taking up jobs in the mines and that is contributing to the labour shortages in the horticultural industry.

Mr Panitz—An example of that is the Emerald district. That is quite close to the central Queensland minefields. There is a significant draw of labour away from those family enterprises to the mining operations. The lure of employment in the mining industry is not just based on the region. Workers go from, say, Tully, in North Queensland to the mining sector, or even to south-east Queensland. They are either drawn to the mining sector or drawn to the building sector, which is still booming in south-east Queensland.

Senator McEWEN—You mention in your submission at page 12 some potential amendments to the Harvest Trail scheme that might be made. One of the things the committee is going to have to address is whether or not the alleged labour shortages in the horticultural industry throughout Australia can be improved by improvements to the Harvest Trail scheme. Can you give us an overview of how many growers in Queensland use it successfully? I think you also mention something about a pilot scheme to bring down Indigenous workers from Cape York to work in horticulture. Do you have any views or information from your members about that?

Mr Panitz—In relation to the Harvest Trail, it is not very well known in Queensland. There is activity there but it is not as well known as it could be. We believe there is a greater need for more of a regional presence of the Harvest Trail within Queensland to more closely match supply and demand in the labour market. There is potential for improvement there. The second part of your question about the potential for using Indigenous employees is an issue that is mentioned in the submission, but we have not done any major work in that area to date.

Senator McEWEN—You do not know any more about the project that you refer to on page 9 of your submission—Indigenous workers from Cape York going to Victoria and South Australia? I suppose we should ask Victoria and South Australia.

Mr Panitz—When we did the research for the submission we found that that had occurred but we have not done any more investigation into that.

Senator McEWEN—Also in your submission you mention that in addition to needing people to harvest or otherwise work with the fruit directly there are shortages of skilled labour, in particular truck drivers, heavy machinery drivers and similar skills like that. Do you have a sense of how big that skills shortage is?

Mr Panitz—The shortage in tradespeople and people with certain machinery tickets, et cetera, is where a lot of the drain to mining is occurring. In terms of quantity of people, it would be relatively small but pretty critical to a farming business. We do not have any hard data on how many people that includes.

Senator McEWEN—Do you know whether any of your members use the existing skilled migration visas to fill those sorts of occupational gaps?

Mr Panitz—There are people looking at that more and more in terms of (a) being aware of it and (b) going through the process of identifying what skills they need and matching that to what is allowed in the skilled migration program and trying to get something happening. We have found that there needs to be a lot more awareness and education in linking our people with the opportunities that may arise there.

Senator McEWEN—You do not know what nations they are looking at to bring in that kind of skilled migration?

Mr Panitz—Not at this stage, no.

Senator McEWEN—In your submission at page 10 you mention that numerous growers have reported increasing reliance on and utilisation of contract workers. Your submission indicates that growers are generally positive about the use of contract workers. Can you give us more information about how that works here in Queensland? Are there agents established in that field? Where do they source the contract workers? What nationalities are they? How long do they stay for? That sort of information might give us some assistance with the guest worker program.

Mr Panitz—There are two issues there when we use those words 'contract workers'. Firstly, under the award conditions in Queensland people can work on piecework as long as the income they earn is greater than the minimum award. They are on piecework and sometimes people refer to them as 'contract workers'. Secondly, there are labour hire firms that actually contract a gang of workers. The benefit of that to a grower is that they do not have to worry about filling out all the employment forms with the tax file numbers, et cetera. It cuts out all that paperwork. They just get a gang of 20 or 30 workers on their farm ready to work when they need the harvesting done. That is of huge benefit to growers.

Senator McEWEN—How is that organised? Are there agents or contractors? Who are they?

Mr Panitz—There are a number of individual businesspeople who run those businesses in different regions around the state.

Senator McEWEN—Do you know where they source the labour? If there is a shortage of labour, where do they get the contract labour?

Mr Panitz—Some of them organise backpacker labour; some of them organise some itinerant type labour. I have heard that some of them access student labour as well. There seems to be a mix of sources occurring.

Senator McEWEN—In terms of the proposed guest labour scheme, can you give us an indication of what kind of wage workers from, for example, a Pacific island nation could earn in Queensland?

Mr Panitz—Certainly, it would have to be above the minimum award rate. I would think that if the scheme was going to be successful they would probably more likely move from a weekly wage rate to a piece rate. If they were efficient and productive at doing that then they could earn well above the award.

Senator McEWEN—How much in dollar terms do you think that would be? We need to work out whether it is going to be worthwhile for people to come from those Pacific island nations, particularly if they are going to have to part fund, possibly, getting here, accommodation, et cetera. We need to have a sense of how much they may be able to repatriate.

Mr Panitz—I hear numbers like $1,000 a week for good pieceworkers who are currently in the industry.

Senator McEWEN—What would that be for—picking pineapples, table grapes? What?

Mr Panitz—It could be picking mangoes or citrus or it could be in packing arrangements. Those levels of wages are available to good pieceworkers.

Senator McEWEN—A good pieceworker would presumably be someone with considerable experience? You are not going to start up earning $1,000 a week.

Mr Panitz—No. One of the issues with bringing workers from Pacific countries is that there would probably be a need for a training period—whatever that is—to bring them up to the skill level. There are also the issues of whether they like the work and whether they have an innate ability to do it. Not everyone has the capacity. There was discussion amongst some growers that maybe the Pacific nations are not the right nations because a lot of them do not have well established horticultural industries. Perhaps there is an opportunity to get labour sourced from other countries that do have well established horticultural industries and the labour is already aware, trained, skilled, et cetera.

Senator McEWEN—What other nations?

Mr Panitz—The Philippines and China have been mentioned in the discussions.

Senator McEWEN—One of the comments that the government has made in relation to the proposed guest worker scheme and using seasonal workers from the Pacific Islands is that the industry still has not demonstrated a need for this additional labour. There seems to be little empirical evidence to say that because there is not enough labour Australia is missing out on these opportunities, whether it is for export, for the domestic market or for increasing growth in the kinds of fruits and vegetables that are grown et cetera. There seems to be this nebulous idea that there is a labour shortage, but nobody can pin it down in terms of the economic disadvantage to the country. What is your comment about that?

Mr Panitz—I would agree that there appears to be a lack of hard numerical data that says that there are X number of people missing out of the labour force and that that has resulted in a loss of so many million dollars. I think a study like that would be of great advantage to building the case. However, I do not think it would alter the view of industry that there is a labour shortage.

CHAIR—I guess this is one of the difficult issues for the committee. Senator McEwen is absolutely right: when we press every witness, no-one can actually pinpoint an example of where there has been a loss as a result of a labour shortage. It has been inconvenient from time to time. They have not got all the labour exactly when they wanted it, but everyone has been able to get their crops in, and crops that have been lost have been lost for other reasons. Probably your submission is the first one that tries to give us an example. It does not actually give us any of the detail. You say: 'One grower specifically demonstrated a loss of $100,000 in 2005,' and you talk about why that loss happened, without the detail. Given that you say that 'one grower specifically demonstrated', I am wondering whether or not we would be able to have some of the details of that case and whether or not you have any other specific details. That is something you can take on notice. If that were going to be presented it would need to be presented as evidence to the committee. I am not casting aspersions on anybody, but the grower would have to expect the veracity of the claim to be tested if they were going to make such a claim.

Mr Panitz—I will have to take that on notice.

Senator McEWEN—I have one last question and it is about backpackers. On page 8 of your submission you say:

A large proportion of growers ... rely on working holiday makers or backpackers ...

Do you know how many participants in the horticulture industry do rely on backpackers? Can you quantify that a bit better, possibly? One of the problems we have to deal with is that people will say, 'There are plenty of backpackers.'

Mr Panitz—I cannot give you empirical data. My view would be that the majority of large producers would use an amount of backpacker labour. That is principally because a lot of the horticulture production regions in Queensland are along the eastern seaboard and that is part of the backpacker trail going up through Queensland to the Great Barrier Reef. It would it would be fair to say that the majority would use them to some extent. However, our growers and their businesses are not a homogeneous mass of people. As has been reported, some find using backpackers a really good way of getting labour. Others find it difficult because there are language barriers and training issues and that sort of stuff.

Senator McEWEN—There are plenty of backpackers here in Queensland, obviously. Did any of the survey responses that you got from your members go to the issue of what will happen if there is another September 11 or some kind of international disease incident that means people stop travelling?

Mr Panitz—That issue did not get canvassed during the survey at all, and I do not know whether there was any negative impact after September 11, for example, either. So I could not really add any significant information there.

CHAIR—I want to touch on potential growth in the industry. I must say, during the inquiry so far some of the massive expansion of this industry in the Sunraysia area has surprised me somewhat. What has surprised me is probably the small amount of workforce planning that has gone into that. There are huge areas now under planting and huge investments being made but not a lot being done about coping with the increased need. I am wondering what the situation is in Queensland, because I note in your submission that a number respondents to the survey said, 'If we can't fix up the labour problems, I'll potentially get out of the industry.' But what about the expansion of the industry right now? Are you aware of what sort of workforce planning is being put in place by large investors, and are there lots of areas being put under planting? If there are, what sort of workforce planning is going into that?

Mr Panitz—It would be fair to say, as a broad generalisation, that industry has not invested a lot in workforce planning, and I think some of the things we are seeing now may be a part of that. The issues of international competitiveness and the cost and availability of labour, being such an important chunk of farm business, have been highlighted as issues that require further investment. I am not aware that workforce planning has been a major part of the expansion that has been done, particularly where it has been done by people who are not already in the industry. For those people who are already in the industry, the expansion is usually gradual. They gradually get bigger, whereas with some of, say, the corporate investors, I do not think they have thought it through at all at this stage.

CHAIR—I apologise if this is already in your submission, but can you give us a feel for the sort of expansion that is happening in Queensland, where we will be in five and 10 years time and whether anyone has put a figure on the increased worker need over that period of time.

Mr Panitz—I would probably have to take that on notice. There is some data around that expects horticulture in Queensland to grow over the next five to 10 years. I could not give you that figure right now, but as a general rule the horticulture industry in Queensland has grown three or four per cent a year. So there has been a gradual increase. However, that will plateau a bit this year and potentially next year because of the damage done by Cyclone Larry in North Queensland, which has basically wiped out the banana industry, which is a very large employer and worth about $300 million or $350 million. Also, the citrus industry in Emerald has basically been bulldozed because of citrus canker outbreaks. So those two events will put a bit of a plateau on some of the growth, in this year particularly.

CHAIR—Any information you could provide to the committee along those lines would be very useful, because it may well be that such a scheme is not there to address the current need but may need to be put in place to address a future need, in which case it is still a worthwhile activity for the committee to explore. Mr Panitz, unless you have anything else to say, I think we have exhausted our questions. Thank you very much for your submission and your presentation to us today.

Proceedings suspended from 9.49 am to 9.58 am

DUFFY, Mr Raymond Eric, Mayor, Burnett Shire Council

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

Mr Duffy—I am lucky enough to be mayor of the greatest shire in the greatest state in the greatest country in the world, which happens to be Burnett Shire. The shire is the largest producer of horticultural fruit and vegies in Australia in a condensed area. My growers are there. I am a retired farmer. I know the industry well, I know the problems well and I certainly know my community exceptionally well.

CHAIR—Given those claims you made about Queensland and your shire, I remind you that you are required to give true and accurate evidence to the committee at all times. I would ask you to keep that in mind! The committee prefers all evidence to be given in public. It will consider any request for all or part of evidence to be given in camera. Thank you for appearing before us today. I invite you to make an opening statement before we proceed to questions.

Mr Duffy—I thank you very much for the opportunity. I appreciate being able to sit down and listen. I say that everything is there for the world to listen to. That is why we are here. Everything I did say in my opening address is provable. It is the second most favourable climate in the world and the gateway to the Great Barrier Reef. What more can I say? We have no box jellyfish. We have no crocodiles. We are absolutely supreme. You are going to visit on Thursday, so you will be able to find out for yourself. Thanks very much for the opportunity. I wrote a very brief submission. As mayor, I see a lot of the submissions that are put to us. Therefore I know jolly well that if I could have fit it on one page it would have been better because at least you would have read it and taken it in very succinctly. I will just expand on what I have written in the submission, if that is okay.

The Burnett region, as I said before, is a major economic driver in our area. We have just had a new dam built onto Burnett River, which is going to give a guaranteed supply of water, as a backup to the Fred Haigh Dam, which has kept us going for the last 20 years. This is going to quadruple the security of water, not only for the dry times but to ensure availability. Vegetables, like anything, need two things: good climate and water. You do not even have to have good dirt to stand them up in. Nowadays you can grow them in bits of plastic pipe. There are lots of ways. But you have got to have water, it has got to be reliable, and you have got to have good climate. Now our region has both. It is secure and it is there.

The labour shortage is an experience that shows that unfortunately farmers are not planners. We are workers. We have strong backs and weak heads. So you plough 30 acres of cane and think, 'By gee, I've cut that early. Cane's down a bit. I might whack in 30 acres of melons.' The last thing you think about is how you are going to pick the damn things, because you have not even got a grain yet. You do not know if you are going to get a good crop or if you are going to get hail on the jolly things and then not have a melon left. You might have 1,000 tonnes in the paddocks but the next day have nothing. The last thing you think about, as a farmer, is how in the heck you are going to harvest a crop. But, with the water potential there now, you will find that there will not be fallows. Because of the water shortage, people have turned to looking at

peanuts and grain production because they can be mechanically harvested. More and more people, as was interesting before, are saying: 'How can we pick our product mechanically? It is much more reliable than trying to find Joe Blow.' That is just a fact of life.

The wages paid in the horticulture industry are under $15 per hour. So it is very low pay. Yet the conditions are not the best. Again, it is fantastic that you guys are actually going out into the paddocks and looking for yourself. Hopefully they will not stick a hat and some sunscreen on you and say, 'Start picking here.' We are finding nowadays that a lot of our workers, whether they are from Japan, Korea or Europe—especially the Europeans—can start at six o'clock but have to go home at nine o'clock because they cannot tolerate the heat and the humidity. Therefore the opportunities to get product off are not substantial.

One of the questions you asked before was, 'Can you give us examples of crops left on the field?' Yes, every day, every farm. You will see it on Thursday. It is because of the inability. You cannot harvest the fruit at the optimum time because the optimum time for a lot of fruit is one day. So a zucchini in the morning might be the right size and have to be picked, and the next day it will be bigger and the market price will halve. So it is harvesting fruit and vegetables for you guys who walk into the supermarket wanting very high quality, wanting it fresh and wanting it for nothing. Otherwise you will pick up the oranges grown somewhere else.

CHAIR—The buyers want it for nothing. We are happy to pay a dollar or two.

Mr Duffy—The end user is the driver—mum and dad in the supermarket. We are all driven the same way. It is really interesting. My better half puts the TV on of a morning and watches Channel 7—the good morning show, or whatever it is called. They did a bit of a drive on buy Australian, particularly bananas after the devastation. It was really interesting to watch the people and their choice between imported bananas and Australian bananas. While it was being plugged like mad by that studio, people were buying the Australian product. As soon as it stopped, so did they.

I am jumping ahead of myself here. But I am speaking as a grower and I will speak at this opportunity. We have to compete as a free trade country. We can get any product dumped on us. Look at the fruit that comes out of China at times. Look at the oranges that come out of Florida from time to time. We talked about the fruit industry before. It can be dumped here but we are not allowed—we are forbidden—to find workers on an international scale. You say, 'But you're going to exploit them.' Exploit them? The young man talked about the Philippines before. One dollar is about 40 bard. You can hire a tradesman, a bricklayer, for 300 bard per week. Fifteen dollars is 600 bard—per hour—so one hour at 15 bucks is two weeks pay for that man. Can you imagine how he would jump at the opportunity to come out here? He can tolerate the heat, he can tolerate the conditions. They work like the proverbial you-know-what, and yet you are forbidden to grab them. It is unfair and it is un-Australian.

The conditions for fruit picking and vegetable harvesting by hand are very substandard to most people because they are in the natural conditions: there is no airconditioning and they are exposed to the elements. They are long, repetitive hours. I do not know if you guys have ever done it. I did. I cut cane by hand. I have picked grapes and picked pears—I have done all of that. I have chased bulls and caught cattle. I was not born in the position I am now in today, with what

I have accumulated on my tour through life. I have worked bloody hard—long hours, putting up with rotten conditions.

When I went to Victoria with my brother-in-law to pick grapes on a farm, we had to chase the chooks up one end of the pen, pull the netting across, dig all the manure off the top of the stove, shake out the old ex-army beds and pull the old fibre mattresses out of the roof. Those were our conditions. That is how we lived. And we were damned glad. We were making nearly 40 bucks a day when wages were $38 a week. And we were glad. I was saving up. I had to buy farm. No-one was going to give me a farm. How could I do it? By working hard, living where I could and enjoying my life.

I think people should be given that opportunity. We are in positions today of incredible salaries. When I see what kids take home today because of their positions I cannot believe it. But do not forget that other people are happy about that. I heard you talking about backpacking conditions. Make sure you go and have a look at the backpackers when you are in Bundaberg. Please go and have a look. But also make sure you go to these other countries. I say that you must be sent to these other countries where we can source labour opportunities. Please go and see where the working man lives. I beg you. I beg the government to ensure that you are given that opportunity. Look at the standards of their living conditions, where they are today and what their take-home pay is, and then look at the backpacker accommodation or on-farm accommodation. It is a five-star Ritz by comparison. They will live like kings and they will be absolutely ecstatic about the opportunity.

I think the social security system certainly has a major bearing on our access to the workforce. I think it is great. I did not work my guts out all my life, paying my taxes, to see my grandkids not have some sort of support mechanism. But, as I said, in the early sixties, swinging a cane knife was the hardest work on the planet—cutting cane and loading it by hand.

We did not go on the dole. There is plenty of checking you can do on this. Workers jumped in their cars with six at a time in a vehicle—always at least four—and off you would go down to Mildura, Birdwood, Shepparton and Echuca, all those places. You would pick fruit and work in the canneries. Check the records. I do not even know if the dole was in existence—I honestly do not know, as I have never been on it. But, if it was, it must not have been much, because everybody went down there. Everybody did it.

I believe that there are two ways we have to go. I believe there has to be a tax incentive for people in these industries. It could be a lifting of the tax-free threshold because you work in an industry that is acknowledged as being subject to the elements et cetera. Then there are people like single mums. There is a lady up our way who is an unbelievable worker but she will not work in the industry anymore. She might get six weeks work, because that is fruit-picking time. She could probably work 15 hours a day. The trouble is that once you have worked 23 days straight, on the 24th day you have to notify social security. Is that right? Then they have to go six weeks without any pay. I cannot give you the exact figures—I am sorry about that—but I am sure with your contacts you will be able to get that exact data. That has to be looked out.

If you are growing a crop of zucchinis you have a ten-week period of harvest. That is it from start to finish. That has to be looked at, so that they can bulk up their income and then spread it over the whole year. That is an opportunity. Just because you are an engineer, 40 years old and

fit as a mallee bull, you will not go picking tomatoes because it is the only job available this week? Get out of here. Go and do your work! Do not give this choice. If you are offered a job take the jolly thing.

I see the issue with contract labour is the unpredictability. There were 30 acres of melons with probably eight to 10 tonnes per acre. The price was 340 bucks a tonne. It was magic. It was like Lotto. We had a hailstorm that night and then the next day had nothing—not a thing. Last year up in Baffle Creek there were probably 150 acres of melons ready for picking. They were to start the next day and the same thing happened. It was the same with the macadamia crop. All of that data is available when you are in Bundaberg. They were just wiped out. So you expect to get 50 to 80 people to work eight or nine hours a day to harvest a crop over a two- or three-week period. With melons you have to start picking them just before they are ripe because they ripen every day. You have to start picking them greener. You know when you go to the markets and you see some melons with a lot more white flesh on them than others? It is because the farmers have to start picking them before they are ready otherwise they cannot pick the whole lot in one day. That is how simple it is. It is that unpredictability.

We have had melons in the paddock before which would go for $150 or $180 a tonne. The next day the market drops out because another area comes in or whatever and the price drops down to 60 bucks a tonne. You say, 'Don't worry; we'll start running the offsets.' So from needing two busloads of pickers one morning you then have to ring up the next day and say, 'Don't bring them today.'

You were talking before—and I put it in my submission—about the onerous paperwork. You talked about the contract labour people. There is a company called Grunt in our area. The beauty of them is to do with this ridiculous paperwork you have to do. Every time you employ people, especially backpackers or seasonal workers, the paperwork is ridiculous. That is why more and more cockies just go straight to a company like Grunt. You ring up and say, 'I want six blokes on Thursday morning,' or 'I want 28 blokes tomorrow.' They organise the work over a big part of the area. The backpackers register online.

Probably between 60 per cent and 80 per cent of all workers who pick fruit in the Bundaberg region are backpackers. That is how reliant we are on the labour market. But companies such as Grunt take the paperwork out of it. You just pay them; they do all the paperwork and everything else. With respect to the paperwork that will be required by the bureaucracy—and I am involved in bureaucracy and so are you guys; it does not matter what you want, you have to cut down, and you talk about protecting our forests—the bureaucracy would be a heck of an issue. With seasonal contract labour, the paperwork would be endless, it would be fruitless and it would be downright inconvenient, to say the least. That is my opinion; I see it all the time. It opens the door for graft, misconduct and possible exploitation of workers. I have seen it before. I have been lucky in that I travel a lot overseas and I have travelled through all the countries I have talked about before where we have exported product to. Policing of these arrangements and the repercussions of persons overstaying or displacement will, in my opinion, again be quite horrendous.

With respect to the requirement to put in place a support network—I heard you, Senator Marshall, talk before about a support network, and I was quite impressed by your being aware of that—for contract workers to deal with issues such as their medical circumstances, we are in

enough strife in Queensland with our medical services as it is. That is another issue. Also, there is the cultural side of the medications, the social and language issues, just to name a few.

These arrangements would require financial backing from both the federal and the state governments. I believe if you are going to be specific to an area, you would need to have specific financial support mechanisms of the two governments in place. I do not think it could be left to only an individual farming industry or an individual farmer. I do not think it could be done. I believe if farmers are allowed to source contract labour from anywhere they wanted then I believe they could do it very easily. Nine times out of 10 they would do it because of their own cultural background. If they wanted to employ Maltese—there are a lot of Maltese in my area—they would get families from Malta to work for them. Likewise, sourcing people from the Philippines because you have exported product there or have family there et cetera. I believe that could be done.

Europe is an example of contract labour. One has only to look at the racial issues, the community isolation and the rights of existing workers and migrant workers when assessing the possible impacts and conflicts. Germany is the best example, when they pulled down the wall between the East and the west, but also prior to the wall coming down, the Serbs and the White Russians. That is a great example and there is a lot of data available there.

The major issue I see is the quarantine issue, and this can be demonstrated by orange canker in Emerald, the banana issue in North Queensland and the smut disease in sugar cane in Western Australia. All these were imported. Workers from the Pacific Islands tend to bring their own traditional food and often it is in its raw state. That is a reality and policing such an issue would again be a horrendous concern in itself for quarantine and Customs officials. You see it all the time. It is a fairly substantive issue that needs to be addressed. The problem we have—and I started with this before—is that our city customers demand perfect fruit, cheap prices and in season all year round. That is the reality.

The economic effects on the Pacific nations, I believe, would be a major benefit as these seasonal workers would tend to accumulate earnings and send them or would take home the majority of their accumulated pay—I can see that as being a real positive—whether it be for people in the Philippines, China, Indonesia, Papua or the Pacific Islands, if that is where you are pulling your labour force from. We know because of their culture and their family unity that that is what they would do—a bit like Ray Duffy when he was picking grapes down in Victoria, he hoarded every cent. He was a tight, miserable son of a sucker. I had to bring it home because I wanted to buy my first farm, and they will do the same. I can see that as a major opportunity for them, but then again it will have an impact on our own local community. This is in reverse to backpackers existing seasonal work, as they tend to spend their income at the place of earning, which has a positive economic impact on us regionally.

CHAIR—For the hotels, anyway?

Mr Duffy—It is surprising, because if you take the backpacker industry out of the tourism industry and have a look at what the impact will be on the Queensland economy, I think you will find it will be in excess of $100 million at least. The workers earn it, then they use it to visit all the tourism areas. They spend it on those things. You would be surprised. Again, I am glad you are going to Bundaberg because, as a generalisation, they earn their dough and use it in the pub.

That is not the case. They will go and have a few good times, but they are usually very careful with the dollars they earn. They come here, they know they get eight or 10 weeks, they work, they save like mad and then they use that money to visit the reef, go to Kakadu or Ayers Rock—do all the things that they want to do while they are in Australia. They do not use the money that they brought with them; they use the money they earn here. Very few take it back to where they come from. I employ a lot of backpackers; therefore, I talk to them a lot about exactly how they do it and watch what they do. It is really interesting. I encourage you to do the same. It would have a regional impact on our economy.

Whilst I support the concept of contract labour between Australia and the countries of the Pacific region in principle, to me, management and policing issues would be a major barrier to a beneficial outcome. The best outcome is either by incentive, tax-free areas or a mandatory obligation to take any kind of work if you are on social security. Alternatively, if you receive social security benefits, rights to earn extra funds over and above existing limits in the industry would have a positive social and economic outcome for the community.

I sit on a committee which has undertaken a demographic study within our region. Our region covers 22 shires from Kingaroy to Monto in the western shires and from Gympie to Seventeen Seventy on the coast. I am the only elected person who now sits on that committee. One of the issues we are going to have is the baby boomers. We all know, we have all seen the little spinning top of how retirees will explode over the next five to 10 years. A lot of those people will take their super, sell their house in Sydney and buy a house in a greater shire and retire. They are also still active to a point. A lot of them will be self-funded retirees, but self-funded retirees with an income of $30,000 to $35,000, so they are just in that bracket whereby they cannot get a lot of benefit because their income is too high. Their income is quite limiting because it is not a very good income.

I see a great opportunity there for them to take on part-time work within the horticultural or tourism industry. Certainly, by looking at and talking to people in my shire it is starting to happen already. If we are going to look for Australians to do the work, there are opportunities there within our tax system. I do not like the idea of these tax cuts that are now talked about. I do not like that idea at all. There are other ways to do it.

You talked about South Sea islanders in the Pacific—and I did touch on this before—the Burnett Shire Council is building a very close relationship with the South Sea islanders. We have had the governor out here, we have had the chiefs out here and we are going to have a 10-day meeting over there in the near future with all the chiefs of the region. That is because of what we are going to do with the Kanaka industry, the Kanaka memorial et cetera; therefore, we are already building a good association with these people.

I think if we need that we also have a very large South Sea Islander community in our area and we have the support mechanisms as far as the cultural and social part of it. That is already there. It is something that we are already working very hard on. We want to try and build a cultural exchange. There is also the education issue. Not many people really know much about the slave trade that occurred in Australia. We make the Yanks look like kindergarten people when you start finding out about the real history. It is important—we want to rekindle that knowledge and build a museum in regard to that. I think I have just about touched on everything else from my notes. I do not know how I went, but there you go. If you have some questions I can answer them.

CHAIR—Thank you. That was a very broad-reaching discussion. You have hit upon some important issues that the committee is turning its collective mind to. I just want to follow up on some of the things you said. The first issue is Australian standards. This will be an issue that we have to grapple with. You indicated that the wages are so low and the living conditions are quite poor compared to Australian standards. Please correct me if I am wrong, but I think your view was that, given that they come from such a low standard, a low standard here would be quite acceptable and better than the standard there.

Mr Duffy—I think the standards that we have here are far better than what they would expect.

CHAIR—I guess that brings us to the issue of what the standard ought to be. I guess I would come from the point of view—and I am happy to have this discussion with you—that the minimum standard that we would find acceptable for Australians must be applied, even though it may be a standard that is in excess of something that might be acceptable to somebody else. It is a different country and I think it is important to apply our standards in every instance as opposed to importing others. It is these issues which will actually generate the public concern about wage standards, accommodation standards and social standards et cetera. Maybe you could just explain a bit more about the standards.

Mr Duffy—I am more than happy to. The standards that we would expect are the standards we have there today. Why would we make them any different to the ones that people are coming to, staying in and working in today?

CHAIR—Yes, but people come and stay in the backs of their cars from time to time. People will stay in a tent. People will stay in a caravan. Some people will stay in other sorts of accommodation.

Mr Duffy—Is that wrong if that is their choice?

CHAIR—I guess it is a different situation. People who are working to supplement their holiday are in quite a different circumstance to someone who is coming out and working. You do not think so?

Mr Duffy—I think it is crazy. As I said, I was born with nothing. I was—

CHAIR—Let us not worry about what you were born with. You would happy if people were brought out and simply accommodated in tents?

Mr Duffy—I would be happy if that was their choice. Obviously, you are not aware of some of the accommodation that is in the Mundulla area—in particular, in the citrus industry. They have this special tent that has a floor in it. People go and stay in those. You should go and stay in one. They are great. I did. I went over to see what they were like. I went over and stayed for a couple of nights in one.

I do not expect them to live in any substandard condition as a must. I think there is a choice. What I want to say about myself is that I made a choice. My wife and I stayed in the back of a car so that we could save $8 a night. That was my choice. I can afford to pay today. When I travel overseas I like to experience all ranges. When I go to Ireland I stay at breweries for 500

bucks a night but I also stay at the cheapest public sector because I want to experience the choice. I believe the standard of accommodation here is at the highest possible level if that is your choice. The range or level is the same as accommodation here in Brisbane. It is your choice where you want to live. They are not getting different pay to an Australian. They can choose what level of accommodation they wish to use. They are paying that money out and they can choose that level.

I do not think we should be making special conditions for anybody else. We have conditions as set by Australians, and Australians are obviously happy with those conditions. I have not heard anybody from anywhere in Australia decry those conditions in Queensland or anywhere within the fruit picking and fruit harvesting areas, so it cannot be an issue.

CHAIR—I have heard them, but we probably do not need to go there. One of the other points you made was that when you were doing it you were making $40 per day when the average wage was $38 per week.

Mr Duffy—Yes, on contract.

CHAIR—So more than five times the rate.

Mr Duffy—Yes—and the other young man touched on that too.

CHAIR—But that is not happening now. No evidence put before the committee indicates that the wages that can be made in these industries are anywhere near five times the average rate of pay.

Mr Duffy—If you contact the mayor of the Balonne Shire Council, Robert Buchan, he will tell you about seasonal workers from the university in Queensland who come out and work on the grape pruning. They do it on contract for up to $1,000 a day. He told me that only two days ago. I know within my own area I can introduce you to a 70-odd-year-old man who only picks on contract because he can make anything between $200 and $300 a day. I only ever worked on contract; I never worked for wages.

CHAIR—When you say ‘contract’, do you mean piecework?

Mr Duffy—Yes, they pay you 20c a bucket or $150 a bin or whatever. If there is an opportunity for people to do contract work and get paid per the quantity of work, the good workers can make huge amounts of money, and that is still available in lots of areas.

CHAIR—Let us try to narrow that down. When you say ‘huge amounts of money’, are you indicating that someone can earn $1,000 a day, potentially $7,000 a week?

Mr Duffy—Yes.

CHAIR—But you talked about $200 to $300 a day too.

Mr Duffy—I think he picks tomatoes all the time and makes that sort of money. He picks per bucket and is paid per bucket. Most of the backpackers and the grunt organisations only work on

an hourly rate. A lot of the really good workers who pick cherry tomatoes are paid per punnet. The reason is that some people who work in the industry will be there for eight hours and only pick 10 punnets. You cannot do that. If you pay them per punnet then the more they pick per day the more they earn per day. If you pay contract wages in the industry, you get very good workers who concentrate on those areas and make exceptionally good money.

CHAIR—Do you know where we might be able to get some hard evidence about what wages are being paid in what industries?

Mr Duffy—Yes, I can arrange that. You are interviewing Bill Trevor on Thursday. He is the Mayor of Isis Shire Council. I will be talking to Bill later today, so I will see if he can get hold of the Bundaberg Fruit and Vegetable Growers. Are they appearing before you in Bundaberg?

CHAIR—No.

Mr Duffy—What a shame.

CHAIR—We tried to get them, but they would not come.

Mr Duffy—I will ask Bill to try to get somebody there. Would you like me to do that?

CHAIR—Yes.

Mr Duffy—I can get Bill to organise that. I know a guy in Bundaberg by the name of Tom Gorton, a very large fruit and vegetable producer in our area, who set up in Thailand because of the problems with being unable to compete with the Thailand fruit that was coming in. That guy would be very good to talk to about conditions, wages et cetera. If you wish to talk to Tom, I will try to arrange it.

CHAIR—That would be good.

Mr Duffy—I will also see if I can contact Merv Johnson. Merv is the guy in his 70s who only works contract labour. He is of South Sea Islander descent. He would be very good for you to talk to because he refuses to work for a per hour amount.

CHAIR—I am not interested in that issue. I am interested in knowing what the wages generally are. The other questions I would like to ask are about the lead-in times for picking. We are looking at a seasonal labour scheme, potentially, to assist the industry. Given what you have said, I am not sure how that in fact might be done. What are the lead-in times? You talked about a decision being made to pick whatever it is in the ground and it needs to be picked that day. What is the lead-in time to making that decision? Is it made the day before, the week before?

Mr Duffy—It does depend on the crop. Some crops are very finicky, and those lead-in times are very short. But if you plant a crop of tomatoes you can say, 'In eight weeks and four days time we're going to start picking.' They are not vine ripened; they are picked at a certain colour, and you can teach pickers in about half an hour what colour they should be.

CHAIR—One of the issues, of course, is that if people are going to come across to Australia—and there are obviously some costs involved in that—there needs to be some guarantee of work for them.

Mr Duffy—Yes.

CHAIR—Which leads me onto my next question: you indicated that you had a crop ready to be picked and then it was hailed on—

Mr Duffy—Wiped out.

CHAIR—and you said you rang up the workers and said, 'Don't come today.' Where do they then go?

Mr Duffy—That is a problem. I heard you talk about that before, with the other witness, and it is a problem. You have hit the nail on the head. I thought it was very astute. That is what I said in my opening remarks. I heard you say exactly that. That is a real issue. However, what is good in our region—

CHAIR—Astuteness is really about working out quickly that flattering politicians will get you everywhere! That is astute!

Mr Duffy—No. It is a fact of life that you have picked up on. You have no farming background, so I thought it was good that you were able to think, 'Bloody hell, hold on; if that happens'—that was good. What is good in our region is that we are such a diverse region and we grow every crop. So, while the melons got wiped out at Baffle Creek, at Calavos we still had melons to pick. We also have rockmelons, tomatoes and cherry tomatoes. We had mango on at the time. We had avocado on at the time. We had sweet potatoes that were being picked at the time. Our region is very large and very diverse, and I will make sure Bill makes sure you see the diversity of our region. So the hailstorm wiped out all of Baffle Creek, totally wiped it out, but that was it within the region. Hailstorms, as you know, usually cut a path up to three kilometres wide; three to five is the maximum. So if hail takes out an area it does not mean there will be no crop available in our region. I do not know how it would go in, say, St George; they have over 1,000 hectares of grapes out there. If something like that happened there, I do not know how it would go. But I do know that grapes can be very finicky. Any farmer can look at the fruit and say, 'Yes, in six weeks time we'll start picking,' and yet they are quite tiny, because that is their business. But, if you have a downpour of rain the week before, all of a sudden the grapes start splitting and it is a whole different issue. I do not know. I wish I could give you the answer to that. But all I know is that in our area, because of the diversity, it would not be as big an issue.

CHAIR—You have indicated that there are a lot of problems. You have talked about the bureaucracy, the potential for the exploitation of workers, the overstaying issue, quarantine and others. On balance, would you support or oppose such a scheme?

Mr Duffy—I was hoping you would not ask me that! I see it as a great opportunity; I do. And I think, if we are going to be fair with this so-called free trade, as Australians we have got to be fair dinkum. If there is free trade, there has to be that freedom of opportunity. I believe there are opportunities for people like Grunt, the employment contracting agency, who can put up

guarantees, pay the airfare—take it out of the salary earned or whatever the arrangement. The contract arrangement that they have with the employee is exactly the same as when I go to work for Saudi Arabia or any other country. I can take a work contract with lots of different countries but I have got a contract with them and that is where I go to work. The same thing should apply. I believe in that. If we are going to be engaging in so-called free trade, that has to happen. Otherwise, you are thrashing the guy who is trying to do the job, and yet he is at the end of the train: he is controlled by the consumer. He does not know what he is going to get paid for his product. When you prepare an acre of ground and put that seed in the ground, you do not have a clue. There is no guarantee. You could have the best quality product you ever produced in your whole life and send it to market and the price will not even cover the carton. Forget all the growing costs and the picking costs; it will not even pay for the carton.

Senator McEWEN—I am still grappling with this question of whether or not there actually is a labour shortage. In your view, in the view of Burnett Shire Council, is there a shortage of labour?

Mr Duffy—There definitely is. People come here to work and, because of their inability to tolerate the heat and the conditions, they are able to pick for only a limited time. When you go up there you will see tonnes and tonnes of fruit on the ground. It is unbelievable. What they have to do with the fruit that is left to ripen or over ripen on the vine is chuck it on the ground. That is what occurs. Because there are not enough people to pick at the optimum time and because of their inability to work for that longer time—inability or unwillingness—it is a problem.

Senator McEWEN—It is a problem, but, nevertheless, the industry seems to have coped and is growing.

Mr Duffy—Very much so.

Senator McEWEN—We heard evidence before that there is a three to four per cent growth in the horticultural industry in Queensland.

Mr Duffy—It will double.

Senator McEWEN—What are the implications if this alleged labour shortage is not addressed?

Mr Duffy—I believe that more people are trying to come up with more and more mechanisation. There are tomato pickers nowadays where people sit on a seat and go through. They have been experimenting with a lot of different types of mechanical harvesting. I think that it will force them to look more for some mechanical harvesting ability or you will find that a lot of product will not be produced in Australia and will be imported. You just will not have Australian product of particular types. It just will not happen.

Senator McEWEN—You mentioned that one of the ways of addressing the labour shortage would be for people who are recipients of social security or are self-funded retirees to take up those jobs. Even if all the people in that situation in your shire took up work, would that alleviate the labour shortage?

Mr Duffy—Yes.

Senator McEWEN—Would there be a surplus of labour then?

Mr Duffy—When I first became mayor, we had the highest unemployment rate of 18- to 25-year-olds in Australia. I am pretty parochial about our area. I am also pro-development. For eight months out of 12 last year the *Financial Review* listed us as the No. 1 hot spot for investment. We have reduced that unemployment rate substantially because of the growth within the housing industry, the development industry, the resort industry and the tourism industry et cetera. However, for the percentage of people aged between 18 and 25 who are unemployed, there are implications for them in doing this work. I have asked them; I go down and ask them. I wish I could be there to take you down and listen to these guys, to sit at the skate bowl and talk to them. They tell you that if you work for 24 days or 25 days—I am not sure of the period of time—then your benefits stop and you have to wait six weeks before you can reapply or get a cheque. Therefore, they say, 'What would I want to go and work for 10 weeks for? What would I want to lose all my benefits for?'

Senator McEWEN—What is the unemployment rate in your shire?

Mr Duffy—I cannot tell you now. I can only tell you that it has reduced dramatically. I will make sure that those figures are available for you.

Senator McEWEN—Growers that we have spoken to in other regions have said to us that even if there were social security recipients in their area they would not want to employ them on the basis that the government has told them they have to take any job on offer. Rightly or wrongly, they are not the kinds of people they want to employ. I understand your personal view about this. Do the growers in your region share that attitude?

Mr Duffy—Yes, they probably do, because they do not want to work anyway. If you are on the dole in the Bundaberg area and you are fit, you do not want to work and certainly you do not want to work in just anything. That is a fact. It is no good beating about the bush; you said you wanted the truth and you will get the truth. Every day you can go picking fruit in the Bundaberg area; every day.

Senator McEWEN—You mentioned, Mayor Duffy, that you believe that, if there were going to be some kind of guest labour scheme, there would also have to be financial support from the federal and state governments. I suspect we are going to have trouble convincing the federal and state governments that they should cough up money for such a scheme, given that the growers up here are saying, 'We need the scheme.' Why are you saying that and how are we going to convince both tiers of government?

CHAIR—The local councils should pay, Mayor!

Mr Duffy—Do not think I would not consider participating. I am sorry; my views are very different from—

CHAIR—So we can tick off one level of government?

Mr Duffy—All I want is constitutional recognition from you guys! But I know where Gavin was coming from before—if I may say 'Gavin'. His concern was my insinuation that living in the chook house with the jolly chooks, like I did, is an acceptable standard of accommodation. He is really concerned about that and I can see where he is coming from. It is not acceptable. Similarly, I have concerns if I am going to have people coming here from any part of the world. I have seen it. We had those backpacker kids killed in my shire last year. I and my best mate, Bill Trevor, have seen the backpacker fire that happened in Childers. I have seen the incredible hardship for the families and our governments because of what occurred. It is because of this lack of planning and thinking about 'what if'. There are going to be medical situations; that happens with our current backpackers now. That is just something that needs to be planned for and that needs to be accepted between the state and federal governments. They are the people who collect the taxes and supply the health services. Give me the taxes, let me supply the health services and I will gladly do it, from the shire's point of view. I think it is a very important issue and that is why I touched on it in my submission.

Senator McEWEN—So you are saying that the federal and state governments should contribute resources that they would have to contribute anyway to a community where the population is increasing. You are not suggesting that they should cough up for accommodation?

Mr Duffy—No, definitely not.

Senator McEWEN—Are you are talking about community resources?

Mr Duffy—Yes, community resources. You might have a specific group of people—as they have, for instance, in Victoria, where they have targeted refugee migration to boost their community and have targeted Somalians. I went down to have a stickybeak because I wanted to look at opportunities for our community, whether it was for this or anything else. The concerns were about cultural change. For instance, one of those guys was driving down the road and he stopped at the traffic lights, lifted up his beer and had a drink then put it down and drove along. A policeman pulled him over and said, 'You were drink-driving'. And he replied, 'No, officer, I put my beer down when I drove the car.' It was funny for us, but it was not for them, culturally. Support mechanisms have now had to be put in place, and I think that should be part of the planning process if you are going to have a program such as this in a specific area. Does that explain it?

Senator McEWEN—Yes, that is fine.

CHAIR—Thank you for a very interesting and broad-reaching discussion and thank you for your contribution to our inquiry.

Mr Duffy—Thank you very much. I will talk to Bill and make sure the employment figures are there. Fruit and veggie growers will also make somebody available to be there; maybe even somebody from Grunt, the contract work people, could make themselves available for a short period. In that way a lot of the questions that have come up from you guys may be able to be answered with some data, which I think would be what you are hoping to get hold of.

CHAIR—Thanks again, Mr Duffy.

Mr Duffy—Thank you very much for the opportunity.

BROWN, Associate Professor Richard Peter Coventry, Private capacity

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

Prof. Brown—I am here in my personal capacity, as something of an expert in the economics of international labour migration and, more specifically, remittances. I am an associate professor at the University of Queensland, but I do not speak for the university necessarily.

CHAIR—I understand you have some material to take us through today. I invite you to make an opening statement and proceed with your presentation.

Prof. Brown—Let me give you a bit of background on my research. I have been working in the area of labour migration and remittances for 10 to 12 years, and the work I have done has usually been in the context of academic research projects at the University of Queensland, funded by the International Labour Organisation, the World Bank, the Asian Development Bank, the Australian Research Council, AusAID, the University of Queensland and the WHO in Geneva. I have produced a substantial number of reports and papers published in scientific journals. The last page of the document I have submitted gives you some indication of the sorts of papers and reports that I have published over the last 12 years or so.

What I would like to address now are the potential benefits to those from the migrant-sending economies of having employment opportunities in Australia. I wish to remain agnostic as to the labour side of things here. I do not know anything about the fruit-picking industry, apart from the fact that one of my sons participated as a backpacker fruit-picker and he managed save a bit of money—not quite $1,000 in a day. I am talking just about the potential benefits. I have not looked specifically at contract labour. My work has been concentrated primarily on the remittances of migrants from Tonga and Samoa. Those are the two countries that I have surveyed, both in country and in Australia.

I have surveyed the migrants at this end but I have also surveyed the families at the receiving end and have done so more recently in the context of the World Bank project that I am heading up now, which I gather is going to be published fairly soon. They are reviewing the work at the moment. I cannot release it yet, but some of the tables I am presenting are from that. That is looking again at the receiving end—in that at context Tonga and Fiji. We have taken Tonga and Fiji because Tonga and Samoa are countries that have a long history of labour migration and a high dependence on what I call the export of labour. There are now more Tongans living overseas than in Tonga. Practically every family in Tonga receives remittances, without which they would not really be surviving. The Tongan economy has effectively become an international economy, with the labour moving to where the job opportunities are. Fiji is a different case, as you probably are aware. We are talking about one of the more successful Pacific island economies in terms of industrialisation, having developed a fairly viable textile industry and tourism industry, and they have always had a sugar industry.

CHAIR—I was hoping you were not going to mention that!

Prof. Brown—But all of those are suffering decline. What came to our attention over the last few years again is the increasing export of labour and the increasing reliance on the remittances sent back by that labour to support families at home. One interesting aspect of the Fijian experience is that a lot of it is the indigenous Fijian, relatively less skilled, labour that is leaving. You would think traditionally of perhaps the Indo-Fijians being skilled and leaving for political reasons or of permanent settlers and so on. But there has been a wave of indigenous Fijians who have gone abroad for contract type work, primarily to the Middle East and the Gulf states and so on, and are earning enormous incomes—nothing like what they would as fruit-pickers. You would not be able to get those! But the recruiting agencies have gone to the villages, and there has been no shortage of volunteers to do contract work abroad. I am going to be showing you some data that relates to Fiji. We would call it a less mature migration economy in comparison with Tonga, which has been highly dependent on migration and remittances for the last 30 or 40 years.

Let me add that you cannot hope to assess the impact and significance of migrants' remittances using the official data that we would get through balance of payments or whatever, because it misses probably more than 50 per cent of the story. What we need to do is actually survey the senders and the receivers to find out from the senders' side how much they are sending, in what form and through what channels and from the receiving end how much they are receiving and what impact it is having on their income, savings and investment and the income distribution in the economy. One thing that we found throughout all our research is that there is a heavy reliance on informal channels and on remittances not only in cash but in kind. When we throw away our old clothing into those bins and so on, it is not given to charities but sold off by the 100-kilo lot or whatever. Most of the bidders at the auctions will be migrants, who then package it and send it home, where they can get a much better price than they would here. If you walk around the flea markets in places like Nuku'alofa, the capital of Tonga, you will find a lot of our discarded clothing on sale.

To capture the full extent of migrant remittances, you need to look not just at the cash that is sent through the banks but you also need to look at these in-kind remittances. You need to look at cash that is carried by hand. A lot of it is carried by hand, so it will never show up in the bank data as remittances; it will appear as tourist receipts or something when somebody eventually takes the Australian bill into the bank to change it. With electronic banking now making payments on behalf of individuals, third parties are becoming increasingly popular. If you have a bill to be settled with a doctor or a hospital in Tonga, the migrant over here might be asked to help out and they will make a payment directly to the third party. That is, in effect, a remittance to the family but it does not appear as such.

Also, migrants do not only remit to their families. They remit to others even outside of their wider families. They remit to organisations, churches, youth organisations and so on. A lot of them come over here to collect from them. That again will not appear as a transfer from a migrant. They will make a donation to the church when it comes to Brisbane and then that money is taken back and used in the community. Whenever there is a festival, wedding, funeral or whatever migrants are asked to contribute. That might not go to their family; it might go to the organisation. If there is a cyclone and there is a relief fund, they will come over here and ask the migrants to contribute.

I am just letting you know that to study this aspect of labour migration is fairly complicated and requires fairly sophisticated questionnaires and surveys. We have been surveying hundreds of households at a time and gathering as much data as we can on the amounts, the forms, the channels used and so on. Then I suppose the most critical question is: with what effect? There is one school of thought that has been around for some time, but it was never grounded in any solid, empirical experiences. That was the notion that remittances have a negative impact on the receiving economy because they discourage the recipients from going out and working and that they sit around under the palm trees just living off their hand-outs from relatives abroad. I believe that our research has consistently over the years completely dispelled that, and I will be showing you some of the data in relation to that. There is absolutely no doubt about it that the remittance receiving families have much higher savings and get to be more active in business activities and so on so. It is the opposite—remittances are often a stimulus to saving and investment.

Apart from that, and perhaps even more importantly than that, the remittances play a very important role as an informal social security system. Remember that these countries do not have formal social security systems. They do not have formal pension schemes and so on. The best way to insure yourself for the future is to get one of your kids educated and over to Australia, New Zealand or the US. They will invest heavily in their human capital and that is the way we would model it as an economist—parents investing in their kids, getting them overseas as migrants and the return flow of remittances is effectively the parents' return on their past investment. That is one way of looking at it.

Another myth is that it is bad for an economy to become dependent on remittances because, with the passage of time, the migrants will lose interest in remitting and the people back home suddenly find themselves without. We have found absolutely no evidence that the duration of stay affects remittances. I know that is probably not relevant to your case, but this is something that we have looked at. No matter whether they have been here for six months or for 30 years, those children still remit. They retain the ties. I guess that a lot of them would have come as temporary migrants and have been here now for 30 years—I know that is probably one of your concerns—but they still retain very strong ties to back home and they continue to remit to their families.

People might say, 'What happens when the parents die? They will stop remitting.' But they do not. They remit to the next generation down and to organisations. They do remit not only to third parties but also to their own pension funds. Most migrants will entertain the belief that they will one day return for retirement, and so they want to keep a nest egg for their retirement; they want to keep in with the community if they have to return. If they have not been looking after the community while they have been away, they will be rejected on their return. They invest in both social capital and physical capital for their eventual retirement. That has become the way of life in countries like Tonga and Samoa. That is the mode of development. To entertain the idea of these countries industrialising I think is absolutely crazy. We are talking about countries with populations the size of a small suburb in Brisbane. My gut feeling is that any opportunity or scheme that would enhance the migration possibilities for individuals from those economies would be making a positive contribution.

Perhaps if I point to some of the data I have; I will just look at a few pages. You might be interested in knowing which countries remittances go to. I stress that migration is not something

that normally you would think of in terms of the privileged. That is another view sometimes—that it is only those from more privileged families who are educated and have connections and networks. The table in the middle on the right-hand side of the columns is of per capita income quintiles. In other words, the first quintile is of the poorest 20 per cent of the population. The white columns are Tonga and the black are Fiji. These are families with at least one migrant abroad. It is reasonably constant across all quintiles. In Tonga, for instance, of the poorest 20 per cent, 55 per cent of families have a migrant, 58 per cent of the next 20 per cent do, 59 per cent of the next 20 per cent do, 51 per cent of the next 20 per cent and 68 per cent of the wealthiest 20 per cent. There is some indication that the wealthiest and perhaps better educated have more opportunities, but it is not exclusive to the wealthy. The poorest families have migrants. That is important.

If you turn over the page, that little table at the top is probably one of the most interesting that came out of our recent study. It takes a bit of time to figure them out, but if you move across to the right-hand side there is a graphical presentation of what we are saying there. On the left-hand side you have families without migrants. That is of Fiji. You can see that in most cases families without migrants do not receive remittances. It is what you would normally expect. But look at Tonga down below—the third one. That is what I was saying before. You need not even have a migrant member in your family. Of the families without migrants, 164 of them still receive remittances; 45 did not. On the right-hand side, of families with at least one migrant practically 100 per cent of them are receiving remittances. You do not need to have a migrant in your family to benefit from it. The community generally benefits in this sense.

Also on poverty—because that is probably an issue for the committee—the chart on the right-hand side in the middle on percentage of households which received remittances is telling us—if you start at the bottom; again, the white columns are Tongans—that 91 per cent of the poorest households received remittances, 92 per cent of the second poorest did and so on. It is right across the board. It is not specific to the wealthier families. If you want to know about the amounts they are receiving, down at the bottom left-hand side are remittances received. This is in US dollars. Tongan families on average received $US3,000 per annum. Because there is a lower incidence of migration for Fiji, the figure is at $1,328.

CHAIR—That is the average across all?

Prof. Brown—It is across the households we surveyed. It is a sample. It is the average of those that received something and those that received nothing. There are a lot of zeros in there.

CHAIR—That is probably more than the average wage for a wage earner in Tonga, isn't it? I am trying to recall the figures I have looked at in the past.

Prof. Brown—Bear in mind that this is for the family. We defined the family using the traditional definition, which is eating from the same pot. So there could be 10 members of the household. That amount is received per family not per person. On the significance of remittances relative to other income in the household, we can go to the top of page 5. Let us look at Tonga because that is the extreme case. That shows the extent to which family income increases when you include remittances—in other words, by 700 per cent. The remittances of those poorest 20 per cent of the population represent a 700 per cent increase in family income.

CHAIR—That is extraordinary.

Prof. Brown—Without those remittances they would not be surviving, in other words.

CHAIR—In Tonga, more than 90 per cent of families receive remittances. It is the backbone of their income.

Prof. Brown—Yes. My conservative estimate is that the remittances are equal to about 40 per cent of GDP. My gut feeling is that it could be anything from 40 to 100 per cent. It stands to reason that if you have half your population outside the country and half inside they would have about equal incomes. My feeling as an economist—and putting the politics and all that aside—is that these economies should not be looked at as domestic economies located on the islands. They should be defined in terms of where the people are—and they are all over the place. They are in Hawaii, California, New Zealand and Australia. That is their economy—the world is their economy. Using GDP probably does not make sense in the first place because GDP is what is produced within the geographical boundaries of the country rather than by the citizens of the country, wherever they are.

To get back to the impact on savings, which will be of interest to the committee, we can look at Tonga and Fiji on the bottom of page 3. You have your five income groups. The pale column is the savings of those families that received remittances and the dark column is the savings of the families that have not received remittances. Let us look at Tonga. That is the bottom right hand one—Tonga average savings. For the poorest 20 per cent of people the average savings was zero if they did not receive remittances. If they did receive remittances their savings were $US1,623 over the last year. If you look at the next group—the next 20 per cent—on average they saved $135 if they did not receive remittances and $1,126 if they did.

Senator McEWEN—Is savings money in the bank? What do you mean by savings?

Prof. Brown—Some of it would go into the bank but a lot of them tend to be rather suspicious of banks. It would include having put money into an asset. Very often with peasant families that would be the case. There is no difference between saving and investment. In our more developed economies we have savers and investors and the bank is in the middle.

CHAIR—This would include refrigerators—or are you talking about property?

Prof. Brown—The acquisition of assets. The questions were framed in such a way that we asked them specifically whether they had set money aside during that year for the future acquisition of assets or investments or whatever. They could have already invested in that year. But something like a refrigerator would not be classified as an investment. We would be using the definition of an investment that would be consistent.

CHAIR—Is the other side there? To me that looks extraordinary. I wish we had savings levels of that in this country.

Prof. Brown—They are not measured properly.

CHAIR—This does not count borrowings? Is this offset against borrowings? Is this a net saving? Apart from that one area where savings is zero everything else is positive.

Prof. Brown—I will need to go back and check it.

CHAIR—Nothing turns on it.

Prof. Brown—It is most probably gross. We had separate questions on borrowings. This is probably not a net figure. But I will check.

CHAIR—Nothing turns on it so you do not need to.

Prof. Brown—One result that was quite startling was for the poorer Fijians—the bottom left-hand side. I think a lot of these people are in the Gulf and they are sending back their entire wage packets. As contract labour they would be in a scheme where everything is provided for them—all their accommodation, food and whatever—so their entire pay packet comes back to the family. They are probably under instruction not to spend it. Their levels of saving were just extraordinary. It was $16,000—it is more than their income without the remittances.

CHAIR—Even for nonrecipients it is quite extraordinary high as well.

Prof. Brown—Yes, which makes you pretty sure that it is a gross figure. Also, the Fijians are a lot better off than the Tongans.

CHAIR—Yes.

Prof. Brown—One of the interesting things is the impact of remittances on the distribution of income. We looked at how income was distributed across households ignoring remittances, and then we looked at distribution with remittances. That brings out some interesting conclusions. If you look at the two middle charts on page 5, the left-hand bar shows you the share of income going to the poorest 20 per cent of the population, ignoring remittances. In the case of Fiji, the poorest 20 per cent of the population received 2.4 per cent of income. When you factor in remittances, they are receiving 4.6 per cent of income. If you look at Tonga it is really extreme. If you ignore remittances, the poorest received less than two per cent of total income in the economy, but with remittances it is closer to 10 per cent. What happens is that when you factor in remittances you get a significant improvement in the distribution of income.

What we found is that, comparing Fiji and Tonga, in Fiji without remittances their income distribution was better than Tonga's. When we leave remittances in, Tonga becomes a more egalitarian society than Fiji. The point we pointed to make here is that migration and remittances are not going to reinforce existing inequalities; they are more likely to result in a more egalitarian situation.

The recruitment in Fiji at the villages is interesting. What happens is that the recruiting agents go to the villages and the recruitment is organised almost on a communal basis. They have to consult with the village chief. The village chief will nominate the families that they consider to be in most need and most deserving. There is a kind of a village level cooperation. Also, there seems to be enormous supply there because many more individuals volunteered to go to the

Middle East than were needed. It was some incredible figure—10 times the number which was needed stood up and said that they were looking for work abroad. My gut feeling is that if we open up the labour market on that basis there is going to be no shortage of volunteers.

The final set of tables is just an estimate of the extent to which remittances reduce poverty. There are different ways in which you can measure the percentage of the population in poverty. If you take Tonga, according to the measure that we used 57 per cent of the population would be in poverty just based on their regular income. But that is reduced to 33 per cent when you factor in remittances, so there is quite a significant reduction in the level of poverty when remittances are factored in. Those are some of the sorts of things that we have been looking at.

To recap, migrants come from all income levels, educations levels and so on. Almost all migrants, no matter how much they are earning, remit. They do not remit to their families only but remit to other community based organisations. There is no tendency for that level of remittance to decline over time with length of absence. The remittances appear to be making a significant contribution to saving, investment and business activity.

The whole migration/remittances factor, we believe, is contributing also to the level of education. When you know that there are opportunities for migration, the incentive to invest in education is much higher. Very often, we here about the negative impacts of brain drain, which is quite correct. But in the absence of migration a lot of those individuals would not have acquired those skills.

If you take the Philippines—and I believe it is now true in places like Tonga, too—there are a large number of nurses who get trained explicitly because they know that there are job opportunities for them abroad. You get many more nurses getting trained than you would actually need in the country. If you were to remove the migration opportunities, you would probably have far fewer individuals wanting to go into nursing. That is certainly what our research has found. The work we did for the World Health Organisation asked people specifically why they had entered the skilled health professions, and they said, 'Australians and New Zealanders are here recruiting us, and those are the best opportunities for us.'

Finally, it is contributing to savings and investment—investment in human capital, as well as social capital. But we should not forget that these remittances have become a very important social security fund for the families, and without them I am not too sure how the families there would survive.

I believe that any measures that increase the opportunities for migration can only have a positive impact. Of course, it varies from one country to the next. They are not all the same. I am probably generalising a lot from those that I have looked at, so I remind you that I have looked primarily at countries like Tonga and Samoa, which have traditionally been highly dependent on migration enhancers, and more recently at Fiji, because that country is also becoming increasingly dependent on migration and remittances as other traditional economic activities have declined.

CHAIR—I know it is outside the area that you have studied, but can the same be said for other nationalities, such as China, the Philippines and Vietnam? Is there a similar trend in terms of remittances?

Prof. Brown—It is interesting. As I said, I have been working in this area for over a decade and nobody appeared very interested in the remittances. In the last couple of years, I have had more requests to do work on international migration and remittances than in the preceding 10 years. Suddenly the international organisations—the IMF, the World Bank and the Asian Development Bank—have all discovered that remittance flows are far more significant than aid flows, direct foreign investment flows and so on. A lot of China's development was based on the remittances of Chinese abroad. A lot of what is happening in Vietnam now is based on the remittances of Vietnamese abroad. A lot of this has been hidden and it has not gone through formal government channels and so on.

I am speaking on the record, but I was rather surprised that the first time that I was invited to present to AusAID was late last year, although I have been working in this area for over a decade. It was on the South Pacific, which is very much in Australia's sphere of interest. I think it was because there was not really a belief that remittances mattered. People wanted to believe that foreign aid, direct investment and trade were more important.

CHAIR—The islands have known that remittances make a difference, I can assure you. The purpose of the question was to determine whether or not we would be able to point to a better result in the South Pacific than elsewhere or whether the issue of remittances becomes equal across any geographical area. The second part of the question is if there is evidence to suggest that, if there was more opportunity and more exposure to remittances—for example, where it expands such a scheme—that would exponentially improve the economic outcome in those countries. Given some of the figures you have shown us in terms of Tonga, are we at saturation point now? Does it make a difference if there are more remittances?

Prof. Brown—It is hard to say. I have not done enough cross country comparative work. But I certainly believe that there are societies' economies that have become very much geared towards, you could say, export of labour and receiving remittances. It is probably more likely that you would find the Tongans and Samoans, for example—knowing exactly what it is about—going to Australia to earn money in order to send it back home to support family. If you went into other economies in the South Pacific that have not had that history and culture, you may not find the same response. So you could argue that it could potentially be more effective if you targeted those countries that are traditionally geared towards migration and remittances, where people are not just looking for a way out but for a means of supporting family back home.

CHAIR—Again, I am making an assumption, but I am attracted to the income distribution of remittances and the equality of which that is placed at. The assumption would be easier to make in a country like China, Vietnam or the Philippines, which have those sorts of populations, that that would not be the case.

Prof. Brown—Given the sizes of their populations back home, the impact will be pretty negligible in the context of China or Vietnam.

CHAIR—Indeed. Clearly it would have that flow-on effect across the board, probably even benefiting the poorest. This is probably outside your area, but there have been a lot of suggestions during our inquiry that the scheme ought not be limited to the South Pacific, that if we are looking at a seasonal migration scheme we should not discriminate. That is not a view I personally share, and I guess I am really looking for some support for the argument that, in terms

of the South Pacific, there would be a better economic outcome. There are of course some political aspects for the government to look at in terms of aid.

Prof. Brown—Yes, I get your meaning. I would say that at the individual household level it would probably be the same. But from a whole economy point of view you will have a much stronger impact in a place like Tonga or Samoa, given the small sizes of the populations. I think there is another aspect, too—that is, Australia has a commitment to the Pacific in its aid program. I have been arguing for some time that I believe a much more effective way of getting aid down to the grassroots, to the families, is by providing jobs. You effectively cut out the bureaucracy. I know that is not necessarily a nice way of looking at it, but you could argue that it is jobs in place of aid. I know the aid lobby would be horrified that this might come at the expense of aid, so I am not suggesting that. But providing jobs would be an additional form of aid, and perhaps a much more effective one in getting to the grassroots. That would not make sense in the context of Vietnam or China, given the small numbers of people you could employ relative to their populations, but in the context of, say, Tonga and Samoa I would argue that there is a special case.

I would also like to use this opportunity to say that I know that this argument for nondiscrimination has been presented. I do not buy the argument that our policy is non-discriminatory. We do discriminate. I know we do not discriminate on the basis of nationality but we do discriminate on the basis of other criteria. I would say that having a criterion that relates very much to the aid objectives would be no more discriminatory than some of the other criteria that relate to the characteristics of the migrants we allow in. But that is my personal view.

Senator McEWEN—Thank you, Associate Professor Brown, you have given the committee very interesting information. Not being an economist I do not have a lot of questions to ask about economics. The model the committee may recommend would be one in which people are flown in and flown out, so they would work in Australia for, say, a three-month or six-month period. I am not saying that that is what we will recommend, but that is what growers are suggesting. Are there any implications from that for this model of remittances?

Prof. Brown—Yes. We hope to be able to dig up from our sample enough instances of individuals who have been away for a very short period of time. You can imagine that when somebody first migrates there are initial setting-up costs and whatever, and they could even rely initially on support from family back home. The remittances could be going the other way in the early years. Unfortunately I do not have evidence for those who have been away for a very short period of time. We have managed to look at those who have been away for 12 months and 24 months and so on, and we find the propensity to remit is the same as for somebody who has been away for a slightly longer period of time.

I think the critical thing will be whether they can save out of the wages they earn. If they can only keep themselves alive, all they are doing is relieving the family back home of one mouth to feed. Even then there is perhaps still a contribution, assuming that their absence does not impact negatively on the family's income back home; there is one less mouth to feed and so on.

We have found that individuals who are on very low incomes have been able to remit and, you might be horrified to hear, even individuals on social security in New Zealand and Australia have been able to remit. That could also be to do with the fact that there are big networks in the

cities. This is where I do not know what happens in the rural context, because in Sydney, Melbourne, Brisbane and elsewhere there are networks. When you come over, initially you have extended family to help you settle and to perhaps provide you with free accommodation and so on so that you can start remitting almost immediately. If contract labourers do not have the same access to networks and community support it means they could well find that they do not have much left over in the end to remit, and presumably they will not make themselves available. They will not come. Their purpose in coming is to earn money to send back home. If they do their calculations and work out that they will not be able to do that, you just will not get the labour. I suppose that the proof of the pudding will be in the eating, in a sense.

Senator McEWEN—If the same group of people came each year for a three-month or six-month period, they would not want to be paying airfares and accommodation start-up costs out of each period's earnings.

Prof. Brown—No. I heard one of the previous speakers mention the possibility of support from the federal and state governments. If it could be presented in the context that this is part of Australia's aid package, there might be an argument for saying, 'Okay. We are willing to provide some form of subsidy for the medical costs and the housing costs as part of our contribution to the development of Tonga, Samoa and others.' That is just one thing that occurred to me. You are then, by implication, effectively providing a wage subsidy to fruit growers, but it would be seen also as part of a contribution to aid.

CHAIR—Unfortunately, many in the aid community would relish the opportunity to spend aid money in Australia. It seems to be one of their main focuses at times.

Prof. Brown—Prior to moving to Australia I was living in Holland, and I can assure you that the Dutch are experts at spending a very large percentage of their aid at home.

Senator McEWEN—In your experience or in your research have you dealt with people who have gone to other countries to work in the horticultural industry? You have talked about nurses and domestic labour and so on.

Prof. Brown—No. I have no experience of that. We are hoping to do another round of surveys in Australia and we would like to be able to include rural communities. For financial reasons we have limited our surveys to the big cities because that is where you get a sample. But I understand that there are quite a few migrants living in rural communities in Australia. I was not aware of that until quite recently, but there are networks of Tongans and Samoans and so on in some of the rural communities. It would be very interesting to include them in future surveys.

CHAIR—Complete with brass bands.

Prof. Brown—Yes. If they are there already, then perhaps that network factor I was talking about would still apply.

CHAIR—Thank you very much for what will be a very important contribution to our inquiry.

Prof. Brown—Thank you very much for the opportunity to share with you some of my research findings.

[11.50 am]

LYON, Mr Robert Gordon, President, Australia Fiji Business Council; Immediate Past President, Australia Pacific Islands Business Council; Vice President, Australia Papua New Guinea Business Council

YOURN, Mr Francis Alric, Executive Director, Australia Papua New Guinea Business Council, Australia Fiji Business Council, Australia Pacific Islands Business Council

CHAIR—I welcome our next witnesses. Thank you for your submission. Would you like to make any changes or additions to it at this stage?

Mr Lyon—No.

CHAIR—I invite you to make an opening statement, after which we will go to questions.

Mr Lyon—I thank the senators. Senator Marshall, it is good to see your ongoing interest in the Pacific following your participation in the 2003 inquiry into Australia's relations with the Pacific. For the past 12 years until March this year I was managing director of the ANZ Bank's Pacific operations. Since I retired I have retained a role with ANZ as chairman of the operation, so I still have an interest in the area. I am also on the boards of several organisations with an interest in the Pacific, including the Brisbane based Foundation for Development Cooperation, which does a lot of good work around microfinance across Asia and the Pacific. I now live in Fiji. Frank Yourn is executive director of all three business councils. Frank has extensive experience in government in the Pacific, having spent 27 years in the Department of Foreign Affairs and Trade, including 10 living and working in the Pacific, and 7½ years with the business councils.

The councils believe that the issue of access by Pacific island nationals to the Australian labour market is the issue by which Australia's relations with the Pacific may come to be judged over the next several years. The Pacific island nations are suffering from a youth bulge and low employment growth. There are enormous political and social pressures on governments to create opportunity and find work for young people. The demographics of the Pacific are that a high proportion of the population is under 20 years of age in almost all countries. Despite the best efforts of some sections of the Australian government to deny that labour shortages exist in rural Australia, we believe those shortages do exist, plus there are opportunities for a win-win outcome.

Access to the Australian labour market cannot provide long-term sustainable economic growth in the Pacific island countries on its own. That can only be achieved by good policy and good governance. While some slow progress is being made in that direction, it will take at least a generation to achieve real sustainable growth. In any case, some Pacific countries will never be able to create economies that soak up their growing populations. But access to a source of remittances can act as a safety valve while this process takes its path. The World Bank reported in 2005 that remittances globally were more than $US167 billion, more than double the level of

international aid. In the Pacific, remittances already form a significant item in the national accounts of a number of countries.

Fiji, the most developed economy of the forum island countries, has long had a form of remittances through the deployment of its military forces on United Nations duties in the Middle East, but these figures were disguised in the national accounts because they were transfers from the United Nations to the Fiji government. Fiji's military deployments have scaled down, but these remittances have now shifted to the private sector and over the last five years have almost quadrupled to become Fiji's second largest foreign exchange earner. Samoa and Tonga have large diasporas, and remittances have long formed a significant part of their national income. Kiribati exports of seafarers to the European Union earn significant remittance income.

Australia has a relationship with Pacific island countries which is different to its relationship with any other group of countries. This relationship should provide the basis for making special arrangements for their access to the Australian labour market. Australia should be willing to stand up and say so if there is criticism from other countries about discriminatory treatment in favour of the Pacific.

Pacific island nationals will more easily and readily assimilate into community life during their seasonal visits than is likely to be the case with almost any other national or ethnic group. Pacific island nationals mostly speak English. They are generally familiar with Australian business and social practices and patterns. They play the same sports that Australians play. They are accustomed to having social intercourse with Australians in various situations in their own countries. Many have shared values.

Australia needs to stand up and be proud of its relations with the people of the Pacific islands region, especially at the people-to-people level, and be willing to grant them special facilities in the Australian market. Australia's much-vaunted non-discriminatory immigration policy is an illusion. It already discriminates in favour of New Zealand and 19 Northern Hemisphere countries that have access to the Australian labour market. There may be other examples.

I wish to say a word about the proposal to establish a Pacific technical college as announced by the Prime Minister at the Pacific Islands Forum in 2005. While it is a potentially useful initiative, the question of short-term access for seasonal labour by unskilled workers is different to the migration question. There is the risk that, if not managed properly, the college will be used to train people and then strip the Pacific island economies of trained tradespeople. It will neither meet the proposals currently being debated about seasonal labour market access nor benefit the Pacific island countries in their quest to develop their skills and economies. Finally, we see the issue of labour market access as the start of a process aimed at wider regional economic integration between Australia and the Pacific island countries in the future. Thank you for the opportunity to be here today. I look forward to some further discussion with you.

CHAIR—Mr Yourn, did you want to make any comments?

Mr Yourn—No.

CHAIR—I am sorry to hear that you are a retired banker. I will not be able to make any cheap shots.

Mr Lyon—No, you got me last time, I think.

CHAIR—The temptation is still there, of course. Thank you for making your previous submission to the last inquiry. A lot of work went into that report. This, of course, was one of the recommendations of that committee report. Unfortunately, the Senate can only conduct these inquiries; it is a matter for the government to implement things. I am somewhat disappointed to be here with a specific inquiry about that recommendation. However, I am very happy to be here in fact doing it. Hopefully, something will come out of this. It is quite a difficult issue. I understand that the Prime Minister has indicated that he is not very warm to the idea, but hopefully this committee will come up with some very practical and workable solutions and some good arguments in defence of such a proposal. We may get somewhere eventually. It is always small steps. Again, thank you for your previous submission and thank you for this one as well.

Something I did not know and which you mentioned in your submission was that there is a New Zealand scheme which allows small numbers of citizens from Pacific island countries to work short term in New Zealand. I was discussing this with the secretary earlier on. We are not actually aware of any New Zealand scheme. I was just wondering whether you would be able to point us in the right direction and provide some details of that.

Mr Yourn—I think that situation is in relation to Tuvalu. There is an arrangement which did allow—and I think it continues—a small number of Tuvaluans to work under a managed scheme in New Zealand for short periods. I think the numbers are something like 50 a year or 50 at one time or something like that. I do not know the detail of the scheme. But it is a scheme that has been in place previously and I understand it continues.

CHAIR—We would be interested to track that down. New Zealand by reputation does these things pretty well, so it would be useful to have a look at what they have done. I think you are right in terms of how we will be viewed by the Pacific islands and our need to actually positively engage in many of these things, especially with labour exchange.

One of the issues we are trying to comes to terms with—and we get some interesting points of view from different witnesses about this—is how we would manage people while they are here, given that the sort of work we are looking at is incredibly labour intensive. It is very hard work. People will be here to work and therefore will want to work, so how do we appropriately accommodate people, particularly in regional Australia, where there is not a readily available infrastructure to bring 20, 50 or 100 people in—in some cases hundreds of people—and accommodate them at an appropriate standard? How do we provide social infrastructure for them and care for their personal needs as well? Unlike people who might be wandering around Australia in holiday mode, these people need cooking facilities, pots and pans, linen and bedding.

All those issues have to be dealt with, and many of the people promoting such a scheme have not given this much thought. I know from when we went to Robinvale that substantial investment is going on up there. There is a demonstrable growth in labour need in the medium to longer term but virtually no infrastructure. Who ought to provide that? How should it be provided? How could that be managed in a socially acceptable way to Pacific islanders?

Mr Lyon—It is something that we probably do not have the definitive answer for, but my thinking around this is that usually a need will provide an answer. I think the private sector will step in. I come from the country, and when I go back there I see a lot of underutilised assets—motels—that are run down because of lack of patronage and what have you. For a start, you would probably find that some local infrastructure would be used as a temporary measure. As the idea progresses, I think other people will move into there and see a business opportunity for people living in the country area. It may well have flow-on effects to rural towns. We are all concerned about the migration from our rural towns. It might provide some business opportunities for people to get in on this and provide the sort of accommodation that is needed.

One of the things we should stress—and I have had some interesting debates with government ministers about this—is that we do not see this as blackbirding or cheap labour. We see these people as getting fair rates of return for their work, and they should be put in reasonable accommodation for the sorts of jobs they are doing. We see a need for infrastructure. That could come from rural people who see a business opportunity to provide the sort of accommodation you would need for short periods—maybe three to six months maximum in some of these country towns. Maybe it even has to have dual purpose if they are going to get full utilisation from their assets. I do not have a definitive answer, but I firmly believe that a solution will come when the need arises.

CHAIR—That is one of the things we are having trouble defining—what is the need? Is it here now or is it a potential need in the future? We have had a lot of claims about lack of labour having flow-on effects and crops being left in the ground unpicked, but there is very little if any hard evidence so far. When pressed, most of the evidence is that there is enough labour. Maybe it is not ideal in all instances, but it is there.

Mr Lyon—In our meetings with the National Farmers Federation, who are very keen on this idea, they said that the farmers are made up of a lot of different groups. The National Farmers Federation do not represent all farmers, and there are a lot of small industry segments, like the stone fruit growers and others, that have split up and do not necessarily all come together. One of the problems has been gathering hard data as to how many jobs are out there. There are estimates from the NFF and others in excess of 50,000. Anecdotal experience shows that is true. We met a member of the government recently and the first thing she said to us was: 'My parents have a farm in Queensland. They can't get labour. The crop is dropping on the ground.' Anecdotally, there is a lot of evidence. Hard data is something else, and that is something we need to get a fairly close estimate of how many jobs there are.

CHAIR—To make it socially acceptable, we really do have to be able to demonstrate to the Australian public that importing labour, albeit for a short period of time, in no way diminishes opportunities for Australians to work in Australia, that it jeopardises neither future opportunities nor existing opportunities. It could not be done without some of that evidence. One of the things that the committee needs to turn its mind to is how you would determine the numbers on an ongoing basis. It would really require some sort of benchmarking to be done each time to determine the sorts of numbers we are talking about. Otherwise, there will be a public backlash.

Mr Lyon—One of the things I did not mention in my opening statement—but it is something we have been pushing—is that this is a two-way street. We are also at the same time pressing the island governments to open up their labour markets to allow more Australian expertise to move

in to lift the skill levels in those countries. We think that is more important than the technical college. We are pressing to allow more skilled labour into the Pacific to train people and grow the local economies. So that is one quid pro quo, if you like. If we allow younger, lower skilled workers in here to fill our needs, they must also open up their borders to allow more skilled Australians to go out there and do two things: help provide employment for them and also help grow the island economies. We are pushing pretty hard at that end as well.

Mr Yourn—I was just going to comment on that infrastructure question and perhaps amplify what Bob said about how the private sector, if there is a need, will generate the infrastructure. Of course, in Australia we have a lot of businesses that operate in rural and remote areas, particularly in mining but also other in other areas. Where the need exists to create infrastructure to support labour forces in those areas, that becomes a part of the business operation, it becomes a cost of running the business and it is provided. There is a whole industry in Australia of demountable and portable housing that works in that area. I think it is true that, if there is a need, the market will find an answer to that, and we have experience of doing that in Australia.

CHAIR—If I could move on to the communities themselves. I do not think anyone on the committee pretends to be in any way expert about cultural or social issues of the South Pacific, but it occurs to me that, in bringing people over in a group to an area where they may not have any social interaction with similar communities, there are issues of diet and a whole range of things that have to be considered. One of the things that we have been turning over in our general discussions is whether we should in fact bring people over on a package but with a support mechanism that comes with them. Picking figures out of the air, for every 20 people there could be an aunty type person who also comes and takes responsibility for cooking and cleaning and making sure that those things are provided for appropriately. Again, we have seen the work. It is very difficult, it is very hot and it involves extreme conditions. They are here to work, to make money, so you would expect people to be working up to 10 hours a day, probably six days a week. To then be expected to look after yourself socially and do all those things is a little bit difficult.

What would be required? Without us really understanding how their communities work, I wonder if that is something that could be looked at. Would that be beneficial? Would that actually help? Again, if it were an elderly person, if we were putting people in a closed context doing hard work, there would be disputes that would have to be resolved. There are all sorts of issues. The next question is related. I am particularly concerned about the selection process, which in effect would have to be managed at the South Pacific island end, and how there could be some guarantees that that in itself would not be an exploitative process, that it would be open and transparent and have good governance applied to it.

Mr Lyon—Picking up on the last point, I think that is important. We would see a series of labour contract companies do the recruiting and bring people in on behalf of, in this case, the agricultural sector. It is important that it is non-discriminatory. There has been the odd accusation that it has not always been well run. People in Fiji, for example, are now being recruited for the Middle East. I think there are probably some lessons to be learnt there. It could be done better than how they have done it.

First of all, you need legitimate, licensed recruiting agents, contracted companies, and you need to make sure that they have credibility and understand the cultural issues themselves. They

may well have some islander people in their senior executive ranks to make sure that these things are covered. Most of the islands work under a chiefly system for order within that community. If you bring out, say, 100 workers from Fiji, Samoa or Kiribati, you need to have someone there who has the respect of the others. It could be that when they are recruiting they get the right mix of people so that some of their culture runs through it. If you look at New Zealand and where the island communities have broken down, it is where they have broken away from that chiefly system. You only have to go to Auckland to see that there are problems there amongst the island groups. The chiefly system runs so well at home—and I live in the islands now and I am familiar with all of them—and there are very few problems at home. The Pacific islanders are very peaceful in the Pacific, but throw them out of their cultural context and you can have disorder. So I think you have raised some important issues.

Having someone to cook and what have you is a good suggestion. It may be that some families could come out. My experience in rural Australia—and I grew up in rural Australia—was that we had a migratory agricultural workforce, most of whom lived in Queensland around Rockhampton and Mackay. They travelled all around Australia, down the east coast, and did the fruit and the grapes. They did the cane in Queensland and then they did the fruit, the grapes and what have you. They worked for half the year and then went back home.

The advantage of having these people was that the same people came back every year. My wife comes from rural Australia and these people were her friends. She knew them and looked forward to them coming back each year. They were part of the community. They grew into that community, and I think that is what would happen with the islanders too: they would become familiar with the environment and we would become familiar with them. If you get the same people back each year, they are trained, they understand the farm or wherever they are working and it is a much better relationship all round. If any do not work out, they get weeded out, as in any other industry. But having that familiarity and the same people coming back for three, four or five years creates a lot of benefits for both sides. I think it also starts to cope with some of those cultural issues, because they start to adapt.

CHAIR—We did receive some evidence earlier today that they ought to be able to choose their lifestyle; that if they choose to live in the back of their car or in a tent while they are here, what is wrong with that? I do have some concerns that this may be a small, traditional grower type view, although I do not want to generalise too much, and I think that could lead us to some very serious problems.

Mr Lyon—So do we. Perhaps you cannot legislate as to exactly how they live, but I think there has to be a base standard that is provided and they should have the opportunity to avail themselves of that. We are also very conscious of the perception that, if this scheme does go ahead, it is not seen to be exploitive; that we actually provide opportunities for the people to come here and work and to remit money home but also to learn skills. A lot of the people who come here will take skills back home with them. Particularly in Fiji, where I live, there is a great need to diversify the agricultural sector away from sugar and into more varied crops. There is a big opportunity for people who come to Australia to get to understand different farming techniques and opportunities and to take some of those ideas home.

A lot of these people are very entrepreneurial. They will learn from us here and go back home and start new businesses. Some of them might not come back every year. They might go home

and start up something successfully at home, and we think that is a good outcome. But I certainly think it would be dangerous if we were to allow any sort of exploitation where people are pushed into substandard living conditions. I am sure that is not what Australia wants to be known for and, as an islander, I certainly would not support it either. We have to make sure that they are looked after in a reasonable way.

CHAIR—One of the things I was considering is a pilot arrangement, which would help flesh out some of these issues. If we were to proceed with a pilot, would you have a view on where we should source that from? There is a large and strong Tongan community in Robinvale, and that is an area where I think there is a demonstrated need—or there will be, anyway. It makes sense that if there were to be a pilot, there would be some social networks there as well. I guess pilots are also there for the purpose of deliberately exposing weaknesses. I will just throw that open—do you have a view on that or where pilots might be most appropriate in Australia?

Mr Lyon—I think building on existing communities is a good idea. If Robinvale has a Tongan community—and I have heard that before—that would be, I think, a factor for success. You could tick it and say, 'Well, that is going to have a better chance of success than going somewhere where they do not have that support. There are a lot of Fijians in this country, and their networks are very wide—perhaps wider than we imagine. They assimilate so well that you do not always know where they are. You would want the pilot to be successful and you would not want to set it up in such a risky way that was doomed to failure. You would want the first one to actually have a good chance of success, so I would be inclined—and Frank might have a different view—to look at countries like Fiji and Tonga, which already have migratory type workers anyway, and build on that experience.

I would also look at communities here, where there is a strong sense of community. There are quite a few Samoans here, too. I think to pick people out of the jungles of Papua New Guinea first up would be difficult, although there are some good people in PNG and there are some people who are prepared to do very hard work in very tough conditions. But, if you are looking at assimilation, I would be inclined to go to Fiji, Tonga or Samoa first. Frank, do you have anything to say?

Mr Yourn—I agree with that, but I think the selection of the individuals would also be a very important element—perhaps more than their country of origin—to make sure that they were people who had the sort of social skills as well as fruit-picking skills and so on that would lend themselves to being successful in a pilot project. Clearly it would be easier to find those people in countries that have more experience of exporting labour. So they are essentially Tonga, Samoa and Fiji, if you consider the main economies. But I think there would be some Papua New Guineans who could fit in. They are used to interacting, in one way or another, with Australians. I think that the right selection process, in the case of Papua New Guinea, would produce some good people too.

Mr Lyon—They have the biggest population and probably the greatest need. One other point that might be worth considering when you talk about support mechanisms is that Pacific islanders are very religious and the churches around rural Australia could provide a mechanism of support. They will gravitate to a church or set up their own. I have a house in Melbourne and the church on the corner of my street is actually Fijian—right in the middle of Melbourne. They have a strong community there and I think in country Victoria you will find that they will

gravitate towards churches. The churches can form a basis of social interaction for these people that will hold them together as well. So there are quite a few different ways in which support could be provided.

Mr Yourn—Another element is that Fiji has a strong military tradition apart from the chiefly system—and in fact it may be that the chiefly system has lent itself to the authoritarian structure of a military. So they are accustomed to living and working in a framework that has a hierarchy and some discipline.

Mr Lyon—There are as many Fijian soldiers outside the army as there are in the army. They have been working overseas and do not necessarily go back into the army when they go home. But those sorts of people are used to working overseas in a disciplined way and interacting with other communities. Through the military, they operate in all the troubled spots around the world. The Fijian soldiers have a high reputation, as do their workers who go away to work in some of those spots as security guards and other things.

CHAIR—What do you think the mix might look like? These are questions, of course, that we will also properly direct to the high commissioners when we meet them. I think it would be ideal if we actually went to the South Pacific Forum and talked about this more generally with people as well, but I am not sure we are going to have that opportunity.

Mr Lyon—I heard Greg Irwin last week. The radio on the islands has just been full of this. Not a day goes by that you do not hear a session on the radio out there about labour mobility for the Pacific islanders. I heard Greg Irwin speaking a couple of days ago.

Mr Yourn—That was on Radio Australia.

Mr Lyon—He was interviewed on Radio Australia, but it went out through the islands of course. He certainly spoke eloquently about it. But I think there is starting to be strong feeling out there. Since I have been living there, I have noticed even more that this is a subject that, as I said in my opening statement, will be the measurement of how Australia is viewed in the Pacific in the next few years.

CHAIR—Back to the first question, which was about the mix: do we look at young, single, able-bodied men, or do we extend that to young, single women? Do we have married couples?

Mr Yourn—I would think that, to some extent, you would let the market determine what that mix would be. The important thing would be getting the framework set up, which would probably be through labour hire companies, and the industry identifying its demands, and then letting those two groups determine what the best mix is. The easiest solution is probably single people because you do not have all those complications of additional family members who might not be in employment. You would not want them coming, I guess, if they were not in employment. But I would be inclined to let the market decide what the right characteristics were for the group.

Mr Lyon—I agree. I would worry if we just went for the youth. The youth is where the greatest need for work is, but if we just brought out thousands of 20- to 25-year-old girls I think it would be wrong mixture. It is not a normal mixture of people. I would be inclined, as Frank

said, to let the market take its course and have a mixture of people. Obviously, you are going to have a lot of younger ones because they are probably the ones that need the work, but you would also have some older ones there to guide them, if you like, and provide some sense of family and community. I think that would be a much safer way to go, much more normal, with a mixture of men and women. If you have a bias towards just one particular group, like single men, then single men will do what single men do and they will want to get out and do other things, whereas I think if you have a mixture of people you get that sense of community that holds people together. I think that is a much better way to go.

You would also want to think about whether to mix up people from different countries together, where you had a mix of 10 different countries on the one team. You might find it works better if a team of Fijians, for example, is recruited as one group and goes into one area, and a team of Tongans in another area or whatever. I think you would find that they would fraternise much more easily and feel more comfortable with each other, like any ethnic group around the world. You might find that one labour contractor, for example, concentrates on one particular country and that is where they get their people from, and the farming group might have a preference: 'Yes, we had these guys last year; they were fantastic. Let's get them again this year.'

Mr Yourn—My sense would be that you would probably have to work at getting some sort of gender balance, because I think there would be a tendency in the Pacific to see this as men's work. It would not have to be; women in Fiji and in the rest of the Pacific do a lot of agricultural work.

CHAIR—I would have thought they would view it as women's work actually!

Mr Yourn—No, I think the context in which the discussion is taking place in the Pacific is much more about men doing this than women doing this, but I think it is just a matter of working at that.

Mr Lyon—Yes, I think you probably would have to work at it a bit. The men are very mobile and will queue up: if we went out tomorrow and said we were recruiting, you would find there would be a queue miles long of men and there would not be that many women. There is a view of women in the Pacific that is still a little bit chauvinistic, so women do not necessarily get those opportunities. So you might have to work a little bit harder at that to make sure that you get some sort of balance.

CHAIR—Thank you.

Senator McEWEN—I have a couple of questions. Particularly calling on your experience as diplomats and business people in the Pacific region, if, say, we had a pilot program and brought in people from Tonga, Samoa or Fiji, would that cause disagreement among the Pacific nations? Would we get a backlash? For example, if we bring in people from Fiji, then Papua New Guinea might say, 'That's nice—they're taking Fijians who already have a higher GDP than we do.'

Mr Lyon—I think you would have to consider that. I have very close contacts, and so has Frank, in all the Pacific countries, and I know that my friends in Papua New Guinea are very strong on this. I was in PNG a couple of weeks ago with the Prime Minister and he is really strong on this, and so are his colleagues and his ministers. It is the same in Fiji; it is the same in

all the Pacific countries. They all see this as an opportunity to do something and to create some opportunities that, to be frank, will never be able to be achieved without it. Some countries do not have the resources. Some Pacific countries have very few natural resources. PNG has mining, but it does not provide enough employment for everyone. But other countries, such as Kiribati, Tuvalu and what have you, have very limited opportunities. No company is going to go and set up a factory there, ever.

If you look at Samoa, which has been the most successful country at reform and bringing in good governance—and it has a reputation for being No. 1 in the Pacific—the Prime Minister there shakes his head some days and says, 'We're disappointed that we've done all the things you've asked us to do and the investment hasn't flowed here.' It is because of their position; where they are located. It is the old real estate adage: it is all about location. And it is all about the amount of resources you have in the ground or in the sea. Some countries will not be able to do it, so they are all looking to us to help them by soaking up some of that unemployment. We would have to think carefully. You might start off with one or two countries, but you would have to make it clear—

Senator McEWEN—How would we sell it to the other countries?

Mr Lyon—You would have to make it clear. For example: 'We're starting off. We're going to do something out of Fiji, but if this works we will then roll in the other countries over time. But we have to start somewhere.' It is something they all want. Some of the numbers are pretty small. Tuvalu only has 10,000 people. At the end of the day, you are not going to get 10,000 people coming here. They might only be looking for a couple of hundred, whereas Papua New Guinea might be looking for 100,000. It is all about the different scales of the countries. But if you include Fiji and PNG and not Tuvalu, then they would probably feel disappointed.

Mr Yourn—It is a very pertinent question. We have discussed a number of countries this morning in thinking about that. It may be appropriate to refine that range of countries to minimise that issue. For example, Tonga and Samoa already have opportunities in New Zealand which they can access more readily than the Melanesian countries. It might be that if we want to minimise that risk of rivalry and jealousy occurring and criticism of Australia we look more at the Melanesian countries close to Australia—Papua New Guinea, the Solomon Islands, Vanuatu and Fiji—as perhaps being part of that first stage.

Mr Lyon—We might have to make some hard decisions, too, about ability to adapt. The people of some of the Pacific countries are very remote. They do not travel. If you look at countries like Fiji and Vanuatu, they are very familiar with Westerners through the tourist industry and even if they have not travelled they understand us. I ran banks in places like Kiribati. When I first brought the bank there, I was amazed at how shy the people were. They lived a very isolated existence. They did not mix with Westerners very much. It took a while to give them the confidence to associate with them. The ones we brought down here for training would be here for a month and would not say two words. It took a while for that to change. They have changed, but it took a while. You would probably be better off starting with countries which already have some sort of social ability to mix in very quickly. That is why we are suggesting Fiji, Tonga et cetera. A lot of those people travel regularly anyway. The Tongans are up and down to New Zealand every second week to watch the rugby or something. They fit in pretty quickly.

CHAIR—It has to be people who know that they also have some rights here and will not allow themselves to be readily exploited.

Mr Lyon—That is a good point. Even if people from some of those less sophisticated Pacific countries knew those rights, they would be very reluctant to exercise them. That is not the way they have been brought up. Whereas people from the more populous countries would have a much better understanding and would be prepared to stand up and say if something was not right. That is a good point. You certainly would not want groups that could easily be exploited.

Mr Yourn—No, that is right.

Mr Lyon—Places like Tokelau do not even have an airport. Bringing people here from places like that would be very difficult in the early stages. Maybe in 10 or 15 years time it will change, but I think in the first few years you would probably want to stick to the countries that have a good understanding of Western governance and the way of life.

Senator McEWEN—In our travels some growers have suggested to us—and I have to say this was mainly the smaller ones—that it would work well for them if they could bring in people who already had some basic training in appropriate horticultural methods. I think it was in Robinvale we heard that the Tongan community had already set up some sort of training facility. They were growing almond trees or avocado trees or something like that.

CHAIR—Almonds.

Senator McEWEN—Almonds, yes, that is right. They were growing almonds in a place where they do not normally grow so that people could find out what an almond tree looked like and about the basic maintenance and harvest of it. Then, when the people got here, the benefit for the guest labourers was that they could hit the ground running. In your opinion is there any opportunity to do some sort of work like that?

Mr Lyon—Maybe that is where a new technical college that I think was conceived fairly quickly without a lot of thought as to how it might work could be put to use. Some courses could be run, and maybe not just in the location where it is set up. The USP, the University of the South Pacific, is based in Suva but has campuses in other countries. Maybe this technical college could also have some campuses in other countries, under the auspices of the technical college—wherever that might be based; it is likely to be Fiji—and people could be provided with some short-term adult education, where they could pick up the basics so they do hit the ground running. I would not have any problem with that. Would you?

Mr Yourn—I would take that a bit further, I think. A country like Fiji, for example, does have an agricultural training facility. That could be developed. Fiji needs to reshape its agricultural industry. Having some sort of training centre might help the Fiji economy to develop new aspects of its agriculture industry. I think the scope is certainly there. Just how it is structured and where it is located are the issues.

Mr Lyon—Getting onto the smaller farmers, too: I would see that the gangs that are working on those farms would move from one small farm to another, whereas one big farm might take up a gang themselves and that is where they would work and then they would go home. Some of the

smaller farmers obviously have a shorter time need and a need for fewer people. One gang might go and do 10 or 20 small farms over a couple of months, depending on the crop time too. You do not always get that luxury with the picking time. It is not as if one small farmer has to cope with a gang on their own and cop all the expenses. They would be shared amongst, I would think, several farms.

CHAIR—But also there would need to be another layer of management to organise that. Having a large employer saying, 'Well, I will have all these people for four months, guarantee them opportunities and work—'

Mr Lyon—Sure.

Mr Yourn—That might be where your labour hire company comes in. The labour hire company contracts the people and then contracts to deploy them to various growers. Fiji, of course, has a seasonal agricultural industry already, in the sugar industry, where gangs of sugarcane cutters come in from their villages and work seasonally and then go home to their villages when the season is over. That concept of having a gang moving from farm to farm to do the seasonal work is quite well established.

Mr Lyon—The way they are paid and the administration are pretty much the same. We would do it at a higher level here and provide better working opportunities than they get at home, but the principle is well understood. It works well in places like Fiji.

Senator McEWEN—Mr Lyon, you mentioned earlier in your submission that we could learn some lessons from the Middle East about the recruitment of Fijians.

Mr Lyon—I think we could probably do it better. That was what I was saying.

Senator McEWEN—Could you elaborate on what the problems were?

Mr Lyon—This is one particular incident. A recruitment agency in Fiji has been recruiting workers for the Middle East. From what I have seen, from reading the papers and picking up the talk around town, over in Fiji they have not done it as well as they could have. They have made a lot of promises and have not necessarily delivered. They have promised start-up payments and what have you, and those payments have not always been as timely as they could have been. We need to make sure those things are there.

Frank mentioned single people. A lot of people going to the Middle East are married and have family and kids at home. This is the way they support that family. It is important that they do not get left in the lurch, because not only is it them not getting their money but their wives and kids at home are not getting the start-up payment they were promised. They might be promised a start-up amount. That could happen with this type of work, too. They might get a sign-on fee which covers some of their basic costs and leaving some money behind for the family. If you go away and do not get paid for a month, do the family eat for that month? If you get a sign-on fee which perhaps makes up part of your first month's pay, at least you can leave some money at home so your family is not destitute, and then the money comes in after that.

CHAIR—I will just finish up with this. We hope to report by 17 August. We have gathered a lot of very useful evidence so far, and we have more public hearings to do and more site visits as well. Going back to the previous inquiry of the Senate Foreign Affairs, Defence and Trade Committee into our relationship with PNG and other Pacific Island countries, we would not have been able to do justice to that inquiry without the formal visit. This is much narrower. Immediately people say to us, 'You're after an overseas trip.' I have been around the South Pacific twice now and have still not seen a beach, by the way. I am sure there are some beaches there somewhere. For this Pacific inquiry we would not be doing a trip all around the place. As someone who has long-term experience, could you give the committee formally on the record a view on what sort of consultation we would need to have as a minimum with the South Pacific itself and how that might be best achieved?

Mr Lyon—Sure. You might recall that we pushed very hard for you to visit last time. I am pleased you did, in the end, because that was really worth while. The best place to start would be the Pacific Islands Forum. Either you have already spoken to Greg Irwin or he is going to appear here. The forum is representative of the Pacific, and it has a view on this, so it would be a good start. Maybe you could talk to some of the land owner groups. What do you think, Frank?

Mr Yourn—I would be starting with the diplomatic representatives in Canberra, but there are only a limited number of those.

Mr Lyon—The Fiji guy has just gone home, and the Solomons guy has just gone home.

CHAIR—We consulted with him before he left.

Mr Lyon—I think the new guy, Charlie Lepani, from PNG would be useful to talk to.

Mr Yourn—And the Samoan high commissioner is a good person to talk to.

Mr Lyon—Eteuati.

Mr Yourn—Yes. The Solomons might be between appointments. I think that would be the starting point. With the forum, the land owner groups in the Pacific might be more difficult to get a coherent sort of view from.

Mr Lyon—They are a bit patchy.

Mr Yourn—The PNG parliament, I think, has a sort of committee that has been doing some work on this issue and wider regional economic issues. That was originally run by a member of parliament called Ian Ling-Stuckey, who you may have met. He is the governor of New Ireland province. In PNG he could be a point of contact, if that committee is still in existence. They made a couple of visits to Australia.

Mr Lyon—Similarly, you could talk to a couple of the government ministers in Fiji and places. Usually these things are understood best at the highest levels, often by the prime ministers themselves. If you went to Kiribati, you would probably want to talk to Tong or someone. If you went to Fiji you would want to talk to one of the senior ministers. These are the guys who have their minds around this. In Papua New Guinea the top six ministers, I suppose,

are very well versed. You have Rabbie Namaliu, the foreign minister; Bart Philemon, who was finance minister until a week ago and is still the treasurer, I think, and you have the Prime Minister himself. They all have fairly well-established views on this. With some of the other groups, you might find out some of their cultural needs by going down a bit deeper but you might not necessarily get the intellectual understanding of the whole issue at that level. They would say, 'Yes, this is a good idea', but they would probably not have thought it right through, whereas the governments themselves have and have a fairly good understanding of how this works. Kenneth Zinck, the Minister for Labour, Industrial Relations and Productivity in Fiji, has had a large involvement with their guest workers in the Middle East—in Iraq—and in Bosnia and other places where they have been going in large numbers in the last few years. So those sorts of people would be useful to talk to or maybe get a submission from.

The other ones who would be very useful would be the governors of the reserve banks, the central banks, because they would actually see the benefit in the numbers. It was Savenaca Narube, the Governor of the Reserve Bank of Fiji, who first put remittances on the radar screen. It took all of us by surprise a bit. It was well known in Tonga and Samoa, as their home-port remittances are, but nobody ever thought that remittances were important in Fiji. Now they are No. 2 in the foreign exchange lists and they are up around $500 million a year; that is a significant amount of money. That has happened in the last three or four years. The Reserve Bank has been tracking that. They see that as a benefit. Their biggest concern is, 'Is it sustainable?' They are worried that this is a flash in the pan because of the workers in the Middle East and what have you: 'What would happen if that dried up? Would we crash and burn back home?' That is why they are looking for something like this, which they see as a long-term, sustainable form of employment, which will mean that those remittances will remain an important part of their economy.

Mr Yourn—I guess the challenge, coming back to your question, is: if you are not able to visit these countries, how do you tap into all those resources from Australia? I suppose it is possible to get those people on the end of a telephone and have a conversation with them but, obviously, that is not as good as talking face to face.

CHAIR—Again, thank you very much for your contribution to our inquiry.

Mr Lyon—We were very pleased to be able to be here.

Subcommittee adjourned at 12.42 pm