



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION
REFERENCES COMMITTEE

Reference: Pacific region seasonal contract labour

THURSDAY, 20 APRIL 2006

BUNDABERG

BY AUTHORITY OF THE SENATE

INTERNET

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to:
<http://parlinfoweb.aph.gov.au>

SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION REFERENCES COMMITTEE

Thursday, 20 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, Milne, Moore, Nettle, O'Brien, Payne, Polley, Robert Ray, Santoro, Sherry, Siewert, Stephens, Sterle, Stott Despoja, Trood, Watson, Webber and Wong

Senators in attendance: Senators Barnett, McEwen and Marshall

Terms of reference for the inquiry:

To inquire into and report on:

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

- a. labour shortages in rural and regional Australia;
- b. the availability and mobility of domestic contract labour, and the likely effects of such a scheme on the current seasonal workforce;
- c. social and economic effects of the scheme on local communities;
- d. likely technical, legal and administrative considerations for such a scheme; and
- e. the effects of the scheme on the economies of Pacific nations.

WITNESSES

PHILIP, Mr Andrew Norman, Shareholder, SP Exports Pty Ltd	24
PRESSLER, Mr John Frederick, Director, 2PH Farms	20
TREVOR, Mr William Robert, Chair, Wide Bay-Burnett Area Consultative Committee.....	2
WALSH, Councillor Mary, Chairman, Planning and Development Committee, Bundaberg City Council	2

Committee met at 10.03 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 labour needs of the horticultural industry, with particular reference to the feasibility of meeting this need through the use of labour from Pacific island nations. The inquiry follows renewed interest in this proposal by the rural industries. 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 before you. The committee will report by 17 August.

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 a committee. I welcome public observers and witnesses from the Wide Bay-Burnett Area Consultative Committee to this public hearing.

[10.04 am]

WALSH, Councillor Mary, Chairman, Planning and Development Committee, Bundaberg City Council

TREVOR, Mr William Robert, Chair, Wide Bay-Burnett Area Consultative Committee

CHAIR—Welcome. Would the witnesses like to add anything with respect to their appearance before the committee today?

Mr Trevor—As well as being the Chair of the Wide Bay-Burnett Area Consultative Committee, I am the Mayor of Isis Shire.

Councillor Walsh—I am appearing as a member of the Wide Bay-Burnett ACC. As well, as a city councillor, I wish to present an urban view in relation to the Wide Bay-Burnett region.

CHAIR—I now invite you to make an opening statement before we go to questions.

Mr Trevor—Thank you for the opportunity to appear here this morning to put across a regional perspective with regard to the terms of reference that you are inquiring into. The Wide Bay-Burnett region is a very disparate region, consisting of 22 local authorities, from Miriam Vale in the north to Cooloola in the south and to Monto and Kingaroy in the west. A number of different aspects of what you are inquiring into have different effects in different parts of this vast region. In particular, the Bundaberg sector of the region, encompassing Childers and Gin Gin, is an extremely large vegetable producing area, requiring lots of seasonal labour. In the last few years, apart from the vegetables being grown in the region, the tree crops being planted in hundreds of hectares across the region have had a large impact as well. Some may say that this gives all-year-round opportunities for work across the region, as a number of the crops come in at different times throughout the year. This allows people to either remain in the region or to come at different times when those crops are ready to be harvested.

Another factor that will influence what happens here in the future is that, with the construction of the Burnett River Dam, we now have one of the most secure water supply systems in Australia. As senators might know, lack of water security in many of the vegetable producing areas across Australia is a prime factor influencing how much is grown and where it will be grown in the future.

There are a number of other issues that will affect the vegetable industry in the future. In particular, there seems to be a bent on the part of the large suppliers for the agents who supply them also to be the growers. So we are getting more of a seed-to-pallet type of effect in the vegetable industry across Australia. That has a number of effects as well.

We believe that this region in the Bundaberg quadrant will continue to grow, and grow rapidly, over the next few years. This will require many more people to work here on a seasonal basis. One of the factors in that regard is water security, and that will take a year or two to sink in, as many people look to leave where they currently produce vegetables on meagre water supplies

and move to areas like this. Many parts of this region in the Bundaberg quadrant can also double crop because of their frost-free aspect. That certainly adds to supply chain availability to supermarkets and those sorts of things.

There are particular problems associated with labour supply in different areas of Wide Bay. Many of the inland areas will experience labour supply shortages at various times of the year. In particular, accommodation and transport are peculiarities that often mean areas are unable to get a labour supply. Also, we are totally reliant in many regards across the region upon the backpacker industry. They tend to hug the coastline, because they not only work but also visit tourist attractions along many parts of the Queensland coast. For example, Hervey Bay and Fraser Island are particularly attractive to them. That is an area in which they probably do not work; it is more of a play area. Then they may come to the Bundaberg-Childers region and stay at hostels. We are more of a work area. If the surf is up at Airlie Beach or somewhere else, they will often move on very quickly to areas like that and to further work experiences in North Queensland.

Because we are reliant upon transient labour forces coming into the area, there is often oversupply or undersupply of labour, depending upon the seasonal impacts and different times within those seasons. It is very difficult to manage and grow to a program that the supermarkets are now demanding when the labour supply is such that you don't know whether it is going to be here or not.

Having grown vegetables myself and employed hundreds of backpackers over a 15-year period, I can tell you that you can just get a crew trained when one will leave and say, 'Surfs up at Airlie Beach' and the next morning you have another 15 or 20 leaving as well. It can really put you into some problem areas where you either have to wait for another crew to come in or try to scurry around to find labour in a very short period of time.

Often in the regions we find that fruit is not being picked at the appropriate times and that fruit is being devalued at the marketplace—I will use examples of zucchinis where the supermarkets might be looking for something in the six to seven inch length sector. If it is not picked that day and it has to be picked the next day, it might be eight to 10 inches and, instead of bringing a premium price, it will bring a reduced price on the market often clogging the market and bringing the whole market down.

It is critical that some of the crops grown in these areas are picked on time. They are not able to be left on trees like avocados, for example. Whether they are picked on Monday or Friday makes very little difference. Some of the other crops that are susceptible to growth spurts, sunburn or ripening need to be picked very much on time otherwise that can devalue their whole appearance across the region. Being reliant on itinerant labour and backpacker supply does have its problems in trying to manage that.

One of the other problems that growers have across the region is in trying to meet health and workplace safety standards on farms. You might have 50 people arriving in two buses and you have tremendous problems trying to get them into a field that may be waterlogged and explaining health and workplace safety to them at five o'clock in the morning. Some of those people may last half an hour, some may last two hours and some may last a day. There is a continual turnover of people in those fields. Being reliant on labour supply coming in that is not

there often for long periods of time has particular training problems and health and workplace safety training problems and can be difficult.

Another problem that growers are experiencing right across the region is intolerance to heat. It has become very evident over the last few years that people are less heat tolerant than they might have been five, 10 or 15 years ago. I think that is a general trend across the population because we are all spending more time in airconditioning. Then to have to go out into the hot sun; a lot of these jobs are hard, hot and dirty and there is no other way of doing them. I will use zucchinis as an example again. Picking zucchinis with a bucket and a knife and lugging the bucket through sometimes wet conditions. Those sorts of crops need to be picked, no matter whether you have had five inches of rain the night before or not, otherwise they spoil on the bush and devalue and damage the bush and future production. So there are some difficulties in those regards. I firmly believe that there is a need to look at peak seasonal supply of labour, simply to address some of the problems and issues that growers are facing across the regions.

The other problem is that this varies from year to year. At the moment there are people throwing themselves at growers to work. There are plenty of backpackers around. Because of the cyclonic effects in North Queensland a lot of people have been told, 'Don't go north, there's no bananas, there's no avocados left on the trees; they've all been blown off.' So people are coming this far and stopping now and looking for work. I was speaking to a large grower this morning and he said, 'Bill, we've got people absolutely throwing themselves at us.' But it might not be like that in another six months time when the bananas and the crops up north are being picked again.

It is an industry that is changing rapidly due to the supply demands of the major chain stores, which take a large volume of the fruits from the area. There are new growers and big corporate industry moving into the region because of the security of the water supply that we have within this region and the particular growing attributes that we have in being a double crop area. That will increase the demand for labour in this region to far more than it has been in the past.

There is probably in excess of 1,500 acres of immature avocado trees that have been planted in the last few years in the region. When they come to maturity in the next two to four years there will be a large demand for labour. Many of the industries that are in this region will overlap. For example, the avocado season will go into May, June and July and that will overlap with the picking of tomatoes, zucchinis, capsicums and those types of things, which normally starts in this region in April and May. So we have periods when there is peak demand for labour in the early part of the season and there will also be peak demand for labour in the September and October part of the season as well. During those periods, crops are often not picked or if they are picked, they are devalued simply because they have grown too large or too ripe.

Councillor Walsh—I do not want to comment on what Bill has said because as a member of the ACC I totally support everything he has said from that perspective. The other perspective I would like to introduce is the urban one. You did mention the terms of reference included economic and social impact. As an urban council we provide a lot of the infrastructure for this quadrant of the Wide Bay-Burnett area. Doing that, we are in the process of completing a social plan for our region. One of the issues that came out of that was the importance of backpackers. However, at least two families complained that they had children who could not work in the cropping industry because they had no means of transport. Their words were: 'The backpackers

have got it all sown up, because quite often backpackers have transport provided by their accommodation providers. Some of those places actually provide buses and transport to and from the jobs.' They also said, 'It's impossible to stay within the Centrelink system and also to do work that is seasonal and occasional.' More importantly, in these two circumstances both parents worked and they had an adolescent who had finished school and was prepared to go and do the seasonal work but could not get the transport because the family was in the situation of not being able to drive so many kilometres, drop them off, come back to town and then go back get them later.

So one of the anomalies that came out of that social plan was that, yes, backpackers are important. They are an important part of our tourism and economic fibre, and they are critical to our seasonal work force, but there does not appear to have been a lot of consideration given to what efforts could be made to try and encourage our young people not to leave the area—because from our perspective we have a rapidly aging population and it is difficult to get our local young people to stay. I guess that is the only aspect that I would like to introduce: we rely on backpackers, and we accept that, but maybe we need to do a little more in trying to accommodate the needs of local young people who do not have the privilege of having an accommodation site that will actually provide a bus there and back. It is transport to and from the work site that they have as the critical issue. It is mainly that urban aspect that I wanted to introduce.

CHAIR—Mr Trevor, you indicated that there are new growers coming to the area and more investment because of the water security issue. Are you able to quantify that in any more detail?

Mr Trevor—I can to the extent that the industry seems to be going down a corporate growth bent. By that I mean that many of the agents from the Melbourne and Sydney markets are now becoming the farmers at this end as well. That tends to meet the supply chain demands that Woolworths, Coles and the bigger supermarkets are putting into the system—they want to know how their product is planted and how it gets to their store so they can assure the consumer that all the way along the line they are able to put in place security on sprays and how the product is handled to ensure the freshness and quality of it when it gets to the market. In this region we probably have three or four of the bigger corporates: the Babera family; the Steinhardt family; Premier Fruits out of Melbourne, which has bought major farms in the region; and obviously SP Exports, which is one of the major farming operations here. They are on the vegetable side, although both Steinhardts and SP Exports have branched out into the tree crop industry as well through macadamias, avocados, lemons and some citrus.

CHAIR—Are these new farms or are they just buying up existing ones?

Mr Trevor—Premier Fruits are new farms to the region, and they have been here for a couple of years. The Baberas were originally growers. They have done the reverse: they have bought into the market system to complete the chain to meet their supply-chain agreements with the supermarkets. Premier Fruits were agents in Melbourne for many years, and they bought back into the farming sector. Just recently Timbercorp spent approximately \$42 million in the Childers region buying two very large avocado farms. They also have avocado paste processing capabilities on one of those farms. So there is quite a large number of those types of people coming to the region.

CHAIR—What I am trying to get a feel for is the extent of the expansion and what sort of workforce planning has gone into looking at future needs.

Mr Trevor—To the best of my knowledge, not a lot of workforce planning has been done at all. What has happened is that people have realised that the broader security is here. Fertile lands are available and, because of the depressed cane prices, the land is relatively cheap compared with other areas, although it is rapidly increasing at the moment. Many of those people are coming either out of the southern markets or out of areas such as Gatton, where water supply is dwindling and they are looking to come to this region to ensure that they can continue to grow their product. I would not be able to give you figures or anything like that as to the hectares that have been bought, but in real estate around here at the moment there is a lot of interest from southern growers and agents who are buying into it.

CHAIR—You gave us an example that one of the direct problems of a lack of labour is the appropriate time for picking and the devaluation of crops if they are not picked on time. What is the lead-in time? How much notice do you have to give to get people? If what you are saying is that within a day's notice you may need extra labour, that is always going to be a difficult problem to resolve. I am not sure whether the sorts of things we are talking about in this inquiry will cover that. It is not about providing labour that is sitting around for the one-day peak when that happens. I am trying to get a picture of how much workforce planning can go in and how much notice and lead time you can manage for the types of industry in this area.

Mr Trevor—People generally talk to their labour suppliers, whether they are a labour hire company or a hostel, about how many acres they are planting and when those acres will be planted. From the planting time you can normally get within a few days of when your picking time may start. That will vary a little bit to the left or the right, depending upon how hot it is, the full moons, how cold the weather is, whether it rains—those sorts of things. So they will be talking to their labour suppliers at planting times. They often have meetings to look at what happened the year before, what the problems were and how many acres they will be planting this year. So a lot of that preparation does go on beforehand. They rely on those suppliers being able to provide labour at about the appropriate time for them to take up when they will be picking their crops.

To the best of their knowledge the suppliers try to plan for one area finishing and sometimes moving the labour from that area to an area where the new crops might be starting—on a labour harvest trail, for example, which many of the labour hire people work through. But that can be difficult at times too, simply because one season might go a little longer in one area but start a little earlier in another due to weather conditions. But there is a lot of planning that goes on from that point of view. It is just a matter of ensuring that the people turn up.

Sometimes you do not get as many backpackers coming north in particular seasons as you do in others. It has been noticeable that, since the economy has been very strong, in the major cities there has been a lot of casual work available in restaurants and things like that. Numbers have been slower to come north than in other seasons, although this season we are currently in is totally different due to the fact there is not as much work in North Queensland.

CHAIR—Apart from the optimum picking time, are there examples in this area where crops have not been able to be picked at all because of lack of labour?

Mr Trevor—I can speak from personal experience of that. Probably five or six years ago now we let crops rot in the field simply because there just were not the people available to pick them. You tried Centrelink, you tried labour hire and you tried hostels, and everyone was busy and there were just no people coming through.

CHAIR—What about this season?

Mr Trevor—This season there is a glut of people. But this is an abnormal season due to circumstances that have been triggered up north.

CHAIR—When you gave your example from five years ago, was that an anomaly or is it something that happens regularly?

Mr Trevor—You can have periods like that in every season, where there might be a shortage for 10 or 15 days and then they try and drag them here from Darwin or Western Australia or wherever because there is more work than can be handled here. Sometimes they arrive on time, sometimes they don't. If they don't, what happens in lots of cases is not that you do not get the crop picked but that you do not get it picked at the correct time, which means that the optimum value of it is lowered considerably.

CHAIR—I am interested in the make-up of the workforce. You have mentioned backpackers primarily. Could you give us a feel for what percentage they make up and also tell us if there are large contractors in the area that supply this service?

Mr Trevor—Labour hire has become a thing of reality here in the last two to three years in particular. Prior to that, it was more people working through hostels with backpackers. Now you will find most of the major growers do not deal individually with their workforce. They deal with a labour hire company, which provides some rudimentary training and explanations as to what is required on the farm, so that when those workers do get to the farm they have a basic semblance of what is needed and required in particular on those farms. How much would be backpacker labour and how much would be Australian labour or itinerant Australian labour moving from state to state is difficult to gauge, because it varies on a seasonal basis, from time to time. I know in our area that, because of the growing market on a year-to-year basis, there may be this year another 500 to 1,000 acres of small crop being planted in the district that will require labour coming in. I would be unable to give you an exact figure on what those percentages would be, but it would suffice to say that, without the inclusion of backpackers into the Bundaberg-Childers-Gin Gin area, probably 40 to 50 per cent of the crop would not get picked.

CHAIR—I take it from that that they make up 50 per cent of the work force?

Mr Trevor—Sometimes it might be more, sometimes a bit less, depending on the time of the season.

CHAIR—How many locals are involved in the harvesting?

Mr Trevor—That varies too, because what do you call a 'local' here anymore? What we have are high-growth and high-influx areas of people coming here that may stay one or two or three

years from a picking point of view. Some make their home here. A lot of our young people leave for education purposes, for university and that type of thing. We have a high growth spurt in this region; there are a lot of people coming into the region. So, if by 'local' you mean that they live here on a permanent basis, there are quite a few.

CHAIR—The problem that the committee is grappling with a bit with respect to this is that such a Pacific seasonal contract labour scheme would only be there to operate to meet an unmet demand of labour at the moment. There can be a cushioning effect with backpackers. We certainly do not want to remove backpackers from the industry either. We do accept, I think, that they are not the most ideal work force when the work needs to be done, but they are good for the regional economies and have a number of other flow-on benefits. We are finding it very difficult to get some hard, detailed evidence about what the actual labour match is. We hear lots of anecdotal evidence about it.

There does seem to be a distinct lack of workforce planning across the whole of the industry. I am not pointing the finger at anyone in particular about that. It is a difficult proposition. We have to ensure that any seasonal contract labour scheme does not displace opportunities for locals—and you are right: what is a local? A local is, I guess, someone anywhere that has a right to work in Australia at the moment. So that is something we are finding it difficult to get to the bottom of. The last thing we want is to have a scheme set up with either the perception or the case being that it is actually displacing Australians or depriving Australians of opportunities to work in the industry if they want to. My question really is: if you had the opportunity in this area to participate in a Pacific contract labour scheme, how would you determine the numbers that you would need over the time frame that you would need them for next year, for instance? How would we actually come up with that figure?

Mr Trevor—Those best placed to give you the answer are people from the industry itself and representatives of the industry through the fruit and vegetable industry organisation. They would certainly be able to poll individual farmers as to what their crop requirements will be for the following season and when their peak periods and their planting periods will be. The industry would be in a position to give you the facts you are looking for as to what is happening in that regard.

One of the things that should not be underestimated is the softness of the workforce for a hot, hard job. For example, I have seen 50 and 60 people arrive in the field at six o'clock in the morning and by nine or 9.30 in the morning 20 of them leave, saying, 'I can't stand the heat'—and that is in September, October, November. That then puts pressure on the grower. It also puts pressure on the other pickers because, instead of working a six- or seven-hour day, they are then required to work an eight-, nine- or maybe 10-hour day to try to get the fruit off before it spoils. You cannot at 9.30 in the morning just run down the road and pick up another 20 people who are just sitting on verandas hoping someone is going to call for them to come to work.

Around all of the farms that I visit and know personally, there is experience of the softness of the workforce coming in. You cannot just take an office worker out of Sydney one day and, two days later, place him in the field here and expect him to perform like someone who is hardened to the job. A lot of the backpackers come off a plane in Sydney and hop straight on a bus to Childers or Bundaberg, and they may have come from a European winter into the middle of our summer. They melt—they literally melt because of the heat.

It is very difficult to plan under those circumstances. You can say to the hostel manager, 'I want 40 next Wednesday,' and he says, 'I'll have them there.' But if 40 turn up and then by 9.30 you find 20 of them have gone home and will not come back because they say, 'I'm not going to do this,' then what do you do on the days after that? It becomes very difficult for the grower to be able to get someone to pick his crop on the next day and the next day and the day after that.

CHAIR—This industry is very important to the region and the council?

Councillor Walsh—It is extremely important.

CHAIR—If such a scheme were to be put in place, how would the council be able to assist, or assist in the planning for, a group of indigenous people from the Pacific islands? How would the council see that their social and accommodation needs would be met, given that they will be bringing no infrastructure with them? They will need somewhere to live, they will need bedding and linen and the facilities to cook. They will need some assistance to purchase food and to understand the way that is done in Australia, although over time that will change as people get experienced at that. They will also have some social needs and transport needs. Has the council given any thought to how that might be managed? You may, for example, have 200 people here from the Solomon Islands for a four-month period.

Councillor Walsh—I have to say that council has not given that any consideration. We would not be in a position to be able to accommodate that, if you are talking about those sorts of numbers. We have a south-sea islands population here and probably are familiar in many ways with their culture, and we could get guidance there. But with regard to where we would actually place them and meet all the requirements of workplace health and safety within the accommodation process, as a council we would not be in a position, I believe, without further consultation, to be able to provide that. So I guess the issue would be that, if that was a given and it did come to pass, there would need to be fairly heavy consultation with the councils as local authorities, because we do not have the wherewithal to provide that.

There would need to be very close consultation between the grower organisations and the council and other businesses who also get flow-on effects from what the seasonal crops bring to our area. Bundaberg is historically a seasonal city. It is not just agriculture, it is also our fishing industry, which has been devastated by recent Commonwealth and state legislation. We are already facing some issues locally as a council which we are trying to work through in relation to the fishing industry alone. On the point you have made, we could not take that on board without sufficient resources to provide what is required.

CHAIR—I am not suggesting that council actually provide it. I am asking more about whether the infrastructure is available in the area—it would have to be organised and coordinated—and whether you foresee any social implications from having potentially a large ethnic workforce in the area.

Mr Trevor—Let us use the fictitious figure of 50 per cent Australian labour and 50 per cent overseas people from a range of countries who come in to make up the balance in the picking season. This 50 per cent from overseas may stay one day, one week, three weeks or six weeks because they are not only picking, but also holidaying. They are not locked into the area for the season. One year I employed 3,300 people for the season, simply because some stayed for a day,

some stayed for two hours and some stayed for a week. We have continual rotation, which makes it difficult to plan your harvest, difficult to do workplace health and safety and difficult for the hostels to plan because they have people coming and going all the time.

Contract labour coming in from, say, the Pacific Islands would come to this area for the season. They would not be holidaying at Airlie Beach or going down to Fraser Island. They would be here specifically to pick for a period of time. So I would see them displacing some of that 50 per cent and giving some permanency to an area where there is no permanency now. From that, you would get better results because growers would be able to organise themselves. I do not believe they could stay in hostel type arrangements. They may stay in local homes that are available for rent. There may be a range of opportunities. But they would still get picked up by the same people. The contractors would bring them to the fields and arrange their labour with the farmers. I would not see them acting individually. It would be some contractor who has taken on 45 of them for the season and would be contracting them out to the farmers, much the same as they do with backpacker labour. But I see it giving more permanency to the arrangement than what we have now.

CHAIR—Would there be any social implications for the area?

Councillor Walsh—I do not think there would be any that we could not handle. We have very good relationships with people from other ethnic origins. In our city we have a fairly high number of South Sea Islanders and we have Italians, Maltese and Turks. We have a fairly diverse community that is reasonably tolerant. Bill, as an outside person, you would probably be in a better position to comment on that. I do not think we would have high social impacts unless they displaced locals from jobs. That would create a problem.

CHAIR—Yes, and, clearly, that is not the intent or purpose of such a scheme.

Mr Trevor—In my community up to 10 per cent of our population could be backpacker labour at the peak of the season for seasonal types of things. When they first came to our community there were some social problems until the community as a whole realised that, without them, the community would suffer because the crops would not get picked. The shopkeepers, hotels and those sorts of things realised what value they brought. We had some minor social issues. We had some long-term, 10-year unemployed people who wanted to fight them in the pubs because they thought they were taking their jobs from them. But that ended very quickly because there was peer pressure from the rest of the community, who said: 'If you wanted to work, you could have been out there working. They are not taking your jobs. There have been plenty of jobs and you have not wanted to work.' It takes a bit of time for a community to get used to a huge influx of other people. Communities like Bundaberg and my community of Childers have grown used to that over the last 15 years. New people, different looking people with different voices, are not noticed in the community because it is second nature these days.

Councillor Walsh—It is not really an issue for our community. I would suggest that, if it came to pass and some contract firm did in fact go down that path, you could overcome some of the issues we currently face with local transport by making particular areas contact points where families could drop off their local member to be part of that and provide the transport. I think there could be liaison between the two. It would be a very obvious way of saying: 'We are not

displacing locals. We are already providing transport so, if you want the job, be here at a certain time and go out with all the others who are part of the contract group.' I would see that as a way of ensuring you did not displace locals.

CHAIR—I am interested in your view—understanding you will not have exact details—of what the illegal workforce might number.

Mr Trevor—From a farming point of view, part of the job of the labour hire company is to ensure that passports are checked and all those things are done so that you do not have any illegals on your property. The last thing that a grower wants is DIMA being out there raiding the fields and the farmer being up for a fine for employing illegal labour. Part of the contract with the hostel, the caravan park or the labour hire company is the fact that they guarantee that they have sighted all the relevant documents. In my area, in Childers—I can only speak of that personally—I think there would be hardly any illegal labour at all.

CHAIR—Our witnesses seem to be going into two camps on this question.

Mr Trevor—I represented the federal government on a harvest trail some years ago and I know at different points around the country there were different aspects, as you are outlining.

Senator BARNETT—Mr Trevor and Councillor Walsh, thank you very much for your comprehensive submission to us this morning. It has been most helpful and concise. I would like to go through a few questions and have a few quick ones to start with. The unemployment rate in the area?

Mr Trevor—Has dropped considerably, although it would probably still be high. I believe it is probably around seven point something per cent at the time being.

Senator BARNETT—So it is higher than the national average?

Mr Trevor—Yes. It has traditionally been a lot higher than the national average than what is now.

Senator BARNETT—What do people working in the industry fruit and veg picking—the seasonal labour people that we are talking about—earn? Can you give me a rough view per week. What is the range? Is it \$500 to \$1,000 a week? Can you give me that analysis.

Mr Trevor—There are a range of methods under which people are employed. There is a fruit and vegetable award under which some people would be employed. There are contracts through labour hire companies under which people may be employed. There is also contract picking on which people may be employed. The range will vary. Some people work less than 40 hours, some might work 40 hours and some might work a lot more than 40 hours—I suppose there are the extremes. A person working 40 hours would, I believe, be earning somewhere around \$700.

Senator BARNETT—Would that be the average picker person in the industry? Obviously, you have talked about starting at six in the morning or thereabouts. They do the six or seven hours and then are out of the heat of the day—they go home. Would they get 40 hours a week by doing that?

Mr Trevor—The ideal situation is to start very early and to get people gone by lunchtime, because one o'clock or two o'clock in the afternoon can be extremely hot. That does not always work, because if you have gangs and some drop out then the rest have to shoulder the burden to get it finished for the day. There are many variances. I do not think I could point the finger and say there is one particular situation. Some larger farms may have different circumstances to medium sized or smaller-size farms. In some of the smaller farms those people become like part of the family. They may pick for a while in the field and then they might go to the shed in the afternoon and work in the shed as part of the family packing the produce.

Senator BARNETT—So if you were really, let us say, money hungry or keen, how much could you earn a week?

Mr Trevor—If you want to contract pick and go seven days a week for the season, a lot. Well in excess of \$1,000 a week.

Senator BARNETT—It has been put to me that there is competition for labour out there in this area, particularly from the coalmining industry, and that you can earn double what you are talking about, or thereabouts, for a full-time job. Do you accept and acknowledge that? Do you think that is providing competition for labour and is one of the reasons there is a bit of a shortage in this sector?

Mr Trevor—I think that it is not only the fruit and vegetable industry. Talk to every local council. We are all losing plant operator staff to the mines, where people are earning \$100,000 plus. I have a brother earning around \$160,000, I think, out there. The sugar industry here has particularly lost a lot of operators—cane harvester operators and haul-out drivers. There is competition across the whole community sector, not just the fruit and vegetable sector. People on higher paid jobs in council workforces, rather than picking, are going to the mines because the money even higher again out there and there is such a demand.

Senator BARNETT—We live in a free country and there is a law of supply and demand. Does that mean that you have to pay more to keep your people?

Councillor Walsh—Yes.

Mr Trevor—It does mean that you have to pay more, but it comes back to the capacity to pay as well. In some of these industries, the margins are very tight. If you look at an industry like the sugar industry in particular and what it has just come through, there has not been the ability to just keep increasing the pay to keep people. So what has happened is that people have left, so wives have come out of houses and there has been a whole range of measures undertaken by individual people to keep their properties and their heads above water.

Senator BARNETT—Councillor Walsh, do you agree with that?

Councillor Walsh—I do. I think we very much need to take on board some of the issues facing our industry at the moment. With our tomato crops we now have positive confirmation that there is a disease. We have recently come through and are still coming through a very severe citrus canker. There is a quarantining and destruction problem. So the capacity of those farmers in those industries to actually pay the higher rate of pay that is required to retain the workers in

view of the competition from other areas is very difficult, as Bill says. The margin is so small when you actually have to deal with those external issues. That happens to any business—there is always something that you least expect. But these have had a disastrous effect on our growers. It is a business.

Senator BARNETT—You talk about margins. Is it fair to say that the two major supermarket chains—Coles and Woolworths—are tough negotiators? There are only two that you are dealing with and they want to keep the price as low as possible, so that keeps the margins low as well for the growers? Is that a fair assessment?

Mr Trevor—The two major chains have acknowledged that they have the major supply issues. There is a lot of direct supply by growers now, because the supermarkets are demanding that seed-to-palate type of arrangement. So there is certainly pressure on from there. You often hear a lot of complaints from farmers about what they get paid for their product versus what they see as the shelf price—that is, the mark-up margin. But coming back to your original question, which was about just raising the wages to make it better, there seems to be a general resistance amongst the Australian consumer to pay much more for their fruit and vegetables, which have some of the cheapest prices in the world. Farmers in these regions are facing drought, higher water prices by governments, higher fuel prices, dramatic cost increases with health and workplace safety requirements, higher costs with regard to chains, supermarkets and agents requiring products to be tracked from the day they were planted through to the day that they went into the box and all of these sorts of things. To keep absorbing the margins at increasing cost and pay higher labour costs as well is unsustainable.

Senator BARNETT—Yes, that is a fair comment. Senator Marshall asked about the proportion of people in the workforce. You mentioned that up to 50 per cent were backpackers. Can you go back 10 years and give me the proportion then, just very broadly? I presume the backpacker proportion would be significantly smaller, but can you confirm that?

Mr Trevor—It was. The early nineties was when it significantly started to increase here. In my community, the first time there was a major influx was when the first backpacker lodge went up. There had been a few driving over from Bundaberg hostels before that. That is when we saw the major influx into our community. That is when people started to notice different voices and nationalities within the community. We had that six- or eight-month adjustment period and after that they became part of our community.

Senator BARNETT—In your submission, you mentioned that, because of timeliness of picking and the critical nature of being able to pick on time, some of the fruit gets reduced prices. How prevalent and consistent is that? Is that just a one-off for one year or has it been happening over the last few years? Also, is it possible that the fruit would actually rot on the vine, as it were, and not get picked because you do not have the pickers? That has been put to us in other parts of the country. Can you flesh that out for us?

Mr Trevor—The fact is that to sell your product on the market today, you have to have it in specific sizes, shapes, colours—the whole box and dice. The percentage of fruit that actually makes the marketplace today is far less than what it was 10 or 15 years ago, because the requirements of the marketplace are demanding that every piece look the same, be the same length and is delivered in the same manner. Consequently, if you went out into the fields and had

a look, you would see fruit dropped on the ground everywhere. The cheapest way is to try to train your work force, and this is where the consistency of having the same person on the job day after day after day is important. You do not want all of the fruit coming into the shed and having the transport costs of another 20 or 30 per cent of your fruit that is just going to be thrown out and taken away. If a little bit of sorting in some of the crops can be done at the paddock and then the rest comes in, it cuts your costs down quite considerably.

The market is going further and further and further into defining the product it wants. If it does not meet that specification, there is not a lot of processing available, there are not a lot of other places that fruit can go, and there is a mass of fruit left in the field. There are specific periods when you do not want to leave fruit on the vine, where you want to pick them. I will use zucchinis as an example again. As a zucchini grows, it tells the bush it is going into seed mode and it stops production mode. It still has to come off the bush; you still have to physically—if it is not done today, and tomorrow it has grown outside the specifications the market wants, then you still have to be in a position to take it off the bush. You still have the labour costs in getting it off, and it still takes the life out of your bush. Your bush has so much vigour in it. If you keep the fruit small, it produces lots of them; it keeps going. If you let it get a bit bigger, it goes into seed production.

Senator BARNETT—I am with you. Notwithstanding all of that, your evidence to us is that there is investment in this area. You mentioned some of the investment companies—Timber Corp and so on—and how they are putting big money in. You are talking about water security, and that has been one of the reasons for that. I can fully understand it; I think we all can. Why is this problem such a big problem? There is all of this investment is coming into the local area, people think there is the future, and you have water, so why is this something that cannot be fixed? Why is it such a big deal? I am trying to be a devil's advocate here and ask you the question: if you are getting all of this investment coming in, then surely the problem is not that big.

Mr Trevor—Growing it is the easy part; the costs really start when you start to pick. The point I am making to the committee is that if you can replace some of the transient labour force with something less transient, in that it is here for a season, then the training costs to the grower, the ability to get the fruit off at the right time and at the right specification is enhanced considerably. Health and workplace safety is a lot better, simply because if you have someone here for 120 days or 140 days doing the same job, then it is easy to put them in a position to abide by health and workplace safety than it is to train a new person every second, third, fourth or fifth day.

Senator BARNETT—Have you considered what is happening in Canada or the US? In Canada, they do have the same people coming back every year for between three and six months. They have those same people, they come back to the same areas; they know the farms, they know the arrangements. Have you considered that? Have you considered the time frame? Do you think three to six months, or three to eight months? What sort of period of time do you want if you could get 50 people, 100 people, or 200 people? What do you consider would be the ideal arrangement?

Mr Trevor—We are different to many other areas in Australia, particularly if you go into some of the southern areas. Your tomatoes et cetera may only be grown in a certain part of the

season simply because of the frost and cold conditions. In the old days, many of the canegrowers used to harvest the cane here and then they would head south and pick the fruit down there. They consistently went back to the same farm time after time after time. But here there is a lot of competition going on, and in other places as well. Because our season may be longer and more extended than in some of the other parts, other people want to start picking before the season has finished here. It is difficult at times to be able to get that rotation going as well as you would like.

Senator BARNETT—What would be the ideal arrangement? Would you want 50 people for three months, or for six months or eight months? Would that work?

Mr Trevor—I think you would want it for the longer period rather than for the shorter period. What will happen too is that the farmers will work together so that, if one finishes, that gang will move to another farm. We are now getting an overlapping with the tree crop products that we did not have a few years ago. They are overlapping into the tomato, zucchini and capsicum seasons.

Senator BARNETT—Could they all be based here in, say, Bundaberg, or would they move every month to another area and to different accommodation arrangements? These are all the logistical things that need to be considered by the community, the growers and the councils if you go down this track.

Mr Trevor—If you go back to my original scenario that if we got so many Australians and so many backpackers, I believe they would be replacing part of the backpacker labour and giving more certainty to the fact that they are here for a longer period of time than some of those may be. They would fit into the same hostels and the same circle.

Senator BARNETT—Do you think the infrastructure for things like accommodation is there?

Mr Trevor—A lot of it is. People have shown consistently that, as new farms come to the district and further infrastructure is required, the private sector will meet the market.

Councillor Walsh—To build on what Bill has said, this area is a little different from many other areas in Australia inasmuch as the variety of crops that are grown here. It is not just tree cropping. You have citrus, mangoes and avocados, and then you have the tomatoes and, in season, the melons. It is such a broad variety and some of it happens at specific times of the year, so it would take a certain amount of planning to tie up all of that. I do not see their blending into our community as being a problem.

Senator BARNETT—Could you see the council and the area consultative committee working together with perhaps the growers to prepare and plan for a trial such as this?

Mr Trevor—I can tell you for sure that the area consultative committee is always happy to work with industry within these regions. We have done so in a range of industries in assisting with government programs coming into the region. With Dairy RAP and those sorts of things we have worked with industry to do exactly what you have discussed.

Councillor Walsh—I am sure council would not have a problem with working with the area consultative committee and the industry. Council's biggest problem is that we do not have the

financial resources. We have the will, we have the commitment and we have the capacity to assist, but we do have the financial capacity because of the current demands on our council. In particular, we are an urban council that provides all the infrastructure for a surrounding council for which we receive no income. From a local government perspective, we are significantly disadvantaged inasmuch as we are providing the infrastructure by way of the urban requirements—the medical, sporting and educational requirements—but our surrounding shire does not contribute anything by way of rates to assist us. As a city council, we are finding it extremely difficult to meet the continued infrastructure. Hopefully there will be a resolution to that by way of local government action further down the track, but at this point in time we do not have the financial resources to assist with such a project. We certainly have the commitment and the will.

Senator McEWEN—Thank you for your presentations. Councillor Wash, you mentioned that there is already an Islander population here. Elsewhere on our travels we have had presentations from Islander communities, in particular in Robinvale. They came to us and said, ‘We think it is a great idea to have the Pacific Islander guest labour scheme, and we are able to provide these resources, support mechanisms and so in.’ Do you know of the attitude of the local Islander community here to the proposal?

Councillor Walsh—To my knowledge, it has not been discussed with them, but we do have a very good working relationship from a council perspective with our Islander community. We are currently working on a project with them to preserve their cultural heritage in this area, which is extremely strong because the Kanakas did so much in the sugar industry. I do not think that would be a problem. With the current liaison we have with them, council would not have difficulty working with our existing South Sea Islander population.

Senator McEWEN—And there are leaders in that community that we would be able to talk to?

Councillor Walsh—Yes, there are. We talk to them fairly regularly, and at the moment we are talking to them very strongly in relation to the preservation of their cultural heritage. The council has provided an area in the city where they have their own church and meeting rooms. We have a very good relationship with all of our ethnic communities.

Senator McEWEN—Mr Trevor, you mentioned how soft we all are these days and how we do not like to do the hot, hard and dirty work. How do you see that issue being addressed by the proposal to bring in people from the Pacific Islands?

Mr Trevor—Obviously people from the Pacific Islands are used to the heat and stand it far better than we do. You cannot take a kid out of an airconditioned office in Sydney, put them into North Queensland or Central Queensland heat and expect them to perform to their efficient best. They will do it for a short period of time and then they just cannot do it. That is no criticism of them; that is just a fact. You can stand out in the field every day and watch it happen. You see them; they just stop dead. The heat and humidity get to them and their legs just go out from underneath them. The next thing they are lying under trees and vehicles and you are ringing hostels to say, ‘Come and get these kids, they’re really suffering.’ You cannot plan for that. Last week we had a hot Saturday and Sunday, then a cold Tuesday—you cannot plan those things. When you get into September, October and November here, it can be boiling hot especially if

there is storm weather around with the humidity. The kids just fold up. It does not matter whether they are out of Sydney or whether they are out of England—same thing. It happens to local kids as well.

Senator McEWEN—We would be concerned if growers thought that because people were brought out here for a fixed period of time and given a set amount of work to do that they had to do that work regardless of the health and safety conditions that applied.

Mr Trevor—I know from a grower's point of view that health and workplace safety has become a major item on farms. The risks are too great to try and take the shortcuts. Individual farmers are out there spending massive amounts of money on trying to get it right. If you want to talk about some of the problems they are having, not with just specific potential labour, a lot of the people cannot read and write properly. When you get to health and workplace safety and you want people to fill out diaries and do all these sorts of things, the difficulty a lot of growers face out there is that a lot of people cannot read and write. That has another set of difficulties and that is within our own people. I do not see growers out there blatantly trying to take shortcuts with health and workplace safety because they, their families and their businesses are at risk. There have been some publicised cases where people have suffered greatly sometimes, you may say, through no great fault of their own.

Senator McEWEN—You mentioned the harvest office and the support that that gives to growers to find people to work in the industry. We have had comments made in our travels that the harvest office is Mildura-centric or Victoria-centric and that growers in other regions do not use it because of that.

Mr Trevor—Here we have moved more to labour hire type organisations that actually do it for you. In the old days if you wanted 100 people, you had to make 100 phone calls to get the people. They would say, 'I don't know whether I can come today, Mum wants to shop.' You did not know whether you were going to get 100 or 70 turn up on the day. Now you ring the hostel and say, 'I need 45 people tomorrow at five o'clock and this is where I need them' and a bus turns up with 45 people on it or the guy will tell you when you ring the night before, 'No, I can't bring 45, I can bring 35' and then you ring another hostel. It has become a lot simpler for the growers to be able to access the labour through those types of organisations. It is then the labour-hire company that goes to its other office in Mildura or Darwin or wherever it is and says, 'Bundaberg's hotting up, I'm using 100 people up here this week but I can see that next week I'm going to need 150. Are the grapes or whatever you're picking down there finishing? You'd better start moving some of those people up to here.' So they do that for the grower. The grower then can concentrate on the growing side and the health and workplace safety side.

It has become a lot easier, from that point of view, to ring a hostel. The hostels also do a lot of the preparatory work. Each farm will send in its rules and regulations, so they give them out to people before they come out to be able to read and have some idea of what is required of them. They say, 'You will not be getting off the bus if you do not have shoes, a hat or those sorts of things.' They are a requirement, you cannot just turn up, as people used to, unprepared. It is being dealt with a lot more professionally on the basis that the labour-hire people and the hostels are doing a lot of that preparatory work.

Senator McEWEN—Some people would say if there is a labour shortage problem in the horticultural industry in Australia, if we beef up resources to the harvest office that will deal with it.

Mr Trevor—That may have been true when you had an unemployment level of 15 per cent or 17 per cent—and some say that if it is officially 15 per cent or 17 per cent then it is really 25 per cent. That may be true in those circumstances. Where you have a situation where unemployment levels are below five per cent in many places and you are trucking people in to fill those gaps, it is lot harder solve now than in years gone past.

The other thing that growers are looking for is certainty. The last thing you want is a third of your work force being new every couple of days. It drives you crazy. You have to train them in how to pick, so you take your good pickers and slow them down because you buddy them up with a new guy so they can keep an eye on them so they do not damage the bushes or cut them up.

The other thing that people need to understand is that you want a willing work force. You do not want a work force that is forced out there, because they cut your fruit and damage it. They do not want to be there. They cut your lay flat pipe up. They do all sorts of things to get out of there. So you want a willing work force that wants to be there. You need to pay them right, treat them right and look after them so that you can get the best results from them.

If you have some permanency, with people coming for a season like they used to historically when people went from one area to another and stayed at that farm for the season, it is far better for the grower, because he can then concentrate on putting more into training and more into workplace health and safety because he knows that they intend to stay for that 100-day period. At the moment, when people come to your farm you do not know whether they are going to be there at smoko time, whether they are going to come the next day or whether someone is going to ring up and say, 'The surf's up at Airlie Beach,' and they are going to go because they are in holiday mode. Those are the difficulties that we are facing. How do we plan to plant another 500 acres next year with all those insecurities and vagaries in there? It is very difficult.

Senator McEWEN—Finally, if the proposed DEST labour scheme went ahead, the people—as Senator Marshall said—would come here with nothing, virtually, because they come from economies and households back in the Pacific islands where they do not have much money. What would growers be prepared to put in to make the transition easier? I am not talking so much about accommodation and transport having to be provided—we know about those issues. What we heard yesterday in evidence was that it is all very well for people from the Pacific islands to come to Australia to work but if their first pay is not processed for two weeks they have nothing to send home. There has to be some initial upfront payment—a buy-in amount or something. Obviously, the growers are going to have to pick that up, whether they do that directly or through the labour hire company that is contracted to do it.

Mr Trevor—Growers needs to get their product off. Obviously, if we can get a secure work force that will stay for some period of time and give us the luxury of knowing that we are not putting resources into training and workplace health and safety every couple of days, we then would be in a position to put some sort of system in place to ease those people through that first week or so. It is not very long until you have cash in your back pocket. Between the grower

organisation, the hostel and the labour hire company, I am sure there are means and methods by which that that can be accommodated.

CHAIR—Thank you both very much for your presentation to the committee today.

[11.14 am]

PRESSLER, Mr John Frederick, Director, 2PH Farms

CHAIR—Welcome. I understand, Mr Pressler, that you will talk specifically about some of the experiences of work shortages in the Emerald region. I invite you to make a brief statement, after which we will have questions from the committee.

Mr Pressler—The Emerald area situation is quite different from the information received here about Bundaberg. It is right in the middle of a coal boom, and it also has a diverse range of cropping. The two principal ones are table grapes and citrus. Of the planted area of table grapes in Australia the Emerald area has in excess of 20 per cent, many of which are very young plants yet to reach full production. They have had a devastation of their citrus crops out there, all of which have been destroyed. However, replanting will begin in July next year. We personally will plant up to a quarter of a million trees at that point in time, which will come into production two or three years after that.

The situation with labour in Emerald right now is that for the grape season, which goes basically from the beginning of November through until early January, the area is very heavily reliant on contractors to provide labour. The contractors tend to work with different ethnic groups, be they from South Korea, Turkey or wherever—they seem to have the one designation. To the best of our knowledge we do not have illegal labour—in fact, we do as much screening as we possibly can. Anybody we employ most definitely has been fully checked.

In Emerald there is full employment for anybody who wants to work in the mining industry. There is no spare labour among local residents in Emerald. There is no Australian labour available, or very little. To draw people who are full time, such as tractor operators, mechanics and the like, you have to compete financially with the mines to have those people in your employ. So it gets down to the fact that itinerant labour has become very difficult to maintain. So much so that we are spending hundreds of thousands of dollars on accommodation and facilities—kitchens and whole self-contained areas. There is another large farming operation out there which provides up to 400 people on farm with cooking facilities et cetera. We have now gone the same way because there is no accommodation available in the town of Emerald. It has all been used up by the mines, and the real estate boom has diminished the number of caravan parks in the area.

Forget about getting accommodation in Emerald: you have to provide very substantial on-farm facilities for the workforce to come up and be stationed there. I would suggest that an organised and introduced civic workforce may well be a situation that you could say would be eminently suitable for Emerald, because there will be the facilities put in place by the individual large farms. They are mostly large farms out there. That is about the position right now.

Things in the citrus industry in a few years time will become very acute because the citrus industry out there runs for a little over five months—that is, from April through until September. You have the grey nomads who fulfil much of your packing shed work, but we do not have

backpackers out there. Very few backpackers venture west so we do not have a backpacker flow. For itinerant workers, the pickers, you have to rely on introduced people in the area.

CHAIR—Can you quantify the unmet labour need now, and are you able to do so for five years into the future when you will be back into full citrus production?

Mr Pressler—I would suggest that about a third of the labour force required last year for the whole district was unmet. The labour force would have been 700 to 800 people, but a third of the labour force required was unmet and, as you heard previously, crops became overripe and were left to hang on the vines. Further down the track, when citrus is re-introduced, even though it is for a longer period, there will be a workforce of that size. I foresee a greater deficit in the number of workers because the current itinerant labour force, which the labour contractors bring up, love working with grapes but they do not particularly like working with citrus.

CHAIR—Are those figures for your region or for your farm?

Mr Pressler—I am talking about the Emerald area.

CHAIR—You are now looking at an unmet need of up to 300. What will it grow to when you are back into citrus production? Will it be about the same number?

Mr Pressler—Yes.

Senator BARNETT—On the 200 to 300 figures, you are talking about a labour shortage over what period of time?

Mr Pressler—Currently it is over the November to December period; but when we go citrus, it is from April through to September.

Senator BARNETT—Is there a shortage during that time as well?

Mr Pressler—There has been; but it will be even more so in two or three years time, because we have to replant all the trees.

Senator BARNETT—Is that when the production begins?

Mr Pressler—Yes.

Senator BARNETT—Apart from citrus, what other key fruits or vegetables are there in the Emerald area?

Mr Pressler—They are citrus and table grapes; they are the only ones, apart from some minor crops.

Senator BARNETT—Is there a shortage of people to pick table grapes as well, or are the labour hire companies—

Mr Pressler—Yes. They are contractors. There are some labour hire companies out there. There is a crossover of the labour contractors who work through Robinvale and other areas. That is where they draw these different ethnic groups from. I estimated that the shortage of labour in the area was a third of what was required for last year.

Senator BARNETT—If you were to increase the pay, say, an extra 10 per cent, do you think that would alleviate the shortage or would that not make much difference at all?

Mr Pressler—I do not think it would make any difference. Those who wish to work are earning substantially good money. Certainly it would be well in excess of Mr Trevor's estimate.

Senator BARNETT—What proportion of the current workforce is itinerant, what proportion is local and what proportion is backpackers, if any?

Mr Pressler—Nil local, and backpackers fewer than 10 per cent.

Senator BARNETT—And the rest is itinerant?

Mr Pressler—Yes.

Senator BARNETT—Nil local?

Mr Pressler—Nil.

Senator BARNETT—N-I-L?

Mr Pressler—Yes.

Senator BARNETT—Why is it so low?

Mr Pressler—It was a little higher than that. Quite a number of Tongans had established Emerald as their home base and bought homes there, but when citrus canker wiped out the citrus industry many, if not all, of them sold their homes and moved to other areas. They had been getting about eight, nine or 10 months work from the citrus industry and the grape industry; therefore, 'home' was Emerald, but it isn't anymore. With the boom in mining, they were able to sell out in a very lucrative real estate market.

Senator McEWEN—Mr Pressler, we are glad to hear about the resurrection of the citrus industry in Emerald, and we look forward to the first crop. What exactly are the growers doing to ensure that enough labour will be there in five years time when that crop comes on?

Mr Pressler—We are setting up accommodation and food facilities et cetera. Apart from that, I have not got an answer.

Senator McEWEN—So are you hoping that they will come for the work? Are you working with labour hire companies now or is it too soon?

Mr Pressler—No, it is too soon just at the moment.

Senator McEWEN—It is table grapes and citrus mainly?

Mr Pressler—Yes.

Senator McEWEN—What portion of it is for the domestic market and what portion is for export?

Mr Pressler—Table grapes are 90 per cent domestic. Citrus is probably 60 per cent export. With the varieties we are planting, it will probably be more like 80 per cent to 90 per cent export.

Senator McEWEN—Do you have any estimate of how much value to the Australian economy the export component of the citrus will be in Emerald when it is growing and being harvested again?

Mr Pressler—When we are getting nearer to full production, the Emerald area should be worth something like \$30 million.

Senator McEWEN—In export earnings?

Mr Pressler—Yes.

CHAIR—Accommodation is a very important issue in respect to such a scheme. The secretariat will be in contact with you because we are very interested in what you have said about some of the capital investment being made by larger farms to provide that sort of accommodation. If that is something we could formally go and see or get some further information about, it would be very useful to the committee. Thank you for your presentation today.

[11.26 am]

PHILIP, Mr Andrew Norman, Shareholder, SP Exports Pty Ltd

CHAIR—Welcome. 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. I invite you to make an opening statement, to be followed by questions from the committee.

Mr Philip—I will just give a bit of background on SP Exports. We are the largest tomato grower in the country. We employ up to 500 people during our peak seasons. We also have substantial interests in mangoes, avocados and citrus, so we are pretty well a 12-month business. But we certainly do have seasonal peaks for probably three to four months twice a year when the tomato crop is at its peak. On labour, probably it has taken over now as the No. 1 priority of our business. Approximately 50 per cent of our production costs or of overall margin is labour. Obviously, we have had increasing labour costs. Probably at the same time, we have had a decreasing quality of the labour force available to us. So it is more important to us almost than water now. What we are in the business of is people management and not necessarily growing the crop.

CHAIR—Can you indicate to the committee how that 500 people you employ during the peak of your season is made up?

Mr Philip—I will give some background first. Back in the early nineties, as Mr Trevor said earlier, we had mainly locals with some transients. We moved through to a high proportion of backpackers. Probably around 2000 or in the late nineties, we were seeing that the backpacker proportion was rising in the workforce. But at the same time, the constant training and that sort of thing has led to probably a decrease in efficiencies per person. At the moment, with a view to trying to get more local or professional transient workers, our business is probably running at around 20 per cent to 25 per cent backpackers, 20 per cent local and 50 per cent or 55 per cent professional transients through contract companies or labour hire. That is where we have ended up.

CHAIR—Can you explain how the peak operates? How many people would you employ effectively as full-time employees and when do the peaks happen?

Mr Philip—We have a permanent workforce of about 40—permanent casual; we employ under a single contract, hourly—and we have another 60 or so who would be with us pretty well full time. Different crops have different peaks during the year, but the packing sheds, which run eight to 10 months of the year, have about 100 people. The pickers, mainly on the tomato side of the peaks, will be with us from now through to the end of July and then starting again in October and running through until mid January. Then there are mangoes, followed by citrus and then avocados.

CHAIR—I understand you will say that there is difficulty in workforce planning and getting a reliable workforce, particularly in terms of the 20 to 25 per cent of backpackers. Have you been able to meet your labour requirements? It is not ideal.

Mr Philip—We have been very close to meeting our full labour requirements. I know that to a certain extent that is at the expense of smaller players and other players in the district. Because it is such a critical issue to us, we are on top of it and we pull in from other districts, which takes away from the pool of workers available. I know that other growers in the district have run out of staff. Some of our forward planning has enabled us to get through. The benefit here is a more stable workforce and the development of people in the industry, which can lead to efficiencies within our industry. We are constantly losing efficiencies, with constant pay rises and fuel—it is constantly going up. Our returns per kilo of fruit basically have not changed over the last 30 or 40 years. We just have to keep getting more efficient. On the world scene, every other major horticultural producing country has this sort of program available to them—they get return employees on a regular, seasonal basis.

CHAIR—Why can you attract labour at the expense of other growers in the industry?

Mr Philip—We have gone to the people where we have employed staff, to help us source people. We pay competitive rates; we are certainly above the minimum. I hope it is just that we are more organised and that, because we are a larger player, we are a bigger part of other people's business so they are trying to assist us on that basis.

CHAIR—Is the environment you provide for people to work in superior to that which others provide?

Mr Philip—I do not believe it would be significantly better than other growers in the district. It may be marginally, but I do not believe we stand out as an employer for conditions et cetera. It is fairly standard compared with other employers in the district.

Senator BARNETT—Thank you very much, Mr Philip, for your presentation today. In summary, you have an issue, firstly, with a lack of labour and, secondly, with the reliability of that labour.

Mr Philip—Reliability definitely. We can see that it is getting progressively worse every year. We are under more and more pressure every year to come up with the numbers each week basically. I can see it not stopping there. We have had periods in which we have not been able to pick all the fruit. I am talking about, maybe, five per cent of the time. It is getting pretty close to the wind out there today, but we are getting through. I know that a lot of other people are not so lucky. One of the things about it is that we are out picking our crops every second day. If you get behind it causes a major decrease in the margin because fruit that goes too far is significantly less.

Senator BARNETT—You have talked about labour force proportions and the trend towards more backpackers and transient workers causing a lack of reliability. I am interested in the consequences of that. Does that mean fruit does not get picked or gets picked late and therefore the revenues drop? Can you give us a summary of that consequence and how significant that is to your business?

Mr Philip—I will take tomatoes as the example. A tomato that is picked at the ideal stage could be worth \$2.40 a kilo. If it is missed or left for a day, it becomes a riper piece of fruit and could end up with a 50 per cent return for the same cost, so basically all the profit has gone out

of that. It is a very timely crop. If it is not picked on the day it is basically downgraded, either lost out of the system completely or downgraded to the point where it probably should be lost out of the system anyway, from a marketing point of view.

Senator BARNETT—Are you telling the committee that that is happening this year, last year or the year before—or have you hit that threshold?

Mr Philip—It has been happening every year. It probably originally started back in the early nineties when the call for the backpackers came in. It certainly has progressively got worse in terms of the number of people. But, again, it is not so much the number of people. Sometimes you can get a lot more work done with half the number of people when they are experienced. That is what we are targeting in the current workforce at the moment. Certainly we see that with bringing in people from the Pacific islands and building up their skills over time. They may not be the best pickers first up but you build up a team, which is what we have been trying to do with the local workforce. We want to build up a team of experienced people who know what they are doing and whom you can pay extra. Your productivity still goes up at the same time.

Senator BARNETT—I will come to that. Earlier in the day we heard advice that there is quite a bit of investment in this local area in different respects. Is there investment in tomatoes, money coming in, from outside? Is their growth and development? Are there new packing sheds or new production facilities? Overall, is it growing or shrinking?

Mr Philip—Obviously over the last 15 years the numbers have been shrinking. There were probably 300 growers of tomatoes in this district and we are probably down to somewhere in the vicinity of 10 to 15. The numbers are shrinking but the production is probably growing slightly. Again, it is the trend through the whole of agriculture. At this stage there is some money coming in from outside into glasshouse operations and the like. But, as far as the field side of things at this stage, it is local people reinvesting in their businesses and expanding on that basis.

Senator BARNETT—What about the impact of water security? It was put to us that that has benefited the local area and has been one of the drivers for investment?

Mr Philip—I would certainly agree to a point as far as tree crops and that sort of thing. As I said, water has been our major concern over the last 15 years. Our family has spent the last 15 years planning our business around water. With small crops, tomatoes et cetera, we can move to where the water is and that is what we have been doing for the last 15 years. Now that water is secure, labour has taken over as the main priority.

Senator BARNETT—You mentioned that about 50 per cent of your total operational costs go on labour. Have you looked at innovation in terms of mechanical efforts to reduce that cost? In the different parts of the country we have been, there have been those efforts. To some degree, they have delivered and in some respects they have not. What is your experience?

Mr Philip—We certainly went down that track during the nineties. We invested heavily in not only machinery but also breeding programs. We had the machinery but we did not have the varieties to suit. We invested in breeding programs to get varieties that would be suitable for machine harvesting. We have come back to the quality, and the varieties we have at the moment are the best we can do, but it is still labour-intensive.

We are looking at where we can mechanise, and that is in the packing sheds and that side of things. But in the field, for the harvest, it is going to be a long time before we get any mechanisation that will replace the ability of hand and eye, basically, to pull off the fruit at the right point.

Senator BARNETT—You mention in your submission that you are aware of other countries that use a program similar to what we are considering as a committee. Can you tell us your experience or understanding of how, in the countries you refer to, it has benefited their growers?

Mr Philip—A couple of examples come to mind. You would be familiar with the Canadian side of things. Israel is a major horticulture production country with an export focus. It brings in workers from all over the place but mainly from Thailand on an exchange basis. They come in for the season, do the work and go home. From talking to growers and businesses over there, I understand that without that influx of labour on a regular basis their industry would not be viable. One of the things we certainly see about the Pacific islands is that people coming in would not disrupt the communities here because they are able to adapt culturally very well. We have had an influx of people from places such as Tonga and Samoa coming through the system. We would very much look forward to those people coming into the community.

Senator BARNETT—Can you tell us how you think it could work? Would you be the employer or sponsor? Who would pay for travel and accommodation? Would it be done together with the area consultative committee and the local council? What about the issues of accommodation, health and welfare? You think they could blend into the local community, and that is the advice we have had this morning if they were, say, Tongans or some Pacific island group. Can you just flesh out those points for us?

Mr Philip—I certainly see them being able to integrate into the community. I have talked to a number of contract companies that already do this type of thing. As an example, in the Shepparton region in Victoria there is a housing shortage, and either farmers or contract companies are building residential complexes, flats or whatever, to house the workers over the season. Because there is a shortage they have invested their own money into that sort of thing. I certainly see that being able to happen here. The cost of real estate and accommodation is still relatively low here, though it is climbing, but there are also the hostels, caravan parks and that sort of thing on a seasonal basis. The next step, if required, is to go to on-farm accommodation.

Senator BARNETT—Who would be the sponsor organisation—would it be a labour hire company or you or the council? Do you have a view on that?

Mr Philip—I guess it would depend on the situation. In our own circumstances I would say the labour contract company would be the one looking at doing it. You will get to meet some of those people this afternoon. But if I was employing all the staff I required I would see no problem with doing that myself.

Senator BARNETT—Let us take your farm as an example. You employ about 500 at the moment—permanent, casual and through your labour hire arrangements. Would you want another 50 or another 100 and, if so, for how long and over what period?

Mr Philip—As an ideal scenario, from a starting point of view, we may be interested in 50 out of that 500 to give us a good base but also still allow for the other people coming through the system who are regulars for us. Ideally, I would be looking at a three- to four-month period twice a year in our personal circumstances.

Senator BARNETT—Twice a year? So which months?

Mr Philip—For us it would be April, May, June, July and October, November, December, January.

Senator BARNETT—Ideally, you would like the same people coming back so that they get used to the area and the work.

Mr Philip—Yes, for sure. Understand that every farm does have different requirements, every farm is looking for something slightly different—it is not a standardised industry. Also, workplace health and safety, as Mr Trevor mentioned earlier, is a significant aspect of life on the farm now, so we are constantly training. I guess anything that also cuts down the compliance costs side of things is a benefit to our business.

Senator BARNETT—Okay. We had a question this morning about illegals in the local community—I am not just thinking of you but in this area. Do you have a view as to what proportion, if any, of the workforce are illegals?

Mr Philip—I would hope that the proportion on our place would be from nil to under one per cent. District-wide, I would say that you would be flat out getting to two per cent. It is very rare to have the scenario for illegals here compared to what I know happens in other regions.

Senator BARNETT—Finally, they said earlier that unemployment is actually around about seven per cent in this area—and the national average is 5.4 per cent, so it is above the national average. Would you see a local community kickback, an angry response, to importing people from Tonga to meet this need or do you think they would accept it and say, ‘That is fair and reasonable’?

Mr Philip—I would say that it would be seen as fair and reasonable. When we had our first labour crisis back in the early nineties we were at 20-plus per cent unemployment so, as far as the local side of things goes, I do not see that as an issue.

Senator BARNETT—Okay, thanks for that.

CHAIR—Mr Philip, you indicated that if you were able to participate in such a scheme it would effectively be 10 per cent of your workforce.

Mr Philip—I guess that would depend on how the scheme evolved and that sort of thing.

CHAIR—Sure, if you had a choice—

Mr Philip—We may look at more but that is sort of where I would see us dipping our toe in the water or something.

CHAIR—Just based on the percentages of the make-up, you indicated earlier that your backpacker workforce is probably between 20 and 25 per cent, so that would reduce your reliance on backpacker labour down to 10 to 15 per cent.

Mr Philip—Yes.

CHAIR—Do you think that would be a good mix across the board?

Mr Philip—Yes. I guess one of the things from our business point of view is that we may not enjoy the turnover that backpackers bring to the district but there are a lot of businesses in town set up for backpacker labour—hostels, buses, big investment. A lot of those investments were on the back of our labour shortages. They are what have got us out of trouble in previous years. Although it would be good to reduce the reliance on those businesses, those businesses were set up on our behalf to a certain extent, so we certainly want to continue some support of those businesses to keep them on tap for short-term shortfalls.

CHAIR—You also indicated earlier that you have put a bit of workforce planning in. I appreciate that because we have not seen a lot of evidence of that on our travels. You do some planning, you do some managing of the workforce issue and you also indicated that you pay above the going rate to attract people. If you are able to supplement your workforce with such a scheme as we are talking about—and I guess this is a rhetorical question—wouldn't that then take pressure off you to continue to do the things that you need to do to attract permanent Australian workers into the industry? If the pressure were taken off, would that have the ability to then undercut the local workforce?

Mr Philip—I do not see that as a problem. We are always looking for good people in our industry and people who are willing to work. To a certain extent, we really do not care where the people are coming from as long as we have got people who are willing to work and want to be there.

CHAIR—But Australians will care where the workers come from.

Mr Philip—Yes. We are getting a lot of Australians, but a high proportion of people coming through the system are new Australians, not established people. They are new immigrants et cetera who are drawn to this type of work. If they work hard they can make very good money. When they become good at it, that is where the piece rate and that sort of thing comes into it. When it comes to paying the right money and that sort of thing, we went through a period when we were getting behind in our work and we decided to pay more money to get a job done. The problem we came up against, mainly with Australian workers, was that, if we paid more money, they did less. They made their \$100, or whatever they wanted to make for the day, and went home two hours earlier. So, by paying more, we ended up with less productivity and the job got further behind. These are ongoing issues in our industry. Dealing with staff in a field scenario in the horticultural industry is certainly not out of a textbook. You have to come up with new ways of managing things because it is such an important part of a business. We are willing to give anything a go to try and maintain our competitiveness. Since our company has been in the export side of things, we have certainly lost competitiveness and we have lost a lot of overseas orders. So we have very much shrunk back to a mainly domestic focused business with bits and pieces of export to New Zealand and a little bit into South-East Asia.

Senator BARNETT—Why have you lost the export orders?

Mr Philip—Basically it is because we have become more and more uncompetitive. There is increasing technology and it is highly labour intensive. But it is not only cheaper labour. New Zealand, which is one of our main competitors coming into this country, has people coming in from the islands. Yes, they may be a bit cheaper, but they are professional people doing it on a regular return basis.

CHAIR—If I put it to you that the overall wages cost for such a scheme would probably be higher than it is now because there would have to be some on-costs and a social support structure, would it still be attractive?

Mr Philip—Yes, it would be. Obviously it would depend on the work ethic of the people involved. That is what it comes down to.

CHAIR—So you are saying that the turnover aspects, the retraining aspects and the consistency of the workforce would clearly outweigh the extra costs?

Mr Philip—Yes. With higher-quality workers, you may pay, for instance, 25 per cent more or 10 per cent more, but they are likely to be twice as productive as a person on the minimum wage who does not want to be there. And that is the difference. Paying a little more for people with the right work ethic who want to be there more than outweighs any monetary costs on a per hour basis.

CHAIR—So, when you say you want to get cheaper labour costs, you are talking not simply about cheaper wages but about the overall cost?

Mr Philip—No, not at all.

CHAIR—I just wanted to clarify that.

Senator McEWEN—You mentioned lost opportunities for export. Can you quantify that at all? Has the shortage of appropriate labour stymied in any other way your ability to expand your business?

Mr Philip—It has certainly stymied our ability to expand the business. We are very conscious of our planting sizes at certain times of the year because we know we only have the capacity to pick what we comfortably can do with the labour force available. It is such a high-cost industry that you cannot afford to leave fruit in the paddock. If you pull back on 10 per cent of capacity because you have a couple of hot days or whatever, you want to make sure you have the capacity to cover that, because walking away from blocks and decreasing your overall yield increases your overall cost throughout the whole season. That is on a domestic basis. On the export side of things, we will never really know because, I guess, there is no point crying over spilt milk.

Senator McEWEN—But you would attribute the loss of that export opportunity to the fact that you could not get labour?

Mr Philip—I would say our spiralling costs of labour and that sort of thing, with the minimum wage going up and an inability to chase the productivity gains at the same time.

Senator McEWEN—I am just curious: if your company participated in this proposed scheme, would you be able to guarantee these workers from the Pacific islands—say you had 50 of them—work for that whole period of time, whether it be three months or six months? With the crops that you grow, if it rains for three days, can those people still do some kind of work? What will happen?

Mr Philip—If it rains for three days, they will be picking in the rain for three days. Our crop is that critical. In a lot of other industries, if it starts raining they stop picking, whereas we are in a situation where we have got to continue picking. Across our business, with the range of crops we have, trees versus tomatoes as well, we certainly have the ability to keep those people working for a minimum of 40 hours and, for a lot of the time, probably for 60 hours if they want to work that length of time. So there is the ability to earn to the level that they want to, I suppose.

Senator McEWEN—So there is always going to be enough work for them for the period of time that they are here?

Mr Philip—Yes. About 50 people in a scheme in our work force would be quite easily catered for.

Senator McEWEN—Would that all be in the field work or would you see that they would have opportunities to learn skills in the packing shed or driving forklifts or trucks—skills that they might be able to take back to their communities?

Mr Philip—I initially came here with the view of looking at the field side of things, but there has been a recent trend. Going back probably five years ago with our packing sheds and even with field labour, someone had to die to get a job there. It was that sought after. In the last few years a lot of people are retiring and that sort of thing. It is becoming more and more difficult to get a standard work force even in what were once considered the jobs people were looking for. It is becoming harder and harder. It may be that the peaks of our field work offset the harvest period. The field work period may be two months before that, with smaller numbers—five or six people—for probably the same length of time. I certainly see the opportunity for that sort of thing. Again, if you get someone that is going to be regular when you want them, you are certainly willing to put in the effort to train them so that they are a useful part of the work force.

CHAIR—Thank you very much, Mr Philip, for your presentation to us today and for your contribution to our inquiry.

Committee adjourned at 11.59 am