



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION  
REFERENCES COMMITTEE

**Reference: Pacific region seasonal contract labour**

TUESDAY, 22 AUGUST 2006

CANBERRA

BY AUTHORITY OF THE SENATE



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## SENATE

### EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION REFERENCES COMMITTEE

Tuesday, 22 August 2006

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

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

**Senators in attendance:** Senators Barnett, Marshall, McEwen and Troeth

#### **Terms of reference for the inquiry:**

To inquire into and report on:

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

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

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**Committee met at 9.02 am**

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

During the 2005 Pacific Islands Forum, renewed pressure was put on Australia and New Zealand from Pacific nation leaders to accept seasonal agricultural workers to help their struggling economies. The Senate inquiry will examine whether a seasonal work program can meet labour shortages in rural Australia and at the same time advance the economic development of Pacific nations. It will consider the likely effects of such a policy on the current seasonal workforce and the likely social effects on regional cities and towns. The committee has visited various centres on the Murray as well as sites in Queensland. The committee will report on 17 October. I welcome any observers to this public hearing.

[9.03 am]

**FOX, Mr James, First Assistant Secretary, Migration and Temporary Entry Division, Department of Immigration and Multicultural Affairs**

**PATERSON, Mr Malcolm, Director, Business Skills and Specialist Entry Section, Department of Immigration and Multicultural Affairs**

**ROSALKY, Mr Jon, Director, Compliance Business Systems Section, Department of Immigration and Multicultural Affairs**

**CHAIR**—Welcome. I remind all witnesses that in giving evidence they are protected by parliamentary privilege. This gives special rights and immunities to people who appear before committees. People must be able to give evidence to committees without prejudice to themselves. Any act which disadvantages a witness as a result of evidence given before the Senate or any of its committees is treated as a breach of privilege. I invite you to make an opening statement, which will be followed by questions from the committee.

**Mr Fox**—We do not have an opening statement. The department has made a submission to the committee's inquiry, and we are happy to answer any questions on either the issues raised in that submission or any other issues the committee would like to raise with us.

**CHAIR**—I want to touch on a few of the issues you have raised. Throughout the process of this inquiry I was coming to the conclusion that a South Pacific island seasonal contract labour scheme might in fact reduce the use of illegal workers in that industry. You have clearly come to a very different conclusion. Could you expand on some of those issues for the committee?

**Mr Fox**—Our view of the issue of Pacific labour is summarised in our submission. We consider that there are a number of reasons. Under the current government's policy settings, the Prime Minister has made it clear that he does not wish to pursue such a scheme, which is one aspect. Obviously in my position as a public servant I cannot comment on that. But, in terms of the material that we have provided to the committee, our view is that we are not persuaded that the economic benefits that some would argue would arise from such a scheme, particularly for the Pacific island countries, would in fact arise.

Our view is based on several factors, including the tax rates that we would impose on the workers, the relatively high costs associated with getting to Australia and then the relatively high cost of living here—rather than necessarily the remittances some would argue would flow back to their country. As far as the legality of workers goes, as we have said in our submission, there is some suggestion that people from the Pacific islands tend to overstay at a greater rate than some people from other countries. That is probably not our principal driver. Our view is that the benefits that some would argue accrue from the scheme would not accrue. With respect to illegal workers, we have a compliance regime based on a fairly tried-and-true, tested regime of looking at risks associated with particular workers. We would categorise those according to the risks faced, but I do not think we would conclude necessarily that there would be a bigger risk of illegal work in this area.

**CHAIR**—One of the things you argue in broad terms is that illegal workers are in effect exploited and work for considerably less than the legal workforce.

**Mr Fox**—I do not think that is specific to the Pacific island community.

**CHAIR**—I understand that. I think you indicated that you have picked up about 600 workers in the horticultural industry.

**Mr Fox**—That is right.

**CHAIR**—I just cannot find where you said that. That is from memory.

**Mr Fox**—I think the figure was 770 in that industry. It is on page 2 of our submission.

**CHAIR**—Do you debrief those people? What do you know about the wages and conditions that they are required to work under in that particular industry?

**Mr Fox**—I do not have that detail with me, but certainly when we identify illegal workers we interview them. Our principal concern, at that stage, if they are identified as an illegal worker, is that that is in breach of their visa condition rather than in breach of workplace relations legislation, for example. So that figure of 770 refers to people who either are working contrary to their visa conditions or have overstayed their visas rather than a reflection on the employer. We have a separate piece of legislation, as you know, which is in the parliament now, looking at improving our capacity to address employers of illegal workers. The employers sanction legislation is before the Senate at the moment. It has been through the House of Reps. That looks to increase our capacity to address unscrupulous employers. But we would not necessarily get a clear view of the conditions under which the 770 were employed, because their illegality, if that is the correct term, is not based on their employment conditions. Their status is that they are in breach of their visa conditions rather than the salaries that they have been paid.

**CHAIR**—So we cannot draw a picture from that.

**Mr Fox**—No.

**CHAIR**—Do you look at how they get into this industry in the first place, how they are channelled there?

**Mr Fox**—Not necessarily. That might emerge, but it would not be one of our principal drivers. In another context that senators are probably aware of, we have been doing more investigation into the alleged exploitation of temporary skilled workers who have come into Australia on what we call the 457 visa, the temporary long-stay business visas. There have been some allegations made to us that foreign workers coming in on those visas have been exploited. In that context we have looked at whether they have been underpaid, required to work excessive hours or not paid the minimum salary level which people are required to pay those workers. Certainly we have found that in a number of cases those allegations have been proved. In a significant number of others, those allegations have not been proved. The case that springs readily to mind and has been in the media is that of some of the Canberra restaurant workers, where some Filipino chefs had made representations to us that they were being underpaid and exploited. We looked into

that, the Department of Employment and Workplace Relations through the Office of Workplace Services has looked into that, and a number of prosecutions are on foot right now as a result of that. So those are an example of where we have found some of the allegations that have been made to have some foundation. There have been many others where that has not been the case.

**CHAIR**—There was a debate in the Senate just last week about initiating an inquiry into that broader area, but the Senate is determined not to proceed down that track, so we will not go down there in this inquiry either at this point. I was really just trying to get a feel for the picture of the horticultural industry in particular. You may have picked up in our evidence—and it is anecdotal evidence, but it is from people who are in a position to have an educated guess, I suppose, about these things—that, in the Goulburn Valley they said that in their view probably up to 20 per cent of the workforce was illegal workers. In that particular area, I think they were coming from a base of about 18,000, so that is a very considerable amount. I know you recognise in your submission too that the people you have picked up are only that, and there are potentially many more. Before I go on to the next subject, I am just wondering what useful information about that you might be able to give the committee.

**Mr Fox**—I have to apologise; that is not directly my division's responsibility. The compliance division within the immigration department has been doing a lot of work in changing the structure with which it approaches compliance activity. It is now putting a very strong emphasis on deterrence and prevention as well as enforcement activity, but certainly one of the areas of priority attention for the enforcement activity is labour scams, including in the agricultural industry. So we are aware of those allegations, and we are certainly working with our colleagues across our network to address that if we can.

**CHAIR**—The other thing I want to talk to you about is the existing arrangements. There was off-the-record evidence, I guess, in the Northern Territory in particular, about large investments, particularly in the mango area, new areas under growth and some of them coming online. Some very frank admissions from people who are managing that—they will need a substantial workforce in two to three years, and they are building accommodation for it—were that the principal investors behind these large areas under growth were organising to bring in people from Thailand under the skilled immigration visas. Clearly, to my mind—and I am not an expert in this field—they would be hard-pressed to meet the 'skilled worker' definition. However, they said that that was well in hand, that these skilled agricultural workers would be paid the award rate and that that was all under control. So I am just wondering: are you getting approaches from the agricultural industry to bring in skilled agricultural workers in large numbers? How often does that happen? Again, to my mind—and I just put this to you so you can address it in your response—it is really just a way to avoid the existing arrangements and achieve a guest worker scheme by default.

**Mr Fox**—I probably would not agree with the last part, but let me address the substance of the question. I guess it is difficult for us to respond to off-the-record comments, but in general terms, yes, there are a number of skilled agricultural workers who do come into Australia under the provisions of the 457 visa regime that I mentioned earlier. The way in which that scheme operates is that an employer can seek approval to be a sponsor of overseas workers, and they can seek to sponsor workers in the Australian Standard Classification of Occupations, or ASCO, categories 1 to 4 and pay them the minimum salary level. They can do that simply with approval from our department.

**CHAIR**—And the minimum salary level is?

**Mr Fox**—At the moment it is \$41,850.

**CHAIR**—I do not want to ruin your flow but that raises a question. We can come back to the broader issue because I think this is an important issue for us to explore a little bit.

**Mr Fox**—Sure.

**CHAIR**—I will just give you some more background of this particular example. I am talking about a mango area, and the picking period is 12 weeks for mangoes. So it was going to bring people in for 12 weeks—and we are talking about hundreds of people—and then out again. How does that \$41,000 have to be broken up?

**Mr Fox**—The *Gazette* notice that specifies that says that that should be assessed on the basis of a 38-hour week. In other words, it cross-references to the standard working week that is contained in the Work Choices legislation.

**CHAIR**—So it would have to be an hourly rate based on the yearly amount of hours divided by \$41,000 to give you an hourly rate regardless of how long it works.

**Mr Fox**—That is right. It is something like \$20 an hour. It is not precisely \$20 but it is something in that range. There is another option that could be used for the short-term labour scenario, which would be through the Working Holiday Maker Scheme. Under that scheme people can come to Australia on a working holiday maker visa. They can work for three months with a seasonal employer. They can stay in Australia for up to 12 months but they can work for three months with the one employer. In fact, we have just extended that. But they could also be looking at that sort of scenario.

**CHAIR**—So you could, in effect, fly people in purely for the purposes of working for three months and then fly them out.

**Mr Fox**—That is not the intention. That is not really a sponsored work visa. The principal driver for the working holiday maker visa is, in fact, tourism—

**CHAIR**—Yes.

**Mr Fox**—and it invites people to come to Australia to experience Australia but then also to be able to work while they are here. That has been quite a successful model, particularly in the agriculture industry, and we recently announced that people could get a second working holiday maker visa with the same employer if they were working, broadly speaking, in the agricultural sector. So that could easily be used in the scenario you have described with the mangoes in the Northern Territory. It would be unusual in that scenario for them to fly people over en masse but not impossible.

**CHAIR**—So a labour hire organisation could recruit in Thailand—I use that because it is the example that was given—on the basis that 200 people would come over on a holiday. They

would work for three months and then have their holiday in Sydney international airport on the way out.

**Mr Fox**—In fact, at the moment we do not have a working holiday maker agreement with Thailand. So that would not work with the Thai government at the moment. We are having, with the Thai government, a work and holiday discussion, which is about much smaller numbers and requires approval from the relevant government to enter into that agreement.

**CHAIR**—So where is the work and holiday arrangement different from the working holiday?

**Mr Fox**—Fundamentally, the work and holiday arrangement requires support—a letter of authority—from the sponsoring government. It also has a precondition of tertiary education, which a working holiday maker arrangement does not have. And it is also limited by numbers. We have a maximum of 100 places in those work and holiday arrangements under the current scenario.

**CHAIR**—All right. So if it was not Thailand it could be some other country. Who do we generally have working holiday arrangements with?

**Mr Fox**—We have reciprocal working holiday arrangements with a large number of European countries, the United Kingdom, Canada, the Netherlands, Japan, Ireland, Korea, Malta, Germany, Denmark, Sweden, Norway, Hong Kong. I do not think we have an agreement with China.

**CHAIR**—It obviously was not your submission—it must be DFAT's submission—that argues that everybody has the same access to the working holiday visa. That is not the case, is it?

**Mr Fox**—It is for everyone with whom we have an agreement, but, with Thailand, we have a work and holiday visa which has a cap placed on it.

**CHAIR**—When people are manoeuvring around the existing arrangements—pushing those arrangements to the limit to achieve what they want to achieve—yet we cannot have a seasonal migration visa arrangement with the South Pacific, one thinks: 'What's the point?' If we are achieving the same thing by working around the existing arrangements or by pushing them to the limit, why don't we just set up a specific visa class for seasonal workers from the South Pacific?

**Mr Fox**—My simplistic response is that it is because, at the Pacific Islands Forum in October 2005, where pressure was put on Australia, the Prime Minister said we are not having such a scheme. The Treasurer also made observations like that in a speech about a month ago when he was launching the census. It is difficult for me as a public servant to comment on those policy parameters.

**CHAIR**—I am not asking you to. Are you getting applications for people to come here to work in the agricultural industry under existing arrangements?

**Mr Fox**—Yes.

**CHAIR**—To what extent is that happening and, apart from the work and holiday arrangements that you talked about, how else are people able to come in?

**Mr Fox**—I mentioned the 457 visa regime and I had started talking about the fact that there is a minimum salary level of \$41,850 and the ASCO classifications 1 to 4—

**CHAIR**—But you could not come in as a fruit picker?

**Mr Fox**—Not under that classification. There are some managerial level positions that are within the ASCO 1 to 4 regime. There are also regional concessions available for areas that are defined as regional. They can apply to bring in people at a slightly lower skill level—the ASCO 5 to 7 range. My colleagues from DEWR can probably explain that in more detail than I can.

**CHAIR**—But that is not a fruit picker either?

**Mr Fox**—No, I do not think a fruit picker is in there, but there are skilled professions in the agricultural and horticultural industry that would certainly be eligible for the 457 visa. I think you asked me for the numbers. I do not have with me the number of visas we have issued in those sectors, but we have made that available and I would certainly be able to take that on notice and provide it to the committee because we do classify them across that sector. If the employer is looking to access those concessional arrangements then they must also get certification from a regional certifying body, which is a body appointed by my minister, Senator Vanstone, on the advice of the state and territory governments. In some cases, the regional certifying body is in fact a state government agency. In the example that you were talking about, the mango pickers in the Northern Territory, the Northern Territory government is the regional certifying body. If they wanted to bring people in at a concessional rate to work in skilled professions in that sector, they would need the approval of the regional certifying body.

**CHAIR**—Is there a wage rate attached to that?

**Mr Fox**—There is. The maximum variation from the minimum salary level of \$41,850 that I mentioned is 10 per cent; it is approximately \$37,000. That was a protection we put into the system earlier this year.

**CHAIR**—It was \$35,900.

**Mr Fox**—It is phrased as ‘90 per cent of the minimum salary level’.

**CHAIR**—Of the \$41,850?

**Mr Fox**—Yes.

**Senator TROETH**—Are meat workers classified as an occupation where there may be shortages from time to time?

**Mr Fox**—I guess there are two answers to that question. I mentioned the ASCO 1 to 4 classifications earlier. A slaughterperson—slaughterman—is defined as an occupation in the ASCO 1 to 4 range; it is actually in the ASCO 4 classification. Meatworkers or slaughterpersons

are therefore eligible to be considered for the 457 visa regime. Some other professions are not within that range. As to whether those are in demand, the advice that we have received from state governments and from the meat industry is that there is a shortage of supply in that industry.

**Senator Troeth**—I notice that you have an officer seconded to the National Farmers Federation to assist with available visa options.

**Mr Fox**—That is correct.

**Senator Troeth**—Can you tell me what visa options are most commonly asked for and used by members of the National Farmers Federation?

**Mr Fox**—I cannot tell you that, Senator, but we can check. I do not have the exact detail in terms of numbers, but my suspicion is that the most commonly used one would be the 457 visa, which we were just discussing, and the occupational trainee visa, which is another one that we have not discussed before the committee, but it was mentioned in our submission. We have a number of industry outreach officers in a number of different organisations. The National Farmers Federation is one.

**Mr Paterson**—There is also the 416 Special Programs Visa. Several agricultural programs run through that visa—for example, wine and general farm work. People from overseas come to Australia and spend time on our farms, learning Australian farming practices. It is a skills based, youth exchange type of program. It is not strictly seasonal. People come for 12 months and learn Australian practices. There is a flow the other way where Australians go overseas. It is an exchange-skills-whatever program; it is a bit of a mixture.

**Senator Troeth**—Yes, I understand. In your experience, what sorts of labour hire arrangements are in place for the Farmers Federation or agricultural organisations to handle the inflow of migrants under those programs?

**Mr Fox**—There are a number of companies that specialise in providing job opportunities. We have certainly come across, for example, the working holiday makers that we described earlier. I am not specifically aware of any that have provided services to the National Farmers Federation or to their members, but we are aware that companies are promoting the harvest trail in Australia as an opportunity for people to come here and experience Australian life.

**Senator TROETH**—I notice under the heading ‘Costs Associated with Illegal Workers’ that you have quoted the costs for locating, detaining and removing from Australia unlawful noncitizens and illegal workers. The cost is much higher for illegal workers. I take it that the figure of \$3,712 for each lawful noncitizen is a lower figure because those people are not necessarily working. Is that the case?

**Mr Fox**—I am not sure that their work status would be a driver for that. In the submission we talk about driver based costing. We go through a process of attributing costs within our organisation to particular activities, and I do not think the work status is actually a determinant of that. I can get more detail on the basis of that costing.

**Senator Troeth**—If you would not mind doing that, I would be interested in it.

**Mr Fox**—We will get a breakdown of that for you.

**Senator Troeth**—Thank you. There is a certain cost for the department associated with locating, detaining and removing?

**Mr Fox**—Yes, as there is with any of our compliance activities.

**Senator Troeth**—If you multiplied that by the number of workers, obviously that would be a reasonably significant cost to the department.

**Mr Fox**—That is right.

**Senator Troeth**—And I also note the practicalities of dealing with air charter operations in order to reach more centres. Assuming that any scheme would involve the transport of workers to their place of work, they would obviously need to get there by air or by other means, which would also involve a cost to somebody.

**Mr Fox**—That is right.

**Senator TROETH**—A cost in admitting them to the country is what I mean.

**Mr Fox**—I do not know what arrangements they might make, but sometimes there would be air charters and, in the context of a Pacific labour scheme, that would be a cost driver because presumably that would be the most efficient way of transporting people to where they would be working.

**Senator TROETH**—I note that our legislation would probably require the existence of AQIS, Customs and DIMA officers wherever those persons landed.

**Mr Fox**—That is right. We run charter operations in non-standard airports now, and those arrangements are normally billed to the charter provider because we need to get Customs, Quarantine and others to those places.

**Senator McEWEN**—I just have a couple of questions, Mr Fox, going back to Senator Marshall's question which was related to the anecdotal evidence we got in the Northern Territory about mango growers talking to people about bringing in Thai workers. You did not rule that out. Is it likely that the discussions you are having with the Thai government about the work and holiday visa are the thing that they are talking about in the Northern Territory?

**Mr Fox**—I would not have thought so, given the cap of 100 places that we have in the arrangement with the Thai government at the moment. It is difficult for me to comment on off-the-record evidence that is provided to the committee. On whether people could sponsor skilled workers in that sector: it is open to them to do so. I mentioned the 457 visa arrangements. Subject to all other conditions being met, that would be feasible.

**Senator McEWEN**—These are mango pickers, so presumably they would not qualify under 457.

**Mr Fox**—If they were mango pickers, that would be unlikely, yes.

**CHAIR**—Can I just go further on that. Under these visa arrangements, what percentage of the work do you have to do at that skilled level?

**Mr Fox**—All the work should be at that skilled level.

**CHAIR**—You talked about the concessional visa at the lower level, so if there was some pruning work which might qualify at the skilled visa level but it only made up 10 per cent of the overall work that was engaged in, would it be possible to bring people in under those conditions?

**Mr Fox**—The conditions that apply to the visa suggest that the skilled workers should be doing skilled work.

**CHAIR**—All the time?

**Mr Fox**—Yes. There would be some exceptions. For example, if someone has been injured at work and they cannot do some of the manual labour, we are not suggesting that that means they should suddenly become labourers rather than skilled workers, but the conditions that we attach suggest that the worker needs to be doing the work for which they were nominated and, if they were nominated to do skilled work, that is what they should be doing. There have been some suggestions that have come to us that people have been engaged in work other than the skilled work—in other words, people have been brought in for any labour rather than for skilled labour—and we have found some evidence of that in a small number of cases. I do not have the numbers with me, but the approach that we would take in that scenario is to educate the employer as to the correct rules that they need to have for their skilled worker. If we are concerned about the ongoing nature of that, we may seek to impose sanctions. We may seek to prevent them from being a sponsor of skilled workers in the future because they have breached their undertakings.

**Senator McEWEN**—In your submission you make mention of the OTV—the occupational training visa—and the Fijian tobacco workers, a project that has also been brought to our attention as part of this inquiry. Can you explain to me a bit more about how that situation works. Do those Fijian tobacco workers come in for periods of fixed time, go back to Fiji and do work in the tobacco industry? Are they allowed to bring their families with them? If so, do their families work as well? Do you see whether that kind of system could be extrapolated to bring in workers in the horticultural industry that we have been looking at?

**Mr Fox**—The answer to the third part is yes. I will get Mr Paterson to talk to the others.

**Mr Paterson**—As we understand the situation, it is a joint arrangement between the Fijian and Australian arms of the same company. It is a basic inter-company exchange. Workers come out, and the information that we have is that they learn Australian standards of farming in the tobacco industry, so they learn chemical handling, crops et cetera and then they go home. They might come back on a subsequent visit. The idea is to try to rotate the staff through, so it is a

skills based program rather than a labour based program. What we have heard is that, when the workers go home, they have higher skill levels and that has translated in some instances to higher crop levels back in Fiji. It is an internal company exchange primarily run through the OTV. They can bring their families but the families cannot work on that visa.

**Senator McEWEN**—Okay. I understand they are learning skills, they are under some kind of registered training program, but is some of the work they do relatively unskilled?

**Mr Paterson**—It could well be. There is a component of classroom and on-the-job training. I think it is a 70-30 split. Obviously, in some of that, there would be some lower skilled work possibly undertaken, but it is a skills based program.

**Senator McEWEN**—What are the payment arrangements for these workers?

**Mr Paterson**—I understand they have to be paid award wages.

**Senator McEWEN**—But they do not have to comply with the \$41,800 minimum?

**Mr Paterson**—No, it is a different visa.

**Senator McEWEN**—So, assuming there was that sort of inter-company arrangement, which could be possible between other Pacific islands and Australia with respect to the horticulture industry, there is no reason that kind of project could not apply, for example, in the mango industry in Darwin, if we had a training program that involved people learning not just how to harvest the mangoes but other skills associated with that particular crop, which presumably will also grow in Suva, Tuvalu or wherever?

**Mr Fox**—Exactly. The key to that visa is that there is a demonstrated training program rather than that they come in for 12 weeks to pick the mangoes and go home again. The sponsor would need to demonstrate that there is a skills transfer to the worker that they could then take back to their home.

**Senator McEWEN**—Is this the only example of that kind of use of the OTVs?

**Mr Fox**—With respect to agriculture?

**Senator McEWEN**—Yes.

**Mr Paterson**—I think there is another one run in the food industry in the Goulburn Valley. I am not sure of the details of that. We can find out for you. I think there is another one running somewhere in Victoria.

**Senator McEWEN**—That would be useful, thank you. With regard to your submission about the practicalities of dealing with air charter operations into regional centres, I am curious as to why you thought that people would be flown into Australia straight to a regional centre. Why wouldn't they go through a major port like Melbourne and then be taken to the Goulburn Valley?

**Mr Paterson**—They could be flown into Sydney, Melbourne, Brisbane or anywhere. That was a specific question asked of the department: what would happen if someone wanted to fly charters into Wagga, Griffith or somewhere like that? There is no reason that they would have to go to that area; it is just that that was the specific question we were asked.

**Senator McEWEN**—Okay, but these people could come into a major airport and be dealt with in the usual way?

**Mr Paterson**—They could come in on normal commercial flights.

**Mr Fox**—We were asked to comment specifically on that rather than it being a requirement.

**Senator McEWEN**—In your submission you mentioned the business long stay visa and you also just mentioned how the regional certifying body can nominate a particular position and if that is approved then the \$41,800 salary level may be waived in favour of 10 per cent either side. Do you have any examples of that?

**Mr Fox**—Of the concessional arrangements?

**Senator McEWEN**—Of those arrangements being used in the horticultural industry.

**Mr Fox**—Specifically in horticulture, there are many. I cannot tell you off the top of my head that employer X brought in people and paid them \$40,000 rather than \$41,850, but I could provide some examples of that to you if that would help the committee. That threshold was only brought in this year. Prior to that, the variation could be more at the discretion of the regional certifying body. So the sponsor would propose a salary and that would have to be certified by the regional certifying body. We have now introduced the ceiling on that variation.

**Senator McEWEN**—But previously the award wage or the industrial instrument was the minimum.

**Mr Fox**—That is correct. The minimum was covered by the award.

**Senator McEWEN**—And that no longer applies; it has to be no less than 10 per cent.

**Mr Fox**—That is right.

**CHAIR**—In terms of people on working holiday maker visas, what arrangements do they presently have for health care?

**Mr Fox**—They do not have access to Medicare.

**CHAIR**—So in effect they are responsible for their own health insurance, either prior to coming or while they are here?

**Mr Fox**—That is right.

**CHAIR**—What happens if they do not have any?

**Mr Fox**—If they get injured and do not have any insurance then I guess they get a bill.

**CHAIR**—I have one final question in respect of existing arrangements and backpackers actually obtaining the 12-month extension to their visas. Is there some administrative problem with that at the present time? We have heard some evidence that there are some significant difficulties with people getting the extension.

**Mr Fox**—Those have not been brought to my attention. All of our working holiday maker visas are managed through our Hobart office. I was talking to them last week and they assured me that everything was going well. I have not heard of any suggestions that there are problems—that is not to suggest that there aren't any.

**CHAIR**—While we were in Mildura, Mr Martin indicated that a backpacker had spent six months and \$600 trying to obtain his extension. I was wondering whether this is an issue, but you are saying that it is not.

**Mr Fox**—That would be unusual. I would not say that it is impossible, but we are quite happy with our processing of working holiday maker visas done through Hobart. It is centralised down there, and we have a very good performance record. There may be isolated cases where there was a problem with information being provided or something. I do not know the specific case that you referred to. I am certainly happy to look into that particular case and see if there was anything there. We do not consider that there is a systemic issue.

**CHAIR**—We could probably tell you what submission it was. The information I have here came from Mr Martin while we were in Mildura, but I am not sure which submission it comes under. We can get that to you. It was not direct evidence from the person themselves anyway. It was more of a general question as to whether there is an issue with these visas.

**Mr Fox**—No, we are not aware of any systemic problems with that. Indeed, on the contrary, we get quite a lot of praise from working holiday makers about the ease of the system. They complained about some of the very minor aspects—for example, they could not get a return email to acknowledge that their application had been lodged—but they were getting their visa in less than a week so they were not too worried by that.

**Senator TROETH**—I have one more question on medical insurance before you finish. If such workers are not covered by Medicare, presumably if they want, need or should have medical insurance then it is up to them, the employer or somebody to pay that. So is it possible for a noncitizen to be privately insured?

**Mr Fox**—In Australia, yes.

**Senator TROETH**—For a certain amount of time or something like that?

**Mr Fox**—Yes.

**CHAIR**—Thank you very much for your submission and for taking the time to speak with us today.

[9.45 am]

**ROBINSON, Ms Judith, Assistant Director General, Pacific Branch, AusAID**

**HOOTON, Mr Peter, Assistant Secretary, Pacific Regional and New Zealand Branch, Department of Foreign Affairs and Trade**

**SULIKOWSKI, Mr Edward John, Director, Services Trade Negotiations Section, Office of Trade Negotiations, Department of Foreign Affairs and Trade**

**CHAIR**—Welcome. The committee has before it your submission. Are there any changes or additions?

**Mr Hooton**—No.

**CHAIR**—I invite you to make an opening statement before we begin with some questions.

**Mr Hooton**—Thank you. The joint submission focuses on the last of the committee's terms of reference: the economic effects of a contract labour scheme on the economies of Pacific nations. I will briefly outline current policy and then Ms Robinson will address the economic and developmental issues in the Pacific context.

As you would probably already have heard, Australia has a global non-discriminatory migration program under which Pacific islanders have the same opportunities as all others who are seeking to work in Australia. We have not had guest worker schemes in the past and the government is not attracted to the idea. The reasons for this include the doubtful economic viability of such schemes, the uncertain nature of seasonal agricultural work, the risks of exploitation and a range of compliance issues.

The government believes that the best way to address the region's unemployment problems is to build the economies of island countries and to improve the skills of Pacific islanders. There are currently no mechanisms allowing for the entry of non-skilled workers to Australia. There are, however, as you have heard, opportunities for Pacific islanders to work in Australia under existing visas for occupational training and long-term work attachments. We, in conjunction with other government departments, have encouraged Australian businesses with an interest in the region, through their business councils, to consider how they can use these visa categories to provide greater employment and training opportunities for Pacific islanders in Australia.

I might just say a word about definitions. The terms 'labour mobility' and 'seasonal or guest worker scheme' are sometimes used interchangeably when considering the seasonal labour issue. The Australian government, however, distinguishes very clearly between the two. Whereas the government has said that it will not accede to requests to introduce a scheme for seasonal unskilled workers, it is fully engaged in broader consideration of skills and labour mobility issues in regional Pacific forums and has recently embarked on a vocational training initiative that would significantly increase the number of skilled workers in the Pacific and facilitate the

mobility of workers within and beyond the region, including to Australia. Now I will hand over to Judith.

**Ms Robinson**—I will add a brief comment on the aid program and some economic points of relevance. The Pacific island economies over recent decades have shown some distinct and concerning characteristics. These include high population growth, low economic growth and high unemployment. The Australian government seeks to address these characteristics through an extensive aid program to the Pacific, amongst other efforts. The aid program this year is estimated at \$766 million. That includes PNG, of course. In particular, we have a focus on supporting economic growth through good governance and fostering the development of the private sector. We aim to support economic growth that is driven by the Pacific island countries themselves.

Competitive workforces are a key driver of growth, and better and broader education at all levels will contribute to higher average incomes in the Pacific. Recognising this, the Prime Minister, at the Pacific Islands Forum in October last year, announced the Australia-Pacific Technical College. The primary aim of the Australia-Pacific Technical College is skills development in the Pacific. Enhanced skills will enable graduates of the Australia-Pacific Technical College to compete effectively in global and regional markets, should they choose to do so.

We recognise there are benefits to be derived from migration. In particular, remittances from migrants have benefited several Pacific island countries over recent decades. However, whilst there are clear benefits from migration, it is not a universal remedy or solution to the very real problems of the Pacific. In particular, our submission reflects the debate that is taking place on whether the costs of a seasonal contract labour scheme would outweigh the benefits. Our view is that the benefits to be derived from migration will be most effective in a context of good governance and strong institutions in the Pacific island countries. In addition to our work in the Australia-Pacific Technical College, we are working to achieve effective service delivery, working to ensure peace, stability and security and doing a great deal to foster economic growth—all of which will benefit the Pacific communities.

**CHAIR**—Mr Hooton, you talked about the non-discrimination policy that we have, and you mentioned that in your submission. You say:

Australia's membership of the World Trade Organisation limits its ability to discriminate in favour of nationals of certain nations ahead of others.

You said it 'limits' our ability. Are we able to do it? If the committee were to recommend that we have a seasonal South Pacific migration program for the horticultural industry and the government were of a mind to do so, would it be possible or would it not be possible?

**Mr Hooton**—I will ask my colleague Edward Sulikowski to address the WTO aspects of that in a moment. The only other aspect of that, I suppose, is that it would necessitate quite significant changes to the global migration program, which of course would be a matter for government to consider, but it would be primarily a matter for DIMA to advise on.

**Mr Sulikowski**—We are a member of the World Trade Organisation and have taken on obligations under the General Agreement on Trade in Services, and that agreement does have a number of provisions that impact on the temporary movement of service providers. One of the provisions relates to most-favoured nations. That is article II of the agreement, and it basically ensures that members are unable to discriminate between service providers from different countries. In that sense, under the provision, depending on just how that scheme was structured and whether the scheme could be characterised as falling under the General Agreement on Trade in Services—principally that would be a movement of a person to supply a service on a temporary basis under sponsorship or contract—I think we would have a problem.

**CHAIR**—AusAID is here too. The thinking behind looking at the South Pacific was that it is in our region, it is in our sphere of influence, and we spend a lot of aid there and this should be seen as an aid package. There is a lack of development opportunities in the South Pacific, regardless of what we might like to happen. Most of them have privatised their public assets, and they have done what has been required by the World Bank and the WTO in reducing tariffs and protections, yet still development does not come. You indicated, Ms Robinson, that we recognise that to a degree, because we have to provide some technical skills for them so that we can give them mobility so that they can sell those skills and then send back remittances. If there were to be such a scheme—there are two ifs: if the committee were to recommend one and if the government were of a mind to pick it up—and it were to be couched in an overall aid package, could it be done then?

**Ms Robinson**—We would have to defer on that question to the WTO.

**Mr Sulikowski**—If the scheme could be characterised as the movement of a person to provide a service under contract, then it would fall under the GATS. Then the most favoured nation obligation would come into play. If it was a preferential scheme which was not open to all WTO members, then we could be in breach of our WTO obligations. If the scheme could be characterised as being purely an immigration one and only related to someone not under contract entering the country and then seeking employment, the GATS does not cover that kind of movement. That kind of movement is excluded from the GATS, so that would be possible. It is when you are having a movement of a natural person who is coming across temporarily under a contract—and usually under some form of sponsorship arrangement—that the annex on the movement of natural persons under the General Agreement on Trade in Services comes into play. That kind of scheme would fall under the GATS and we would face some problems in terms of being in violation of our most favoured nation obligations.

**CHAIR**—This is the threshold issue for us. There is no point in a committee even contemplating recommending something that is in breach of our international obligations—it is a pointless exercise. We are one of the few countries that does not have a guest worker scheme of some sort. How do the Canadians do it, for instance? They have a scheme.

**Mr Sulikowski**—The issue is that, at the time that the GATS was being negotiated in the 1990s and at the conclusion of the negotiations in 1994, the Canadians and some other members had such seasonal worker schemes already in place. They were able at that time to take out an MFN exemption, indicating that they had a scheme in place that was non-conforming to the agreement that they were about to sign. They were able at that time—in 1995—to take out an MFN exemption. This MFN exemption is attached to their schedule of commitments in the

WTO. That exemption, which they have scheduled as an indefinite exemption related to the movement of seasonal workers, allows them to have this kind of preferential arrangement. We at the time did not take out any such exemption.

**CHAIR**—Is that the case with all the examples? I do not know for sure, but I think that the Japanese and Chinese arrangement came after then.

**Mr Sulikowski**—I am not sure about the Japanese and Chinese, but certainly the Europeans have an exemption. They also took out an exemption at that time, partly reflective of the fact that they also had guest worker schemes operating at the time of signing to the GATS.

**CHAIR**—Coming back to the question that I was addressing to Ms Robinson, could it be structured under an aid package? You talked about a way of people entering the country and then seeking work. It might be a bit cute for us to structure a scheme in that form, because it deliberately bypasses the objectives of the restriction, but that could be organised. How seriously does the WTO take these things?

**Mr Sulikowski**—The issue is that, at the time, Canada obviously considered its seasonal workers scheme would have been in breach of its WTO obligations, so it felt compelled to take out an MFN exemption. So a scheme that had the characteristics of a Canadian scheme would be problematic.

**Mr Hooton**—We would also be hard pressed to design an aid program which was effectively seen to be subsidising Australian employers.

**CHAIR**—We have not had an employer admit that it is to subsidise them yet, even though I suspect you may be right. That might be part of the motivation of some. Much of the evidence we have had is of a significant benefit in terms of remittances back to the South Pacific islands. Certainly it is argued by parts of the agricultural sector that there is in fact a labour shortage. So I am not sure whether it is really a subsidy; it is fulfilling a need. No, I am not sure that there actually is any subsidy involved, is there?

**Mr Hooton**—If the proposal is to design something under the aid program involving the expenditure of aid moneys, I think that does become a subsidy arrangement of some sort. But we are talking about nothing specific here, so it is a little hard to be sure.

**CHAIR**—That is right. It may be unfair for me to push you, but as I said, it is a fairly threshold issue for the committee.

**Mr Hooton**—One other thing we could say is that if we were to chance our arm on this—and Ed may correct me—it would then depend on whether somebody were to challenge us or not in that context. But we would be challenged, because there are others who would be looking at this as an opportunity. You can be sure I think that a challenge would be forthcoming.

**CHAIR**—And the consequences of a challenge would be that, if we wanted to continue with such a scheme, we would have to open it up to others or simply close the scheme down? We would not have to continue with it?

**Mr Sulikowski**—Yes, we would probably have three options. One is to remove the scheme or remove the measures that were in violation. The second is that we could expand the scheme to include other WTO members so that they could also benefit from the scheme. The third option is that we could reject the other members' objections to the scheme and chance a dispute in the WTO.

**Senator BARNETT**—Just to continue on that line of questioning, if I could, in regard to the legal views that you have, Mr Sulikowski, do you and the department have any legal opinions to support your views with regard to this World Trade Organisation protocol and the MFN process that you have outlined?

**Mr Sulikowski**—We have sought the views of our legal experts in the department, yes.

**Senator BARNETT**—Can we have a copy of that legal advice?

**Mr Hooton**—Can we look into that?

**Senator BARNETT**—Sure. Do you want to take it on notice?

**Mr Hooton**—Yes, certainly.

**Senator BARNETT**—It is an absolutely critical issue for the committee. We are looking at Pacific labour, but, for example, when we were in Darwin we talked about the East Timorese and perhaps even some other countries further north, which would obviously obviate the focus on the Pacific. We were talking about getting people who are more appropriate to the areas that need that work. The East Timorese would fit, potentially, into the Northern Territory work environment. Perhaps you could take that on notice and let us know your thoughts on the legalities of it, because it is a critical issue.

**Mr Hooton**—Certainly.

**Senator BARNETT**—Mr Hooton, you mentioned—and I think I am quoting you correctly—that there was 'doubtful economic viability' in the scheme. Ms Robinson referred to 'the disadvantages outweighing the benefits' of the scheme. Can you provide any evidence to support those claims that you have made, because they are pretty bold claims and I would like to test the evidence behind them?

**Mr Hooton**—I have to say that the assumptions underlying our submission are in some cases based on evidence that has been provided by domestic departments, so we do not claim to have the expertise in relation to the cost structure of the scheme or a scheme, or demand and so forth. In those cases it would be departments such as the Department of Employment and Workplace Relations that would be able to speak more authoritatively on that. But if you will accept an anecdotal reply from me in the interim I will point out the situation in relation to costs. Say, for example, you were looking at somebody coming from the Pacific, who might be earning somewhere between \$12 and \$15 an hour. By the time they had covered their transport and accommodation costs, their incidentals and their health insurance—and the tax regime would have them paying 29c in the dollar from the first dollar earned—there would not be much left over, in the absence of a fairly hefty employer buy-in, a fairly hefty employer subsidy of some

sort. In brief, without changes to the tax regime and that fairly hefty employer buy-in, it is very hard to see how these people would have much, if any, money left to remit.

**Senator BARNETT**—You are talking about economic viability for the Pacific labourer.

**Mr Hooton**—Yes. If the whole point of this exercise is to demonstrate that from the Pacific point of view such a scheme would be a means of remitting funds home then we find it difficult to believe at this stage that that would in fact be the case.

**Senator BARNETT**—That is a point of view that may not be shared by those in the Pacific islands, but we can test that evidence. Ms Robinson, you spoke about the disadvantages outweighing the benefits. Is there any evidence to support that claim?

**Ms Robinson**—In fact, I think what I said was that our submission reflects the fact that there is continuing debate about whether or not the costs outweigh the benefits.

**Senator BARNETT**—That has clarified that. Thanks for that. We have the skilled migration visa, the 457. You have talked in your submission about Australia's approach being a non-discriminatory migration program, and yet we do discriminate, don't we? We discriminate in favour of skilled migrants over unskilled migrants. That is exactly what we do under the current arrangements. So, in terms of your analysis of the word 'discriminatory', we are discriminating and proactively seeking opportunities under the 457 visa, whereas we are not allowing any opportunities in the unskilled work visa area.

**Mr Hooton**—Again, I think that is probably more a matter for DIMA to comment on than for Foreign Affairs and Trade. I think the use of the words 'non-discriminatory' and 'global' in this case refers to source countries rather than to categories of visa.

**Senator BARNETT**—Okay. I want to ask about the technical college proposal and how that would benefit the Pacific islands. Can you flesh that out for us, please?

**Ms Robinson**—The technical college is envisaged to increase the level of skills in specific trades areas of need in the Pacific, first and foremost. Secondly, it is envisaged that because the college courses will be to Australian standards and accredited in Australia that will increase opportunities for Pacific islanders who complete the courses successfully and who choose to compete. They will be more competitive to compete in global labour markets. They are the two aims of the college.

**Senator BARNETT**—How many students would be in the college? What is the cost of the project? What opportunities would there be for those students to then work or train in either the Pacific islands or Australia?

**Ms Robinson**—The proposal is still being fleshed out. There has been a two-phase development of the proposal. The first phase was completed a couple of months ago. It was decided, on the basis of the initial study that was done, that there would be campuses in four Pacific countries in the first instance—PNG, Vanuatu, Samoa and Fiji—and that those training centres to be set up in those countries would in fact cover areas recognised as areas of skills need in both the Pacific countries and Australia. They are to cover the areas of manufacturing,

automotive skills, construction and electrical skills, tourism and hospitality, and, finally, health and community care skills. They are the skills that have been identified by the first phase of the study to set up the college. Regarding your second set of questions about the costs and the numbers of students, those are questions that are now in the process of being studied. We hope to have answers to most of those within the next few months.

**Senator BARNETT**—What is the time line on when decisions get made in terms of the future, if you can help us on that? What are the opportunities for the students to be training either in the Pacific or in Australia? Are there opportunities to do that?

**Ms Robinson**—There will be opportunities. In the first instance they will be at these training centres in those countries that I mentioned. We are hoping that the training centres will be established in 2007. When we actually get the students in there—which part of 2007—is another matter, but that is the objective at the moment.

**Senator BARNETT**—You do not have an estimate on numbers at this stage in terms of how many students?

**Ms Robinson**—Not at this stage. I would imagine—and this could change—that the start-up number may be around 400 in the first instance, but I may stand corrected on that.

**Senator BARNETT**—Under the scheme, are they entitled to train in Australia or do they have to remain in the Pacific islands?

**Ms Robinson**—Under the college, the college will be located in the Pacific, not in Australia.

**CHAIR**—But that is only one aspect of the apprenticeship: the formal, in-house training. What about the practical skills component?

**Ms Robinson**—The details, as I said, are still being fleshed out in the second stage, but my understanding is that the skills training will occur in the Pacific.

**Senator BARNETT**—I just want to get a feel from Foreign Affairs and Trade of your view on the Pacific islands and the economic viability of the Pacific islands. We have had issues in Samoa not so long ago. Can you give us a bit of an overview of the Pacific islands and their economic prospects in the short term and the long term?

**Ms Robinson**—The first point to make is that it is a diverse group of countries. Different countries are in different stages in terms of their viability. Some countries over recent years have started to show some growth, but as we have seen by the obvious example of the Solomon Islands the political situation can sometimes wash over economic growth efforts. The Australian government has been contributing a huge amount to help the Solomon Islands tackle that. So you have countries like Samoa. I think you mentioned earlier, Senator Marshall, that the Pacific islands have in fact privatised their public companies and have taken—

**CHAIR**—Some have. Samoa is a good example, because they complain that they have followed all the guidance by the World Bank economists and now they are sitting there waiting for the economic development to follow, and it has not arrived yet.

**Ms Robinson**—I agree that Samoa has made a lot of the changes. It has undertaken reform in its public sector and has gone some way but not all the way towards looking at its state owned enterprises to shed those responsibilities. But I think all of the Pacific island countries have got a long way to go. The key is to find ways that we can help them to kick- start economic growth. We, through the aid program, certainly put a big emphasis on economic governance, on political governance and on helping them to develop robust institutions so that they have a good basis for growth.

In terms of the question of viability, clearly when you have very small island countries with very low numbers that question is raised quite often. I think the example of Tuvalu demonstrates this. It is a country of around 12,000 people and they have managed to maintain a good rate of growth over recent years. There are examples showing that countries that are very small, with the right economic choices and the right forms of governance, can move ahead.

**CHAIR**—Isn't that an example of them just selling off their fishing stocks?

**Ms Robinson**—No. I think there are other explanations for that. There is a range of issues that would go towards contributing to that. That is not to say that small island states do not face huge challenges in viability. It is an issue.

**CHAIR**—It is probably a debate for another time, but we see the deforestation of Pacific island nations and we see them selling off fishing stocks. That might give the impression that there is some economic activity, but it is pretty destructive in the whole process and ultimately it runs out and leaves them with very little at the end.

**Mr Hooton**—I think that there have been some very poor choices made in some parts of the region, but there are sustainable or at least moderately sustainable alternatives to those. That is very much the point of our activity in the Pacific at the moment. It is to try and point to these alternatives and to make it possible for the island countries to follow sustainable growth paths.

**CHAIR**—I am tempted to ask what they are, but it is not really the purpose of this inquiry. I have an interest because I was a part of the inquiry that the Senate Foreign Affairs, Defence and Trade References Committee did back in 1992-93 into our general relationship with the Pacific. I think it is probably time the Senate had another look, to be honest.

**Ms Robinson**—Senator, I could refer you to a recent publication that Mr Downer has fostered. That is *Pacific 2020*. It is a document that looks at the very issue of promoting economic growth in the Pacific and it covers some of those issues that you are talking about.

**Senator McEWEN**—I just have a couple of questions. Going back to the Australia-Pacific technical college: you did not answer the question about the cost of it.

**Ms Robinson**—As I said, the detailed planning for the college is in progress now. We are still working on that very issue.

**Senator McEWEN**—Will that come out of the \$955 million aid package that we provide to the Pacific, or is it in addition to it?

**Ms Robinson**—When the Prime Minister announced it, he said that the college would be funded out of the doubling of the aid program to \$4 billion that he had previously announced that year.

**Senator McEWEN**—So it is part of the \$955 million?

**Ms Robinson**—No. That comes out of the increased aid. I will provide you with the words so that we get the record right, if you do not mind. I have them here, but it is to come out of that additional funding.

**Senator McEWEN**—That is fine; we would not want to misquote the Prime Minister.

**Senator BARNETT**—Is it additional to the \$955 million or part of that?

**Ms Robinson**—It is to be funded out of additional funding to the aid program that Mr Howard announced last year. Again, this year the estimate for the aid program for 2006-07 is \$766 million. And, obviously, there may be some funding out of that, but Mr Howard's words were that it would come out of additional funding to the aid program that he had announced.

**CHAIR**—Provide the detail and we will ensure it is on our record.

**Senator McEWEN**—Just bear in mind: in your submission you say that the aid program for 2005-06 was \$955 million. So I am not sure how we get a doubling of the aid program if in fact in the coming financial year it is less than the last.

**Ms Robinson**—The doubling of the aid program refers not just to the aid program to the Pacific but to all of our aid partners. I now have the words in front of me. Mr Howard said:

This initiative, if confirmed, will be funded from the significant increase in Australian Overseas Development Assistance that I announced at the UN Leaders' Summit in New York last month.

**Senator McEWEN**—But, according to your submission and the statement you just gave, the actual amount of money going from Australia's aid program to the Pacific nations has been reduced.

**Ms Robinson**—This amount is total flows to the Pacific. At the time that we put the submission in, which was before the end of the last financial year, there was an estimate only. The budget figure for last year was \$955.2 million; the actual outcome was not as great as that. And that is total overseas aid, not only that coming from the aid program but from other government departments as well. Actually, I think that, at the time the budget was released, the expected outcome was not \$955 million but \$754 million. So there had been a considerable decrease in the expected outcome for the Pacific. So this year's figure of \$766 million is about, ballpark, the same.

**Senator McEWEN**—As Senator Marshall said, it is not the main focus of this committee, but I was asking that question because I am a little concerned about what the reaction of our Pacific neighbours may be to the recommendations of this committee, because I know they are taking great interest in what those recommendations will be. I note that in your submission you say that,

at significant forums for at least the last three or four years, this issue, of a guest worker scheme, has been put on the table by the Pacific nations, and Australia's response so far has been about the Asia-Pacific technical colleges and the amount of the actual aid program to the Asia-Pacific. As diplomats and foreign aid workers, can you give us a sense of what you think the reaction might be if we report and say, 'No, we are not going to go ahead with it'? The Prime Minister cannot keep saying, 'We're going to give you another technical college.'

**Mr Hooton**—No. If the committee were to recommend against such a scheme, there would be disappointment in the region. This issue will continue to be put at regional meetings and in the media and on other occasions, I would think, for as long as people see any possible chance of such a scheme materialising. In our own case, we fully expect the labour mobility issue to be on the table again at this year's forum and in other regional contexts, and we will continue to seek to broaden the discussion beyond the seasonal labour option.

**CHAIR**—Thank you very much for your submission and the time you have taken to present to us today.

**Mr Hooton**—It was a pleasure. Thank you.

**Proceedings suspended from 10.24 am to 10.45 am**

**FRASER, Mr Duncan, Chair, Workplace Relations Committee, National Farmers Federation**

**WAWN, Mrs Denita, Manager, Workplace Relations, and Industrial Advocate, National Farmers Federation**

**CHAIR**—Welcome. The committee has before it your submission. Are there any changes or additions?

**Mrs Wawn**—There are no changes. We do have an addition, to provide a copy of the World Bank report that we seek to rely upon in support of our original submissions, and I also have a few brief introductory remarks. I am not aware of whether or not the committee has had submitted to it formally a copy of the World Bank report that was published last week.

**CHAIR**—Not formally, but we have a copy of that.

**Mrs Wawn**—As part of the introductory remarks, I will make a brief reference to that report.

**CHAIR**—Thank you.

**Mrs Wawn**—The National Farmers Federation seeks to outline its submissions in support of the concept of a seasonal worker visa for selected workers from the Pacific region to assist in resolving acute labour shortages in the agricultural industry during peak seasonal times. Just for clarification: the National Farmers Federation represents the following organisations: AgForce Queensland, the New South Wales Farmers Association, the Northern Territory Cattlemen's Association, the Pastoralists and Graziers Association of Western Australia, the South Australian Farmers Federation, the Tasmanian Farmers and Graziers Association, the Victorian Farmers Federation, the Australian Cane Growers Council, Australian Dairy Farmers Ltd, the Australian Dried Fruits Association, the Cattle Council of Australia, Cotton Australia Ltd, the Grains Council of Australia, the Ricegrowers Association of Australia, the Sheepmeat Council of Australia and WoolProducers. Our position as outlined in our submission to this inquiry is the result of significant consultation with all our membership over a long period of time, including a discussion paper that was contained in the NFF Labour Shortage Action Plan released in September 2005. That action plan was an addendum to our submission in March.

NFF believe that labour shortages being experienced in the agricultural industry should not be countered by one action only and that there are a variety of solutions, of which migration solutions are one component, for resolving the problems facing regional Australia with regard to access to labour. The most important thing that the NFF stress in our submission to this committee is that the agricultural industry needs access to reliable and efficient seasonal labour.

We have taken the position in this inquiry that we believe one of the key criteria for the accessibility of a seasonal worker visa should be that seasonal workers are only selected for regional areas that cannot access sufficient labour through alternative means—that is, that labour market testing would be a criterion for the assessment of any application to access such a visa. The remaining criteria that form the basis of the NFF's support for a seasonal worker visa are

that the seasonal workers are selected through a comprehensive selection process, including the criterion that they are potentially from rural areas, to enable rural skills gained in Australia to assist in long-term agricultural development in their own countries; that a seasonal workers visa is for a short period of time, no more than six months, to minimise any consideration of overstay; that, if a seasonal worker complies with all the employment and immigration conditions of their first season in Australia, they are eligible to return for the following season, to enable Australian farmers to maximise productivity gains through the availability of consistent and reliable workforce; that all seasonal workers are provided with basic training, including occupational health and safety training and cultural training, prior to their commencing work in Australia; that induction training is undertaken at each workplace prior to the commencement of work; that a seasonal worker visa program is only available to approved labour hire companies or farmers that meet standards set by a centrally coordinated body to oversee the program; and that adequate coordination and assistance is provided to the seasonal worker, including team leaders, appropriate accommodation and transport and dispute resolution processes.

As I said at the outset, in addition to our 27 March submission we are relying on the recently published report by the World Bank, *At home and away: expanding job opportunities for Pacific islanders through labour mobility*. We are aware that you have copies of that, so we do not seek to formally tender it, but we do want to put on the record that we will be relying on it as support for our submissions.

NFF are seeking from the committee a recommendation that a seasonal worker visa be able to be accessed from countries in the Pacific region and be implemented in line with the criteria established by the NFF and also those announced through the World Bank report. We certainly believe in the first instance that a pilot program would be an appropriate first step in the consideration of such a visa. We obviously understand that there may be a number of questions from the committee, and we limit our remarks to those introductory comments at this stage. Thank you.

**CHAIR**—Thank you for that presentation. I think you have encapsulated a lot of the issues that have been occupying the collective minds of the committee. Can I put this to you, though: during our inquiry, there have been a lot of anecdotal claims about labour shortages, but when we have actually tested that in the workplace, so to speak, it appears that it is not so much about a labour shortage; it is the type of labour and the reliability of that labour that is really being complained about. DEWR back that up in their submission—and we will hear from them later today—because their evidence, when they look past the anecdotal evidence, is that there is not actually a labour shortage. So it is something I want to get your specific view on. Is it more about the fact that the labour that is being relied upon primarily now in this industry is backpacker labour, which is unreliable and comes and goes as it sees fit, and that there are on-costs with churning and those sorts of costs, and that it is not always able to meet the peaks and troughs of the cycle? Because generally the labour need is actually met; it is just that it is not the labour that is desirable. Would that be a better description than ‘a labour shortage’?

**Mrs Wawn**—It is both. The evidence put to the NFF is that there are certain regions that simply do not have access to labour full stop, but there is also the issue of the accessibility of reliable, consistent labour at the right times. If I deal with that first, there certainly has been evidence of an increase in the availability of backpackers since the changes to the working holiday-maker visa. Certainly, the evidence that we are getting from our membership is that that

has increased the availability of workers. The difficulty is in having them available for the full season. Also, they do not come back. Therefore, there is the issue of reliable and consistent labour to maximise the productivity gains that particularly the horticultural industry needs year after year. So employers have no understanding of exactly how long that backpacker is going to be there; are they going to be there for the whole season, part of the season or two days? And, from the evidence that we have been provided with, they do not come back for a second time around. So, while there has been an increase in availability, there certainly has not been an increase in the reliability, consistency and experience that the industry so desperately needs from a seasonal labour perspective. There are, however, pockets where they say that, despite all these changes to the backpacker visas, they cannot access labour at all, and there are certain periods of time in more remote areas where there are no people available to undertake that work.

We certainly acknowledge that it is very hard to get data about exactly what the percentage make-ups are between reliable access to labour and no-one being available at all. It is hard to get a grip on that. But, either way, the industry is of the position that it desperately needs reliable, consistent labour to meet the demands of the industry. At the moment, that is not being met by the bandaid efforts that we are currently putting in place. It needs consistency and reliability.

**CHAIR**—Our evidence so far is that in some areas backpacker labour makes up 80 per cent of the workforce. Given the unproductive nature of the work and the added costs of regular inductions and the churning process, what if those costs were added up and directed back into wages and conditions to make this sort of work more attractive? There seem to be two issues that do not quite come together. We had people say, ‘We’d be prepared to fly people in from overseas if it meant we could get a reliable workforce.’ Then the question was asked, ‘Would you fly people up from Melbourne to do it?’ and there was a reluctance to do so. There was a cost of the churning, which people could put figures on. If you directed that money into increased wages, would you then be in a better position to compete with tourism and hospitality for the available workers within Australia? There is a reluctance to do that too.

It occurs to me that the wages are very low, in fact probably the lowest I have seen anywhere. They are certainly lower than manufacturing and they are lower than hospitality. But the work is physically the most demanding, and it is often in the most extreme conditions. It is not attractive for people to do. But then we also heard evidence in Darwin that when there was a chronic labour shortage in 2002 and they put the hourly rate up to \$18 an hour they had no difficulty in competing with hospitality and attracting labour. I want to get your federation’s view about what roles wages and conditions play in attracting a more regular, more professional, more skilled workforce from Australia as opposed to taking an option of importing labour for the seasonal work.

**Mrs Wawn**—There is no doubt that wages have an impact. But we find that when people put up wages by some degree they can afford they still find it very hard to attract domestic labour for those roles for that period of time. With the labour shortages and the unemployment levels, we are finding that these jobs can be for one week, two weeks or two months; therefore, they are very short term and of a casual nature, which is not of as much interest to Australians as perhaps other jobs that might be of three months or six months duration.

Some of the statistics that have been coming through from an evidentiary base looking at the industry show that wages sometimes are not necessarily a major component, that it is more the

conditions—whether they have access to shade, water, breaks and those sorts of things. Certainly, the NFF in its Labour Shortage Action Plan identified a need for increased human resource management skills for farmers to have a better understanding of wages and conditions in terms of attracting labour. That is something we are working on currently within the NFF membership.

Nevertheless, wages can only increase so far because of the cost-price squeeze the industry is currently experiencing as well as the international competitiveness of the industry to the extent that there is only so much money in the purse to increase wages. Obviously the wages must meet the minimum for Australian conditions and they should look at increasing those if they have the cost capacity to do so from their income. They also need to look at other HR management functions. There is certainly a need for the industry to look at those domestic solutions; hence the reason our submission is premised on the issue of looking at domestic means first before a region can access such a visa. You need to look at those opportunities.

But there are some barriers that we have to overcome to attracting Australian labour and encouraging workers into seasonal work in regional Australia. We still do not believe, given the current unemployment levels and demands in industries that have a greater capacity to pay, such as mining, that we are ever going to be able to compete with them. Even if we put up wages to \$18 we would still not be able to compete with the likes of the mining industry. Every day we hear of people leaving a region in droves, or leaving the agriculture industry in droves, to go and get these jobs in the mining industry at \$120,000 or \$150,000, which do not need any skill base. We are never going to be able to compete with that.

**CHAIR**—No, and I appreciate that in those pockets it is difficult. But it seems that Australia-wide there is often not that direct competition. Let me put this to you, because I would like your opinion on this. One of the conclusions I seem to be coming to, through this inquiry, is that the extraordinarily high level of use of backpackers, who really do not care about the conditions they work in because it is very short-term and they are not coming back again, means that there is no interest in improving conditions over the long term. The wages are not of much importance either because, again, it is very short term. If it was one dollar an hour they would say, ‘Yes, I’d like that.’ It is not crucial. They are not bringing up a family or that sort of stuff so there is not that sort of pressure. So because they have been happy to work for very low wages in very poor conditions—in terms of accommodation and working conditions—they have held down the natural evolution that you would expect in improvements in wages and conditions.

I must say that some of the accommodation we have seen was rather appalling. Again, backpackers who are on an adventure and a life experience are happy to live in those sorts of conditions, but those conditions are not fit for someone who seeks to use this industry as their primary income in the long term. As you have indicated, a lot of the working conditions—shade and drinking water—are just not there. And there are all sorts of difficulties that go with that.

So then I go to the next stage. If I am correct, backpackers have artificially kept wages and conditions low—because there has been no pressure to improve them because there is a ready source of backpacker labour. Seasonal workers from overseas will, again, probably rarely complain because the conditions are probably equal to or no worse than what they are used to in the own countries but with wages which are considerably higher, even though they may be at the low end here. That will probably have the same effect as backpackers have had in the medium

term: provide no pressure—market pressure, I guess—for the natural evolution in the growth of wages and conditions in the industry. And we find ourselves with a problem that is entrenched. These are the thoughts that I have had as we have been going through the inquiry. I would like you to comment on that. Do you think that is true or not?

**Mrs Wawn**—I do not think it is as extreme as you suggest. We are certainly seeing a great deal of evidence of improvements in accommodation, transport and wages because of the labour demand. Even the competition between industries to attract backpackers has created an environment to encourage improvements. There are definitely pockets that I have seen, as I have been travelling around the country over the last three months, where there have been distinct improvements in accommodation and transport. And there are debates within industry and regions about how they can work collectively to improve the standards of accommodation in particular. Certainly, the cost of hiring seasonal workers is such that there has to be a cost-effective way of attracting seasonal workers here which is just as efficient as attracting workers who are domestic.

We certainly believe that, as proposed by the World Bank, there need to be some cost-sharing arrangements to bring people into the country on such a visa. To do that, with the criteria that the NFF has outlined, you would have to have very high standards. If that is the case, why would you not utilise in the first instance an approach of the same high standard in attracting Australian labour? It may well be more cost-efficient to do so than to utilise seasonal workers. That balance is needed in the industry: in an individual capacity, what is the most cost-effective way of attracting labour?

I come back to our focus on improving the industry's human resource management skills to look at those types of issues. One grower in Shepparton, for example, has improved significantly his HR management. He has built a new accommodation block and has looked at conditions. While the backpackers are now flocking to that grower as the first choice in that region, he is still frustrated that he is not getting reliable workers on a yearly basis. Despite all that improvement, including an increase in wages, he still has not been able to attract Australian labour. I regard this particular operator as a leader in the industry. The only people he can still attract are backpackers. He said that while the backpackers are fantastic workers, he wants someone who will come year after year so that he can get the productivity gains and does not have to go through the churn of training. He is finding it easier to access labour, but he is not getting the reliability that he so desires.

**CHAIR**—That is a lot to do with the coordination of the Harvest Trail itself. There has been a lot of comment in this inquiry about the effectiveness of the Harvest Trail. We received only one submission from a worker in the industry, who talked about the difficulty of maintaining consistent employment. He said that, if you wanted to work in this industry, it was difficult to plan. He also had complaints about wages and conditions and all of that—I am not sure whether you have read the submission. But one of the other serious complaints was that you needed that coordination of employment. If you are going to come back and make your living out of the industry, you cannot afford to be in a position—again, with wages relatively low—of all of a sudden finding yourself out of work for two or three weeks, or even one week. That makes a difference in whether you can pay your bills or not. We have arrangements in place. I would like you to comment—and you touch on this in submission—on how you see those arrangements, whether they could be significantly improved and how that might be done.

**Mrs Wawn**—There was initially a perception within the industry that the Harvest Trail information service was only there for the Job Network and unemployed people who did not really want to work in the industry. The NFF has been working, through its member organisation, to change that perception about the information service, particularly by encouraging farmers to put the jobs onto the service themselves; they do not have to go through the Job Network. We believe that the concept is fantastic, but it is a matter of marketing it, particularly to the farmers, as a way of putting jobs into a centralised site—certainly if there was additional financial support for the service. We have been working very hard with the contract providers of that service to try and change those perceptions. We are finding that it is utilised a great deal more by the workers, but we are still not seeing a sufficient number of the jobs being placed by the farmers themselves. There is no doubt that, to get more of the jobs on that central site, a greater marketing role is required.

**Mr Fraser**—The Harvest Trail has also been extended recently to the wool industry, for shearing, and we envisage it will be extended to grains harvesting too. There are a lot of opportunities but, as Denita has pointed out, it has to be marketed properly.

**CHAIR**—Yes, and I think this is a difficulty, but there is the example that you used of the employer who has made an investment in improved accommodation, working conditions and wages. I do not know what window of work they had but, if there were somewhere for skilled locals who were on the trail to go to directly after them and there was some flexibility between them so there was not that competition, as another quality employer you would find that the people might be attracted into that sort of approach. But, if you are a local, I think it is difficult if you are also competing with backpackers on a regular basis.

**Mrs Wawn**—We get the feedback that they prefer locals because they are there every year. The difficulty we have with locals is that sometimes the situation is totally out of the hands of the farmers because there are other industries that have developed in the region that the locals prefer to go to because they can get 12 months of consistent work. But it is very hard, particularly given climatic situations, to say someone can have two months here with one employer on a particular fruit and then they can go on to this vegetable with someone on the other side of town.

**CHAIR**—It looks good on paper.

**Mrs Wawn**—Yes. It sounds great in theory, but unfortunately we are reliant upon sun, rain and so forth. Sometimes harvest can occur a month later or a month earlier or we will have a week off because it is raining. There is a lack of control over production in agriculture that is not necessarily as acute in other industry sectors in determining your labour needs. That is the difficulty we have fundamentally in attracting a lot of domestic labour. It is those inconsistencies.

**Mr Fraser**—On this issue of using domestic labour, some of the anecdotal evidence given to me, as a local farmer with local horticulturalists, is that even when they can access local labour the frustration is that it is often labour that does not really want to do the job but they have been told to go out there or be available. They talk about two hours—they do two hours and they deliberately damage a bit of equipment so that they can walk off, get the sack or whatever. They do not really want to be there, and that frustration comes back time and time again when they do

use the local labour. It might not be a big component, but the negative implications of what happens are a bit of a turn-off to them.

**CHAIR**—But that is not the local labour we should be talking about. The local labour I am talking about is people who are happy to come and work in the industry even though it is hard and it is outdoors. That is attractive to some, but it has to have some consistency and it has to have a reasonable income attached to it.

**Mrs Wawn**—Unfortunately, they are not there.

**CHAIR**—You want to attract people into the industry, as opposed to having conscripts who are forced in there through Centrelink or any other way. I understand the difficulty with that, and that is not an issue just for you.

**Mrs Wawn**—The difficulty is they are not there. I was at a conference in Swan Hill about six or eight weeks ago and they were saying there are going to be 2,000 jobs online in the next 12 months because of the development in agriculture in the sector. There will be 2,000 jobs, let alone the shortages they have now. There are 300 unemployed on the books. Where are they going to get them from? That is the fundamental issue. There is simply not the population in that town centre to fill those positions. We are hearing those stories in every regional town around the country as they are having agricultural development, and there are other industry sectors also developing in those areas.

**CHAIR**—You sparked my memory there about the last thing I wanted to ask you. I really liked what you said about the necessity to do labour market testing before a region could access such a scheme, if we were to recommend one and the government picked it up. But how would you see that being done? You just did some broad figures there and said, ‘There’s so many unemployed; there’s this much expectation.’ Is that the detail we would go to, or would you be expecting a bit more of a detailed approach?

**Mrs Wawn**—I think it is a bit of both. With a similar body—that some of you may be mindful of—that goes out and assesses whether or not a region has exceptional circumstances for drought, you have written submissions going in from the region and from industry in conjunction with the state government and the local government that support that there are, in this instance, particular shortages, and then there is a committee that goes and inspects the area and determines whether or not the submissions are accurate. Then they as a committee determine whether or not that area can be drought declared. We saw something of a similar nature with regard to documentary evidence that could be substantiated by on-the-ground attendance by a committee. As I said, we have talked about a central coordinating body. We believe that would be the body that would go out and say, ‘Yes, the labour market testing has been appropriately developed and the criteria have been met.’

**CHAIR**—Do you think the industry should be obliged, if they are going to access a seasonal labour scheme from the South Pacific, if the labour market testing suggests there is a shortage, to say, ‘Yes, but what are you going to do about it?’—because seasonal labour arrangements should be seen not as a permanent thing that, once you meet the criteria once, will be there for the rest of the generation.

**Mrs Wawn**—It is not inconsistent with labour agreements. Usually with labour agreements there is a requirement for some undertaking for more longer term training, so this issue is only a stopgap while there are particular catch-up requirements. As I said, the NFF proposition in relation to guest workers was one component of many in terms of resolving labour shortages. We have also got a heavy focus on training and attracting people in Australia to our sector. Certainly that does have to be a component, as I said, consistent with the types of approaches utilised in labour agreements.

**Senator TROETH**—I know that the NFF is a very representative organisation, but is horticulture represented on your council at present?

**Mrs Wawn**—We do not have horticulture as such, as a commodity council, but horticulture is represented through most of our state organisations, which have horticultural committees. Victoria, New South Wales and Tasmania in particular have horticultural representation. Actually the NFF task force that put together our position on this was made up of horticultural representatives from New South Wales and Victoria, from our member organisations. We also have the Australian Dried Fruits Association. I forgot about that. I do apologise. But, yes, we have horticultural representation through our state bodies.

**Senator TROETH**—So does that body of opinion flow through to your committee, Mr Fraser, in terms of industrial relations?

**Mr Fraser**—Yes. The Dried Fruits Association themselves are represented and there are representatives from the state farmer organisations, which, as has been pointed out, do have those horticultural reps. So we liaise constantly with the horticultural offices in those states.

**Senator TROETH**—So there has been a deal of discussion over the last two to three years over this particular issue?

**Mr Fraser**—Certainly. That is where the proposal came from—from those horticultural groups.

**Senator TROETH**—While we were in Mildura, I think one of the witnesses said that, if growers were willing to provide proper accommodation and pay decent wages, there was not a problem for them with gaining labour for the seasonal part of their production. I know you quoted an instance in Shepparton where the grower had done everything right and still not attracted it, but would you agree that that may be an exception perhaps and that, if growers do have proper facilities and pay decent wages, they do manage to attract some seasonal labour from locals or people resident in Australia?

**Mrs Wawn**—Certainly they are the preferred employer by locals and backpackers. The difficulty they still have is having them on a reliable basis year after year. There is no doubt the industry needs to continually look at itself in terms of these issues of working conditions and wages, within their capacity to do so, but nevertheless the difficulty we get across the board with people improving things is that they are still not getting that reliability season after season. It certainly assists them to be an employer of choice in comparison to other employers, but nevertheless they still feel as though they are having problems from time to time in meeting their needs during seasonal peak demand situations.

**Senator TROETH**—It has become obvious during the course of the inquiry that there will be overheads associated with this scheme, regardless of who pays them. There will be transport costs, accommodation costs, various visa costs and administration charges. I understand from one of the studies that were presented to us that most farmers in the Murray Valley region, for instance, did not want to pay a levy to fund the scheme. On the question of who pays for these charges, have you received feedback, Mr Fraser, from your members on their opinion on this?

**Mr Fraser**—No, not directly.

**Mrs Wawn**—Part of our criteria outlines that there will be a cost-sharing arrangement. The employer will be required to pay a certain amount towards the utilisation of this. The World Bank outlines a relatively smart way of dealing with it—the Canadian system, where there is a fifty-fifty cost share on transport. Then there is the issue of accommodation. Whether it is supplied or accommodation in a town is utilised, it has to be of a certain standard. To make this cost effective, there certainly needs to be a cost-sharing arrangement and some ownership by both the employer and the employee. The administration that we contemplate in our criteria will require an administration fee as well. We believe that that would be more appropriately dealt with by the employer. But we certainly envisage some cost-sharing arrangement. As to the proportions involved in that cost-sharing arrangement, we have never gone into that extent of detail within the committee.

**Senator TROETH**—One of the issues that features in this inquiry is the fact that growers require labour when they need it—to take off a crop which often has a short duration of peak production so that the crop can be got to the market et cetera—and sometimes this is for weeks rather than months. You spoke about the difficulties of moving local or Australian labour around in the sense of moving them to different properties to capture that peak. Wouldn't that same issue be applicable to imported labour?

**Mrs Wawn**—It would. That is why in our submission we highlight using approved labour hire companies or farmers directly. Where there is a very large property with a number of particular products that provide opportunities for at least three to four months work, they could go to one employer. Otherwise, it may well be more effective if you have the labour hire company placing those people within a particular region so that there is consistency of work for the workers so that there are not any gaps where they have no work. There is already a greater, growing reliance on labour hire companies to meet those peaks and troughs.

**Senator TROETH**—I note that in the Canadian scheme the workers are attached to one farmer or one production unit for continuity and so that the worker will hopefully return the next year. If they were moved around, I put it to you that perhaps that may lead to a feeling of dislocation and possibly a feeling that it was not all it was cracked up to be.

**Mrs Wawn**—We are certainly of the opinion that if they are moving around they should be moving around within a district. They would stay in one spot in terms of accommodation and so forth, but they may work on three or four properties within that district as they were required. This would ensure ongoing work.

**Senator TROETH**—I wanted to make the same comment about the lack of control over production. A crop might not provide enough volume. Any worker could be out of work for a

week or whatever because there is simply no crop to pick. That would impose constraints on a scheme like this. It would impose them on Australian workers, but Australian workers can always go home or look for something else to do. Under a reasonably stringent set of conditions, such as you and other people are proposing, that would not be possible for migrant workers.

**Mrs Wawn**—If the region is right and it is not reliant on one particular product then there will be alternative products to work with. So if you look at, say, Mildura, there are not just oranges there to work on; there is work available there on a range of products. So if there is a particular problem with the citrus, you can always go over to grapes and so forth. Looking at my home state of Tasmania, I know one grower who has apples and cherries. By the time the cherry season is finished he is going on to his apples. So there would be four or five months of consistent work with that one grower, because he has a number of different products on his property.

**Senator McEWEN**—Mrs Wawn, I will take you back to your comment about the 2,000 jobs that will come on line in Swan Hill. As the committee has travelled around, we have seen evidence of the huge expansion in plantings of horticultural crops—there have been almonds, avocados, mangoes, table grapes—and we have consistently asked the question of the growers: ‘Where are you going to get the labour to maintain and harvest these crops?’ So where will they get the 2,000 people from in Swan Hill?

**Mrs Wawn**—Hence the agricultural industries’ avid interest in this particular inquiry. Certainly, there has been a growth in particular regions in horticulture that requires an increase in labour. We are seeing some increase in the mechanical harvesting of certain products and that is minimising some of the labour needs. Nevertheless, these are intensive industries requiring labour. There has obviously been consideration, as these plantings have occurred, of the question, ‘We haven’t got labour; how do we resolve these issues?’ I think that is where the pressure is coming from, and so we are seeing increases in better accommodation, smarter ways of dealing with issues such as transportation—how to transport people there—and the like. In Swan Hill, for example, someone said, ‘We have just built a 40-place accommodation property on our site, to ensure that when we go on line we already have accommodation available to attract people from Melbourne or backpackers to come up and work.’ Certainly, there is a continued heavy reliance on backpackers, and certainly the industry has very much welcomed the extension of the Working Holiday Maker Scheme that has attracted them to it. But they are concerned about it. It is acknowledged they may have thought about it, but not necessarily at the same time the plantings went in. Also, it takes a while for trees to mature and so forth. So some of these plantings went in a number of years ago, when there was not the acute need there is now—and it has really ramped up in the last two years. But it has happened at a time when we are having booms in other industries as well.

**Senator McEWEN**—So, even if we did recommend a guest worker scheme, it is unlikely to make a significant dent in the labour requirements?

**Mrs Wawn**—At this stage we have the difficulty of having a population base, particularly in regional Australia, that is sufficient to meet the demands of all industries in regional Australia. The seasonal worker visa that we are talking about today is about seasonal peak demands. We have not even got into the problems the industry is facing for permanent workers as well across the country in regional Australia. There is a population decline in regional Australia that we have

to address, fundamentally, to resolve these industry issues for both long-term and short-term work. And this is just one component of it.

**Senator McEWEN**—It seems to me that the requirements of supermarkets now—that they like to have the produce delivered in the boxes ready to put on the shelves—have increased the number of labour-hours per grape, if you like, because the table grapes have to be cut out in the field, packed and sent to the supermarket like that. Is that having an impact as well?

**Mrs Wawn**—It is. Both domestic and international requirements now for the quality and timing of a product have put more pressure on people in terms of the time a product must be harvested. There is an optimum level for fruit and vegetables and they have to be harvested at particular periods of time. If you miss that window then your quality decreases and you have either missed that market totally or you are into a lower end market and do not get the higher price. There is documented evidence of the cost-price squeeze in the industry. It is very acute, and if you do not meet those higher standards then you may well miss out. So it has had a significant impact on the industry in terms of the optimum time to harvest any product.

**Senator McEWEN**—On our travels the issue of illegal migrant labour has also come up. In the submission from the Department of Immigration and Multicultural Affairs they noted that, of illegal working migrants in Australia, 20 per cent of them are in the horticultural industry. Have you a sense of how growers are, if you like, almost forced into taking on illegal migrant labour, even though they may not know that they are illegal because they are hired through labour hire companies? Is that an issue for them? Is it talked about in your industry?

**Mrs Wawn**—It is being talked about a lot because people are getting caught with raids. It is obviously being talked about a lot because of the proposed employer sanctions bill that is currently before the parliament. The industry would prefer—and this is certainly the NFF's position—that farmers should not employ illegals, regardless of the labour shortages they are experiencing. But we need to find alternative legal methods for them to resolve their labour shortages; hence our strong support of the seasonal worker visa, which allows it to be done in a very strict, controlled environment where we can minimise illegal workers and, more importantly, minimise any exploitation that is currently occurring with illegal workers in any industry that employs illegals under the table. We believe that the guest workers scheme can assist in the eradication of illegal working and also assist in improving the conditions for any worker, whether Australian or from overseas.

**Senator McEWEN**—I also note that the Department of Immigration and Multicultural Affairs said in their submission that the NFF could be in a position to be the organising body for a program to use migrant labour, whether under existing visa schemes or future visa schemes. Would you concur with that?

**Mrs Wawn**—Certainly the NFF believes it has a role, whether or not it is the body. We looked at the proposal by the World Bank in relation to having an independent body. We would feel very comfortable putting together an independent body that would oversee that. We would seek industry representation, but I think there would also need to be independent outside people as well, as part of a coordinating body. We would certainly be happy to take up a role initially assisting government in putting that appropriate body together. But it needs to be an independent

body that provides advice to the government and industry about how such a program is being developed.

**Senator McEWEN**—I understand there is a DIMA officer seconded to the NFF to assist new members with immigration matters. Is that a popular position? Is he/she busy?

**Mrs Wawn**—She is exceptionally busy. I think she has done more travel around the country than I have in the last six months. That immigration officer is there to promote skilled migration. That has been an exceptionally popular role, particularly in northern Western Australia, the Northern Territory and Queensland with work on big stations. But there is also significant interest in the cotton industry and the dairy industry with that role, but it is focused on skilled migration. She has been exceptionally popular, and it has been a very well-structured secondment. We have been very happy with it, and the industry has utilised her resources quite significantly.

**Senator McEWEN**—And you say people are approaching her about skilled migration. Are they approaching her about semiskilled or unskilled?

**Mrs Wawn**—It is predominantly management and overseeing roles at this stage. I think she is just starting to get queries on shearers. But at this stage it has predominantly been in management and overseeing roles. The wool industry has shown some interest in shearers as well.

**Senator BARNETT**—Thank you for your submission today and also your written submission. I found it very comprehensive and enormously useful. I want to ask about your views regarding the World Bank report and the Mares report. But, before doing so, I would just like to follow up on Senator Troeth's comments regarding evidence we received in Mildura from, I think, a Farmers Federation representative who indicated that he did not particularly support the proposal for a pilot scheme. Nevertheless we also had conflicting evidence that the Victorian Farmers Federation did support it and, obviously, we have your evidence and your in principle support for the scheme. I just want to clarify that for the record.

**Mrs Wawn**—The NFF submission has been put together after consultation with our membership, which includes the Victorian Farmers Federation. I personally spoke at a conference in Mildura, hosted by the VFF horticultural council two months ago, where our submission received overwhelming support from that council, so it continues to have the full support of the membership. I understand that those comments you received in Mildura may have been more on a personal level as opposed to representing the views of that organisation.

**Senator TROETH**—Can I indicate that they were. They were not from a farmer purporting to be an official representative of the VFF. They were from somebody else.

**Mrs Wawn**—The NFF here today is not just representing the NFF but all of our members' organisations.

**Senator BARNETT**—Excellent. I am glad we have clarified that point. I appreciate that. I am interested in this labour market testing criteria that you put forward, and I think it is very important. I guess that is consistent with your view that there should be a demonstrated need for

a guest worker system. You have talked about the two key areas of concern which have continually come up throughout our inquiry—that is, firstly, the labour shortage and, secondly, reliability, vis-a-vis the backpackers coming and going and not coming back the following year. I know Senator Marshall touched on the issue of labour market testing with you, but can you flesh out a little more how that may be done.

**Mrs Wawn**—Certainly. The key issue of labour market testing, in the first instance, has always been: are there Australians who could meet this demand that would meet also the needs of the industry? That is the first instance. Obviously, there would be liaison with DEWR, local Job Network agencies and the like as to what activities the industry have undertaken, either individually or collectively, with relevant Australian agencies in placing Australians into those positions, and what the result of those attempts has been. Have they gone broader than just their local region to see whether or not there are additional people within other areas who may be attracted to that work? That was the traditional labour market testing, as we saw it, in order to then say: no, there are not sufficient Australians to fill those gaps. There has been evidence to show that they are not interested in this type of work, there simply are not the people in the region or people are not willing to move into the region, so where are we subsequently going to get the workers?

Obviously, the next step would be: hence, that test has been met, so the seasonal worker visa could come into play. But I think there is also an addition to that: has there been evidence that the industry have worked to make it attractive also to Australians? It is not just that they have tried to get Australians, but have they made an attempt within their own budgetary situation to try to attract people as well? Have they looked at improving their conditions, what are their current wage levels and those sorts of things? Is it a realistic attraction of Australian workers within the parameters in which they can place themselves as an employer? We have to be realistic. They cannot afford to have ridiculously higher wages, significantly higher than the award minimum. They may well be able to go higher than the award minimum but not significantly higher so that it may well then attract Australians. So we have to be reasonable.

**Senator BARNETT**—That is good. Thanks for that. One of the other criteria you mention is that there should be a central body to oversee the program. You mentioned labour hire companies and also the ‘big farm’—potentially a big farm organisation or farmer, I assume you meant. I want to be able to support small businesses and smaller farmers wherever possible, so how can we ensure that they derive benefits under such a program rather than just the big multinational investment companies or huge farm entities?

**Mrs Wawn**—When we talk about big farms, we are not talking about big multinationals; we are talking about the larger family farms that may have one or two different products. I come back to the Tasmanian orchard as an example.

**Senator BARNETT**—It is a very good example.

**Mrs Wawn**—It is a small family business, but it employs quite a substantial number of people, because it has cherries, apples, pears and so forth, so it has consistency in labour across a variety of different products. The smaller operator who might only need a small number can be accommodated in two ways. They can access the labour through the labour hire company that is employing the seasonal worker. The alternative is that they may, as a smaller operator, have the

opportunity, with the larger bulk going to the bigger employers in the town, of then having greater access to locals, but they would have access through the labour hire companies. We identified the need for any employer, whether it was a direct employment relationship or a labour hire relationship, to be an approved employer, for there to be no evidence that they have contravened workplace relations laws or immigration laws in the past and for their working conditions to have been approved by the body prior to a visa being approved.

**Senator BARNETT**—I am with you—good. I want to ask you about the World Bank report, which seems to be a bit of a watershed report. It is a fairly major report that has only recently become available. You seem to be supporting the thrust of the program. That report referred to the Canadian system where the program can go from six weeks to eight months. Do you have a view on the time frame in terms of such a system for Australia?

**Mrs Wawn**—We have said no more than six months for one stay. Obviously, there are some economies of scale which would mean that a worker would probably need to stay for at least a minimum of about three months to maximise the opportunities from both the employer and the employee perspective. We think a threshold between three and six months would be appropriate. The length of the visa is going to depend somewhat on the needs of the particular region that has sought the visa, depending on the particular commodities it is growing.

**Senator BARNETT**—Sure. You mentioned earlier the cost-sharing arrangements between the employer and the employees, and a smart way of doing that was in the World Bank report. They put up three options. They put up the option of the employer paying up front and then recouping 50 per cent of that cost. Do you have a preferred option or an open mind?

**Mrs Wawn**—We are open-minded, but we acknowledge that, for there to be benefits to both the employer and the employee, there is going to need to be cost sharing. Certainly, the Canadian system seems to be the fairest option. With regard to that, we also support the views of the World Bank in relation to the taxation arrangements. NFF has been arguing for a significant period that there needs to be consistency on the tax rate for both offshore workers and Australian workers in relation to the 13 per cent tax rate. If this visa is going to work, there needs to also be a consideration of that 13 per cent tax rate being across the board.

**Senator BARNETT**—So 29 per cent would come down to 13 per cent?

**Mrs Wawn**—Yes. We have been arguing that for some considerable time for the working holiday maker visa, and we believe our argument should also prevail in relation to any seasonal worker visa.

**Senator BARNETT**—I think you are at one with the Mares report. He has also recommended taxation changes to that effect. He also suggests that the Medicare tax would be consistent for Australians and overseas guest workers. Do you have a view on that?

**Mrs Wawn**—We have not specifically discussed it, but we note that both the Mares report and the World Bank report make submissions in respect to that, and certainly we cannot see any inconsistency with our views on how the arrangements should be made.

**Senator BARNETT**—The occupational health and safety standards were an issue wherever we went—accommodation and health and safety standards generally. Do you have a view as to how they would be monitored? Would they be monitored in the usual way, or would there be special provisions to make sure that the guest workers were not put at risk in any way?

**Mrs Wawn**—There certainly has to be monitoring in any environment in terms of evaluations of the working conditions, including occupational health and safety. Certainly the NFF from a broader perspective has identified the need to improve occupational health and safety in the industry as a priority across the board for any worker who works on a farm.

**Senator BARNETT**—Finally—a little bit of a flip side; we are talking about a special migration arrangement for guest workers here—have you thought of the idea of extending the skilled migration visa arrangement, where the definitions were perhaps broadened a little bit? We got to meeting and talking to some of these workers wherever we went. They are actually very skilled at their job. They are much more skilled than I would be if you threw me in there and gave me a bit of training. They could do it so much more efficiently and effectively. Have you thought about seeking an extension of the definition under the skilled migration visa arrangements?

**Mrs Wawn**—No, we do not think that is appropriate. We believe that skilled migration is for skilled migration and recognised skills. There are regional concessions already in place in relation to semiskilled. No, we believe it would be inconsistent with the intent of the skilled migration visa to seek an extension covering all ASCO levels. We are effectively in a seasonal worker visa, asking for workers at ASCO level 9, which is the lowest of the ASCO levels. It does not mean to say that they are not skilled. I think when we talk about reliable and efficient farm labour it means that they are farm skilled. But we have always pushed for a separate seasonal worker visa. We do not think it is appropriate and consistent with the skilled migration visa to ask for an extension of the classifications.

**Senator BARNETT**—Do you have a view on the effectiveness of the Harvest Trail initiative?

**Mrs Wawn**—We certainly greatly support the concept. It certainly has worked in pockets, but we would like to see it utilised more effectively by the industry by direct placement of jobs. We certainly think it has a lot of potential and could be utilised more effectively.

**Senator BARNETT**—Thanks a lot.

**CHAIR**—Thank you very much for your submission and your presentation to the committee today.

[11.48 am]

**NAIDU, His Excellency Mr Amraiya, High Commissioner, High Commission for the Republic of the Fiji Islands, Government of the Republic of the Fiji Islands**

**CHAIR**—The committee welcomes His Excellency Mr Naidu, High Commissioner for the Republic of the Fiji Islands. The committee has before it your submission. Are there any changes or additions to that?

**High Commissioner Naidu**—There are no additions, but I would like to elaborate on certain issues.

**CHAIR**—You are welcome to do that, and you are very welcome before the committee.

**High Commissioner Naidu**—Thank you. We are very pleased that the Senate considered our request to meet with you to make a brief submission and to answer any question that may arise from our submission. It is a great opportunity, as our leaders have been talking about this very issue. In that context I thought it best to appear before you to make a few points on this matter.

The foreign affairs minister says that Australia is a significant regional partner that is often asked to take regional responsibilities in times of crisis. The Solomon Islands are an example of these situations, as are Timor-Leste, Bougainville and the disaster we had through the tsunami et cetera. The statistics of the contribution to the Solomons alone as a result of the crisis show that Australia spent taxpayers' money to the tune of \$101 million as of last year. The contribution that Australia made was significant.

A number of Pacific island countries are categorised as fragile states, and a few others are moving in that direction. If not provided with a helping hand, there is the possibility of a few more failed and fragile states joining the group. A proactive policy approach will help avoid such drastic situations, which require expensive reactive measures. Who else would be looked upon to do so than our partner in the Pacific: Australia?

The director of the Center for Global Trade Analysis at an Indiana university claimed that a seasonal temporary migration scheme could become one of the Pacific islands' biggest earning industries. A UN report released in July 2006 recommended the improvement of the trade environment through giving developing countries better opportunities to participate in world service markets, including those that entail mobility of low-skilled labour.

The UN Office of Legal Affairs has announced that the annual campaign for the ratification of international treaties that takes place during the opening of the General Assembly sessions will this year focus on human migration. UN Secretary-General Kofi Annan is reported to have stated that all countries—whether a country of origin, transit or destination—are affected by international migration, and managing this migration for the benefit of all has become one of the greatest challenges of our time. Benefits of this to Pacific island countries are the acquisition of new skills, the transfer of newly acquired skills to the local industry, improved productivity and

competitiveness of the local industries, a change in workers' attitudes, a reduction in unemployment, and poverty alleviation.

Australia fought very hard during the Millennium Development Goals in 2000 to address those eight millennium development goals. One of them is poverty reduction of half by 2015. Others are to empower women and to provide education for all children. Poverty alleviation is a crucial issue in the Pacific Region. Improved access to primary, secondary and tertiary education and improved community facilities will be the beneficial aspects of this labour mobility.

The benefits to Fiji per se will be in unemployment. There are huge unemployment figures in Fiji. About 17,000 school leavers—well-educated children with a year 12 education—come out of school and there are no job opportunities. The challenges faced by the traditional industries of sugar and textiles, which you are very much aware of, mean that they do not have job scopes. The chronic unemployment problem is exacerbated by 41 per cent of the population being in the youth group, and that is a significantly high number joining the unemployment group.

Increasing reliance on remittances, foreign exchange earnings, which amounted to 311 million Fiji dollars as of 31 December 2005, came to about seven per cent of GDP. It helps in improving the living standards of the people and social structure and contributes to upgrading community facilities—for example, schools.

For the benefit of honourable senators: we have 723 primary schools in Fiji. The enrolment figure is almost 100 per cent in our case. Of the 723 schools in Fiji, only two belong to the state. There are 160 secondary schools. Twelve are owned and managed by the state. The rest are all community owned, owned by the churches et cetera, and they are run by the people. So they need funding. On the part of government, it is a partnership. Government provides a certain amount of grant, but that grant is not enough to run the schools. The infrastructure—the buildings—is all owned by the people. Naturally, in an affluent area, in a city area, the schools would look much better, because the community is able to contribute to the upkeep of the buildings. But in rural areas it is very depressing.

With respect to movement of skilled labour as a trade issue: increasingly Fiji's unskilled and semiskilled workers are offering their services on a global market. We have a large number of womenfolk working in the US as caregivers. We have a large number of our own men who have joined the British army, and some in the US. There was a suggestion at one stage last year that some of our men would be recruited by the Australian armed forces to serve here, but nothing has crystallised.

I suggest that skilled and unskilled labour should be treated as two separate issues. We have a huge number of skilled people migrating to Australia—that is permanent residency—but what we are talking about is unskilled workers who are not here to stay, who cannot of their own accord make it to Australia as a migrant. So we are looking at the migration of unskilled workers or a workers scheme where they can come and earn some money—and, in some way, that will offset the brain drain that we have lost to the Australian economy.

A major area of concern for a host government is illegal immigrants overstaying. We are appreciative of that. We understand Australia's reservation, given the problems that it faces with illegal immigrants. A legally constituted seasonal contract labour scheme, the attraction of home

visits during the short seasonal work scheme and the almost definite assurance of a return to work here in the next season are attractions so that people will not want to stay. Of course, we will have to build in a lot of mechanisms to avoid the concern of the host country.

With respect to migrant workers taking over jobs from the Australian citizens, we feel that, with a well-developed system in place, seasonal contract workers will only arrive in Australia in response to the demand by the community here. No plane will have one single passenger who can come here without the request from the Australian employers, farm workers or whatever. So we have a chance of stopping this at source.

On the issue that migrant workers could drive the wages down, we feel that the wage structure under such a seasonal contract labour scheme could be a stand-alone wage structure outside the minimum wage requirements, given all necessary initial expenditures that may have to be recouped. The element of exploitation of the workers can be addressed through specific formal wage statements prior to the departure of the working group.

Concern has been raised about a return to blackbirding, but we feel that the scheme is fundamentally different. Workers are willing and anxious to venture out and undertake the work; nobody is forcing them to come here. The framework design will necessarily ensure that no ghettos are created through the influx of migrant workers; the system will be there to control that.

Of what value would the newly acquired skills be? Fiji's hotel industry imports about \$35 million to \$40 million worth of vegetables and fruits, mainly from Australia. Local industry cannot meet the hotel industry's demands for consistency and quality. The skills could contribute to the development of Fiji's agricultural produce—once they come here and see what is happening. It is like what is happening in the tobacco industry. For the last 20 years a group of 20 men have come here every year for tobacco picking, and that is continuing even this year. These kinds of things help in the building of the skills of the people. Other skills that will be acquired include entrepreneurship, personal financial management, change in work attitude and work ethics from interactions in a different work culture, appreciation of others cultures, and a better sense of wellbeing through improved living standards and educational opportunities for one's family.

Bilateral arrangements for the scheme's framework design suggest that discussions move to the next level to scrutinise issues that are of concern to the host government and to discuss how these could be addressed. Practicality and applicability could be discussed and worked out between all stakeholder representatives. If the seasonal contract labour is managed well, it could be a substitute for development aid in Fiji, as claimed by an academic at USP.

The export strategy for unskilled and semiskilled workers is designed and developed to reflect significant features so that it ensures that specific criteria are in place for the recruiting process. We do not want any unscrupulous people to come in and reap the little benefit that these people are going to gain out of the process. The strategy will ensure the return of temporary workers; safeguard workers from exploitation; ensure that the advantages are not unduly in favour of the employers; appoint a government agency to administer and monitor the process, resulting in a win-win situation; ensure strengthened labour supply capacity for both domestic and external demands; incorporate mechanisms so that workers may transfer newly acquired skills in the

local industry; and provide for pre-departure briefings, family support counselling and cost-sharing arrangements for initial expenses occurred.

The pre-departure briefing-cum-training program should aim to prepare workers for culture shock and educate them on migrant workers rights, the type of work involved, workplace health and safety, personal presentation and hygiene, etiquette, medical and health issues. Importantly, the briefing should reemphasise and evoke greater understanding of aims and objective of the scheme and the expectations of the host government, the sending government and the community. We need a pilot project within a specific time frame before incrementally venturing into the bigger-scale temporary importation of seasonal labour. We feel that, because there are so many concerns, it is best done with a small group of people to see whether or not it is viable, practical and manageable, rather than the wholesale bringing in of people.

In conclusion, the World Bank report on labour mobility for the Pacific islands, titled *At home and away: expanding job opportunities for Pacific islanders through labour mobility*, is the culmination of 1½ years of comprehensive research by a team of experts from the academic institutions in the region, led by joint author, Dr Manjula Luthria, a senior economist at the World Bank. The report provides significant evidence, through analysis and empirical data, in support of the report's theme, which advocates greater labour mobility to expand the employment options available to the Pacific islands.

I will turn now to our recommendations. The Senate Employment, Workplace Relations and Education References Committee is invited to consider the benefits that a seasonal, temporary work scheme would bring to Fiji's economy and its people; the benefit of such a scheme on the host local community; the economic impact of taking a proactive stance on the plight of the Pacific island nations; the proposal that discussions on the seasonal, temporary work scheme be taken to the next level of the framework design in an effort to establish whether the areas of concern can be effectively addressed to the satisfaction of the stakeholders; and the establishment of a working group made up of representatives of the major stakeholders, including from academia and the host or sending governments to expand on the various discussions and to look holistically at the various aspects of such a scheme. Thank you.

**CHAIR**—Thank you, Your Excellency, for that detailed and considered presentation to the committee. Australia's Department of Foreign Affairs, Defence and Trade has told the committee that Australia's membership of the World Trade Organisation limits its ability to discriminate in favour of nationals of certain nations ahead of others. Under the core national treatment principle, Australia is obliged to extend to all 149 WTO members no less favourable treatment than it accords to any other members. So any scheme which granted special access to Pacific islanders may be open to challenges from other WTO members seeking similar access. This, of course, is a threshold issue for the committee. I was wondering whether you, as a representative of Fiji, or the South Pacific nations generally have given some consideration to that statement, and whether you could express a view on its accuracy.

**High Commissioner Naidu**—Currently, we have a large number of backpackers who come here as tourists and they concurrently receive visas to earn some money to contribute to their sustenance et cetera. There is no such opportunity for any Pacific island representatives from Fiji at the moment. That is a discrimination in the first place. Besides that, there is the issue of the WTO coming into the picture. The Pacific nations feel that we have an obligation to plead to

Australia that we are a partner in the region and a part of the Pacific Plan. All heads of governments have accepted the Pacific Plan, and labour mobility is entrenched in it. So I cannot see how the governments would have accepted, in Port Moresby last year, the Pacific Plan, if, as the department of foreign affairs is saying, it contravenes the WTO rules.

So what we are asking for is that it be a compatible sort of thing. There will be a difference as to the people coming from the Pacific specifically to work with an employer when compared to those backpackers who come to earn a few extra dollars so they can enjoy their stay in Australia before they return. Here the contribution will be very specific, to the benefit of both the temporary work scheme and the farm—or whatever it is—contribution that they are asked to make. It is a win-win situation, we feel, without having to resort to contravening any rules—because if that is the case then backpackers would also come into the picture.

**CHAIR**—The other question I have goes to the point that if the committee were to recommend such a scheme it would also be on the basis of the benefits to our neighbours and friends in the South Pacific. It would involve the dual benefits of fulfilling a labour need in Australia and the benefit to the Pacific in terms of remittances and of opportunities for training and skills acquisition. However, I respectfully put to you that there are concerns about governance issues in many of the South Pacific nations and that, in order to maximise any benefit to the South Pacific, we would have to be assured that there were not opportunities for exploitation of such a scheme which would reduce the national benefit of remittances coming back to South Pacific nations. So I ask you specifically this: how would Fiji manage such a scheme from the your nationals' end? In particular, how would people be selected and how would you ensure that there are good governance and proper diligence in respect of the selection of people so that people are selected on merit and opportunity and are not exploited by people in your own country?

**High Commissioner Naidu**—Thank you very much for the question. I said to some of my friends that if the paddocks in New Zealand are clean that is because of the labour provided by the Fijian people who went to do scrub cutting there. That went on for a very long period. The Ministry of Labour and Industrial Relations used to do the picking, the selection, for a very long sustained period of the group of people who had been going to New Zealand when the need was there.

Of course they will target different areas. Expression of interests will be invited—it will be advertised—and a very thorough screening process will be done to make sure that the benefit will spread to different parts of the country. Anybody who is earning their keep at the moment will not be considered in the process, and of course into the criteria would have to be built mutual understanding between the host country and the sending country of that requirement. One advantage that we will have is language. There is no such thing as people not being able to understand the language when they come here to work. There will be a clear involvement through the Ministry of Labour and Industrial Relations. Early next month some of our leaders, including the Prime Minister, will be coming here. I am sure they will discuss this issue with their counterparts when they are here and will allay any concerns that it will be unduly exploited or whatever. Those concerns will certainly be addressed.

**Senator TROETH**—You mentioned the suitability of some of the candidates for such a scheme. Naturally, we have some concerns that a lack of English may work against any

understanding of occupational health and safety regimes over here. Is English taught extensively in the schools in Fiji? Is there an English language program?

**High Commissioner Naidu**—We learn everything in English from primary school. Only the first two years of instruction are done in the mother tongue—grade 1 and grade 2. Thereafter all the medium of instruction is English. We do at the same time learn the mother tongue. We have an education system which is compatible with those of Australia and New Zealand. Our students coming here for graduate or postgraduate studies do not have to do any bridging course. We have our standard year 12 education, which is recognised by Australian universities. We get AusAID scholarships et cetera, and the students come straight here and do their degree programs.

**Senator TROETH**—So that would apply to applicants from some of your outer islands in Fiji? I think you mentioned that there would be a geographic spread of applicants to ensure that every region was treated fairly. I take it that that same standard of education applies there?

**High Commissioner Naidu**—That is right. Unlike in Australia, where there is a lot of debate about the history to be taught in Western Australia or here, we have one curriculum. I was Secretary for Education for six long years. We have one curriculum and one set of exam papers done. At one stage, we were doing the New Zealand university entrance examination. Whatever the children in New Zealand did, we did. Then we localised it. We worked with the Australian and New Zealand educationalists and devised an examination, although we call it the Fiji School Leaving Certificate. But the content and the level of accomplishment and achievement of the children is measured with our children in Australia and New Zealand. We have regular visits done through Australia and New Zealand to ensure that we have a quality control on those things. So there is no doubt about the accomplishment of the children and their proficiency in the English language.

**Senator TROETH**—One of the reasons why this scheme is being advocated is that it will provide economic benefit to your country and to some of the other islands. While the committee would never presume to tell people how to spend their money, are you satisfied that the money from the remittances that are being sent back to Fiji at the moment is making an economic contribution to your economy?

**High Commissioner Naidu**—Certainly. Many times, people say that these remittances have a negative effect—they raise inflation or they are used on consumer things. But when you look at the quantum of money each one sends, it is not \$100,000. It is something they would not have saved over five or 10 years back at home. Research has been done. For a person who has come and worked here for five years—after taking off the airfare, expenses, daily sustenance and all, a person might after six months return with \$5,000.

**Senator TROETH**—Yes, I have noticed some of the figures.

**High Commissioner Naidu**—And with that \$5,000, if we insist that this be invested into something—when they have to look at a hand-to-mouth situation—it becomes very difficult. There is no such thing as using this money for investment.

**Senator TROETH**—No, I am not thinking of that. I am sure that neither the committee nor yourselves would contemplate any regulation like that. But could you tell us, on your observation, what some of the money is spent on. Is it on education, or on—

**High Commissioner Naidu**—Certainly on education, because education is not free at home; people have to pay. They pay for all sorts of things—books et cetera.

**Senator TROETH**—General family improvement?

**High Commissioner Naidu**—That is right.

**Senator TROETH**—Thank you.

**Senator McEWEN**—Thank you, Your Excellency, for coming along today. You mentioned the Fijian tobacco pickers, the 20 people who have been coming backwards and forwards to Australia. Could you just elaborate on what benefit that has had for their community in terms of the remittances they take back and the skills they take back.

**High Commissioner Naidu**—Certainly. Those people who have been coming have gone back with money after that season's work, and that would have added benefit to those individuals who have come and returned. I believe there was a program on SBS shown some time back which elaborated on how this group of people who come annually, in addition to learning the skills, have gone back with some additional money in their pocket which has benefited the family in the improvement of the house.

In a village situation, they might be living in a very small and dilapidated place, but over a period of time, if they get a second or third opportunity, they will improve their living standards and become more conscious of the needs of their family because they will have some extra dollars to gain mileage in what they are doing. With regard to reducing poverty, education is the only basis on which you can come out of that vicious circle. These people who have gone back with that kind of exposure and with a little extra income certainly value education and help their children do better in life.

**Senator McEWEN**—Do you see that model as a good model to follow if we recommended a guest worker scheme?

**High Commissioner Naidu**—It will be a very good model. In fact, we have the Caribbean versus Canada example, which some people may have raised in this committee. It has been going on for 40 years without many hiccoughs. It has benefited the community back home. There is an incentive for them to return without overstaying and causing unnecessary difficulties for the host country. If there was a guest worker scheme, there would be a lot of rapport developed between the employer—say, a tomato grower—and the workers. We can work with that same community—not the same person but the same community—to come to that area again in the next season. They will be more than simply a worker and employer relationships; there will be some kind of relationship developed over a period of time.

**Senator McEWEN**—You mentioned the issue of people overstaying their visas, which occasionally happens. One of the things that people have said to the committee on our travels—

and the Department of Immigration and Multicultural Affairs says it in their submission—is that they are concerned about workers who come in under one of these kinds of schemes not going home at the end of it. What measures would be appropriate to ensure that people complied with their visa obligations?

**High Commissioner Naidu**—There should be carrot and stick measures when we draw this up. The government must be told in no uncertain terms that, if there is any breach of these conditions, the country will not be able to send more of these people. If the recruiting process is done with the involvement of the elders and the government, because people have regard for the chief system back in the Pacific, then these people can get involved and say: ‘Look, you’re going for a purpose and you’re not going to spoil the chances of the others. You’ll complete your work and you’ll return.’ That will happen. That kind of model worked when New Zealand needed brush cutters.

**Senator McEWEN**—Do you think that the people who come will be single people or families? Would it be more appropriate for people to be able to bring their families with them?

**High Commissioner Naidu**—I suggest that the families not be included, because it will be for the short term and there will be a greater urge for them to return if the family is back at home. We have our soldiers working in the Middle East. They go for a one-year rotation, which is a bit too long. With this being seasonal work, they might stay at most for six months or so. That is not a long duration at all. We could have systems developed. These days, there are all kinds of technology options. The employer could provide them with some kind of computer system through which they could communicate with their families. There are all sorts of measures available to keep the family together and yet achieve the objective that we intend.

**Senator BARNETT**—The terms of reference speak of the Pacific region, not just the South Pacific. You are expressing the views of your home nation. Do you have a view in terms about whether some of the other countries in the Pacific region would support such an approach in the same way that you do?

**High Commissioner Naidu**—I am sure there would be. Some countries already have the option to go elsewhere, they have free movement. They might not like to take part in this scheme. But the others that do not have options, like Vanuatu and maybe PNG, would be very happy to participate. I am not sure what kind of control they will have in their own countries. But, as far as Fiji is concerned, I can give some candid assurance.

**Senator BARNETT**—During our inquiries there were references to PNG and East Timor. Would that be a problem for you or would you be happy for them to be included in the Pacific region?

**High Commissioner Naidu**—As I said earlier, we do not want to be part of any discriminatory process. If they are all part of the Pacific Plan and are to be assisted, we will be very happy.

**Senator BARNETT**—You mentioned the \$300 million-odd in the remittance. You receive seven per cent of GDP. That sounds a very important part of your economy. Do you have a view in terms of the remittance process? Hypothetically, under such a scheme in Australia, should part

of it automatically go back to your home country and should that happen at the end of the arrangement? Should it be entirely voluntary or should there be some compulsory return or remittance of those funds during the arrangement?

**High Commissioner Naidu**—I am sure some of them would prefer for part of the money to go home at intervals to support the family. Others might decide to keep whatever saving they have here and transfer that back to Fiji directly through Westpac or ANZ Bank or by a bank draft on the day they depart.

**Senator BARNETT**—So you do not have a view that some of it should be compulsorily sent back during the process to ensure that there is no overstaying or other illegal arrangement at foot?

**High Commissioner Naidu**—No, I do not think that holding back or remittance will be part of the picture. They will not in any way affect them going because of the social commitment and the government commitment that we will get them to undertake to ensure that they return.

**Senator BARNETT**—You made reference to the Canadian experience with the Caribbean. Do you have a view on the time frame for such a visa arrangement? Should it be three to six months or three to nine months? Secondly, how would applicants from your country be assessed, how would they apply and what criteria would be attached to them?

**High Commissioner Naidu**—Three months would be too short a period for people to come. It will not be sufficient time for them to offset some of the personal expenditures they would have incurred for visa, airfares et cetera. Six months is a good time frame if there is work available for that period of time. Granted, if the work ends after four months, there is no way we can just keep them for the sake of keeping them for another two months. They would have to go back. Ideally a six-month rotation would be very good.

**Senator BARNETT**—Could you extend it to nine months?

**High Commissioner Naidu**—That would be a bonus.

**Senator BARNETT**—You indicated earlier that 12 months would be too long.

**High Commissioner Naidu**—We said that 12 months has some social implications. Soldiers serve compulsorily and cannot return before one year. I think six to nine months is not a problem.

**Senator BARNETT**—The second question: assessing of and the criteria for the applicants?

**High Commissioner Naidu**—As I said, there would be advertisements. They can work out through provinces—they are just like our own state governments; we have 14 provinces—which people to select, but not alienate any province. There will be different groups coming to serve in different areas, so we can make selections from different groups to come and serve. Proper screening measures will be taken to ensure they have gone through high school, they can speak the language, they are unemployed and what their behaviour is like—whether they have any

criminal record et cetera. We need to screen all these things because it is in our interest to ensure that the system will work.

**Senator BARNETT**—Who would do the screening?

**High Commissioner Naidu**—We will do it through the Ministry of Labour and Industrial Relations. Government will be involved in this.

**Senator BARNETT**—Finally, what is your unemployment rate?

**High Commissioner Naidu**—This is yet another serious issue that we need to understand. We do not have a social safety net in Fiji, so no-one knows the actual unemployment figure. It is unlike here, when people who go for social security have to be registered. In our country a cane farmer may have four children. None of them may be working but they are all, somehow or other, living from hand to mouth within that farming community of about eight to 10 acres of land and, with the sugar price falling, there is hardly any return at home at the end of the crushing season. So no-one will be able to give you the unemployment figure. But we know one thing: we have 17,000 school leavers every year and we would be lucky to provide 1,500 to 2,000 jobs.

**Senator BARNETT**—Really?

**High Commissioner Naidu**—Yes.

**Senator BARNETT**—So this type of scheme could be very important for your economy and your country?

**High Commissioner Naidu**—If it works, it will be a win-win situation for both countries.

**CHAIR**—Your Excellency, if I could finish up with this question, if you are able to answer it. When the issue of seasonal labour mobility is raised with representatives of the Australian government, what do they say to you in response?

**High Commissioner Naidu**—I have heard problems being raised—‘It will create this problem, it will have this effect’—but we have not gone into depth on how we may overcome those problems. There has not been too much negative talk, but some mention is made to that effect. Because the leaders have already come out publicly to say that this is not a scheme they would be happy with, as the Prime Minister said in PNG, maybe the bureaucrats repeat the same thing. I am sure that we can sit around and work out these procedures and details and start with a small number, whether it be 10 or 20—that would be dictated by the demands from here. I do not think we can say that, in 2007, we will take 2,000 farmhands. If the need is only for 50, why would we go for 2,000? Everything will be decided and determined from here. We can try it out and, if it does not work, as I said, the countries must be reprimanded: ‘You have been given an opportunity and you cannot control it.’

**CHAIR**—Thank you for your presentation and for taking the time to speak with the committee today.

**High Commissioner Naidu**—It was a wonderful opportunity and thank you for giving me the chance to appear before you.

**Proceedings suspended from 12.34 pm to 1.46 pm**

**NEVILLE, Mr Ivan, Assistant Secretary, Labour Supply and Skills Branch, Department of Employment and Workplace Relations**

**PRESS, Ms Jane Elizabeth, Director, Migration Policy and Analysis Section, Department of Employment and Workplace Relations**

**QUINN, Mr Michael, Assistant Secretary, Employment Exchange Branch, Department of Employment and Workplace Relations**

**CHAIR**—I welcome our next witnesses from the Department of Employment and Workplace Relations. The committee has before it your submission. Are there any changes or additions you wish to make?

**Mr Neville**—No.

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

**Mr Neville**—Thank you very much. We do appreciate the opportunity to be here today. The terms of reference for this inquiry are of interest to, and fall within the portfolio responsibilities of, DEWR. I want to highlight a few key points and conclusions from our submission.

Our key interests are the labour market implications of Australia's migration arrangements and this includes the labour market experience of migrants and the implications of migration for economic, demographic and labour market outcomes over the short and long term. The Australian labour market at the moment is pretty strong. We have had very solid employment growth over a number of years now. We have an unemployment rate that is at its lowest level since August 1976 and a participation rate that is at a record high. So we understand completely that Australian business is increasingly turning to temporary migration as a means of addressing the skill needs that they have, where recruitment and training activities are insufficient to meet the demand. We also acknowledge the need for flexibility in migration arrangements to address the skill needs of business, but there is equally a need for safeguards to ensure migration arrangements do not adversely impact on the employment, training and skills development of Australians. Migration arrangements should not result in the displacement of Australians but should complement other government initiatives to address skill needs of Australian employers and industry—in particular, the government's Welfare to Work reforms and harvest labour supply initiatives.

In assessing whether there are significant harvest labour shortages requiring an industry-specific migration response, we believe it is important to look beyond anecdotal and media reports. The department's submission examines the extent to which harvest labour shortages exist and provides information on how the Australian government and the department assist growers to meet their harvest labour needs.

The focus of Australia's migration arrangements is on the recruitment of skilled workers from overseas for employment in skilled occupations—managerial, professional, associate

professional and trade occupations. And while the concessional regional temporary business migration arrangements provide for the recruitment of overseas workers for less skilled occupations, there is no provision for the recruitment of overseas workers for agricultural and horticultural labouring occupations. These occupations—and this is backed up by research—are not viewed as skilled.

The department's submission outlines the important role that DEWR plays in addressing the seasonal harvest labour needs of growers by funding the National Harvest Labour Service and National Harvest Labour Information Service programs. While there has been a reduction in employment in agriculture over the last two or three years, and we include horticulture in that, consultations with Harvest Labour Service providers and Harvest Labour Service contract managers suggest that the workforce supporting unskilled seasonal harvest labour in Australia has met labour market demand in recent years, and there are no enduring labour shortages affecting the harvest industry.

That said, we do acknowledge that there can be some difficulty in filling some harvest jobs, but in our view there is not a crisis situation requiring a radical migration solution. Against this background, the department believes it would be premature to consider the proposal to introduce a seasonal guest worker scheme until a comprehensive evaluation of the extent to which the government's Welfare to Work reforms and initiatives targeted at working holiday-makers have addressed the labour needs of the agricultural and horticultural industries has been done. We note the recent changes to the working holiday-maker scheme and that those changes have significantly increased the pool of labour available to the agricultural and horticultural industries, with some 114,000 visas granted last financial year. Of those visa holders, an estimated 2,600 took advantage of the offer of a second working holiday-maker visa by working for three months with primary industry employers in regional Australia.

DEWR understands that for a seasonal guest worker scheme to be successful it would need to be underpinned by a rigorous employer or industry sponsorship. This sponsorship would need to guarantee full-time employment for a specific period of time and include employer or industry responsibility for health and medical insurance; transport to, from and within Australia; and accommodation. Given that it would target unskilled workers with lower education and/or levels of English, we believe that such a scheme would be a high risk.

In summary, the department considers that the existing migration arrangements, combined with other government initiatives, sufficiently address the seasonal harvest labour needs of Australian agricultural and horticultural industries. This position is supported by departmental consultations with Harvest Labour Service providers, which concluded that there is no concrete evidence that harvest labour shortages exist in sufficient magnitude to warrant a radical departure from the existing options. We would be happy to take any questions that you might have.

**CHAIR**—I think I agree with you about your assessment of the labour shortage—or what has been claimed as a labour shortage. It seems not to have been an actual shortage of labour, so to speak, as opposed to people complaining about the nature and reliability of the labour. So I want to put a couple of things to you that I think you accept in your submission. It was a couple of weeks ago that I read it, I must say, but I think I recall in your submission that you acknowledge that a high proportion of the seasonal agricultural labour is provided by backpackers. I do not

think you dispute that, anyway. What would happen if an international event of some type significantly reduced people's ability to travel internationally and the source of backpacker labour effectively dried up overnight? What would be the position of the industry then?

**Mr Neville**—It is obviously very hard for us to predict or project what might happen as a result of particular events.

**CHAIR**—But it is not far-fetched to suggest that some international terrorist event could easily stop international travel to the extent that is happening now. If this industry is relying on backpackers to be up to 80 per cent of workers providing the labour now, that could be a real issue for this industry, couldn't it?

**Mr Neville**—Clearly, if numbers were to decline, with the reliance that the industry has on working holiday-makers there would be some impact on the industry. But it is really difficult for us to provide any sort of indication as to what that impact might be. It is difficult for us to operate in an environment of what might happen.

**CHAIR**—But what do you say about an industry that relies so significantly on foreign labour, for instance? Let me come at it from a different angle. There is no trick in this; it is not estimates.

**Mr Neville**—I will report that back to Dr Boxall!

**CHAIR**—I am sure he is watching somewhere! The industry are saying: 'We've got a problem. We're too reliant on backpacker labour.' They say there is a shortage from time to time, though we have not found anything more than anecdotal evidence—the same as you. That is why I said earlier that I think that what they really complain about is something quite different. It is not a labour shortage; it is the appropriateness and the flexibility of that labour. They rely heavily on backpacker labour at the moment. When you are looking at the reliance of industries on this labour, is there any government input into it? To illustrate my point, huge companies backed by huge amounts of money have purchased huge amounts of land, and they have water allocation and massive plantings are going on. You ask them about labour force planning for when these plants mature and require significant labour, and they throw their hands up, in effect. There does not seem to be any industry labour market planning. There is some, but on the whole there does not seem to be any strategic planning. I am wondering whether the department is involved in any strategic labour planning. What do you see as the labour requirements into the future? Will they be met? It is a very broad question, but my aim is to introduce you into the subject.

**Mr Quinn**—We have two major programs that are about mobilising labour and getting it into the areas where harvest growers need it. Those two programs, as Mr Neville said, are the Harvest Labour Service and the National Harvest Labour Information Service. The Harvest Labour Service are providers who look at mobilising out-of-area labour supply to particular areas for harvest needs. But the National Harvest Labour Information Service has a wider mandate to try and mobilise labour across the country for where it is needed along the harvest trail. We have identified where harvest crops are coming up over the course of the year and we try to identify a path for people to follow, if they wish, to try and get labour to where it is needed at the right point in time.

**CHAIR**—Are you confident that that arrangement will adequately manage labour into the foreseeable future as well?

**Mr Quinn**—I guess the big challenge is getting people from where they are located to where the harvest demand is at any point in time. We are relying on the National Harvest Labour Information Service to do much of that work. They have linkages with harvest growers but also with places where the labour may be, such as backpacker hostels and other places of interest where backpackers might be found. Hypothetically, if the labour supply and demand from overseas dried up, it would be a matter of them targeting their activities within the country rather than externally.

**CHAIR**—The National Farmers Federation, which supports a seasonal migration scheme for this industry, has said, quite correctly, that if there were to be such a scheme you would need to have labour market testing in any particular area or industry before you enabled that area or industry to take advantage of such a seasonal immigration scheme. If there were to be such labour market testing in an area now that identified a shortage, how would the department assist the industry in coping with that shortage?

**Mr Quinn**—Largely through the National Harvest Labour Information Service—that is our primary means. There are local Harvest Labour Service providers who are contracted to provide exactly that service within their locality. If you picked a harvest labour area—Griffith, for example—and they had an immediate demand for labour, then it is the Harvest Labour Service's responsibility to try and mobilise out-of-area labour through their connections. They may contact other organisations, such as other Job Network members or job placement organisations—which are contracted by the department already—and any other contacts they have within the industry or across Australia to try and mobilise enough labour for their area.

There may be a greater demand that they need to fill. In the past we have used other methods, such as SMS messaging, to contact job seekers around the country to alert them to the fact that there is an immediate need for labour in a particular area. We have sent out a few thousand—the numbers are not to hand—SMS messages, particularly when mangoes were ready to be picked in the Northern Territory and North Queensland last year. We have also used SMS messages to try and mobilise labour at short notice in areas such as Victoria and South Australia, largely for the viniculture industry. When there has been an identified need that labour is not available, we have been able to tack onto those new technologies. We can also use other things, such as the internet and Job Search kiosks which provide information on opportunities around Australia to the at least 600,000 job seekers who are registered on our database.

**CHAIR**—Do you have a view about the wages and working conditions in this industry and whether they impact on the availability of local labour?

**Mr Quinn**—I would have to take the opinion on the industry conditions on notice and seek an answer from a more authoritative area. We try and work with the growers through the Harvest Labour Services in particular to ensure that growers are providing adequate salaries and conditions for workers. In our experience, not being able to access the right conditions—such as accommodation or other sorts of support mechanisms—while they are working in an area has certainly been seen a major disincentive for labour to relocate to an area.

**CHAIR**—How do you monitor that?

**Mr Quinn**—It is largely anecdotal. When the Harvest Labour Services are trying to provide labour to a particular grower, if there is a shortfall in the labour and they cannot identify enough people then they will try other means. But the first thing is to talk to the growers and try to get the growers to cooperate and provide a suitable and attractive situation for the workers.

**CHAIR**—In most of the industry, people are paid at piece rates. While theoretically on piece rates you can earn lots of money, the only evidence that we have had from a worker is that they rarely provide even the minimum rates of pay when you average it out. I am forming a view that the ready availability of backpackers and their willingness to work in fairly substandard conditions—because of the short-term exposure that they have to those conditions and wages—has probably artificially kept wages and conditions and the natural development of working conditions down instead of there being the expected natural evolution of those over time. As a result, there are very low wages and poor conditions, which is not suitable at all for people who seek to make a long-term living in this particular industry. So rather than me asking you a specific question, I invite you to comment about wages and conditions generally and how you see that that may or may not impact on the improvement of attracting people into this industry.

**Mr Quinn**—Our anecdotal feedback from the Harvest Labour Service providers who are trying to match grower demand and labour supply is that you can have a couple of growers working side by side, one providing what are seen as decent salary and conditions, and another not, and the results are obvious. You can have supply going to one area but not to another. But that, again, is only anecdotal. We have not done any research into that sort of area.

**Senator TROETH**—I gather from your remarks that you consider that there is a suitable reservoir of low or unskilled workers available for harvest work in this country.

**Mr Quinn**—I think so—yes.

**Senator TROETH**—Without the need to import labour.

**Mr Quinn**—Yes.

**Mr Neville**—Our view is that with the Welfare to Work reforms only having been introduced fairly recently we need to evaluate how those reforms are going. But we have no real evidence of a shortage that suggests that we need to bring in people from overseas.

**Senator TROETH**—What would be the dangers to the labour market, in your view, of introducing migrant labour?

**Mr Neville**—Where we are coming from is that we obviously want a fully effective and efficient labour market. We are of the view that we need to ensure that there is not displacement of Australian job seekers. Obviously not everyone who is currently in receipt of a welfare payment is going to have the possibility of moving into this industry, but there are 2½ million people in Australia currently in receipt of a welfare payment. With the government's Welfare to Work reforms assisting those people to engage with the labour market, we believe that there are going to be people amongst that group who will be able to fill any vacancies that arise.

**Senator McEWEN**—Taking up from that point, Mr Neville, have you done any matching of the potential pool of people that are going to become available as a result of the Welfare to Work initiatives with the regional areas that are saying they have labour shortages in the horticultural area?

**Mr Quinn**—We operate a system of automatic matching that looks at job seeker skills, experience and qualifications. We use that to match against vacancy requirements in particular areas.

**Senator McEWEN**—I am thinking more globally. For example, we heard earlier in the day that Swan Hill was going to need 2,000 workers in the horticultural industry shortly. Have you done any matching of that sort of stat with the fact that you know that in Swan Hill when Welfare to Work bites there might be 1,000 people available?

**Mr Quinn**—No. As far as I am aware, that has not been looked at anywhere in the department. In projecting the likely numbers that are going to—

**Senator McEWEN**—To come on line with areas of regional unemployment.

**Mr Quinn**—I do not think that is being undertaken at this stage.

**Mr Neville**—But we obviously have information on the number of people who are in receipt of benefit in a particular area. Another matter is whether we can then get the information on what the demands of the industry might be and say, ‘Yes, the industry requires 2,000 people and there are 5,000 people in this area who are currently in receipt of welfare.’ That does not automatically guarantee, of course, that each of those 5,000 people will have the skills or the capacity to undertake the type of work required, but in our view we need to be focusing on those people first and assisting them to fill any vacancies as they arise.

**Senator McEWEN**—We have heard and seen in our travels that people who work in these jobs often need to be able to travel—have a car and afford the petrol—because often the orchard is a long way from the city or from the regional town. The hours of work are normally from very early in the morning to the middle of the day, because it gets too hot to pick after that. Those sorts of things are going to impact on whether or not persons who have benefited from the Welfare to Work initiatives are able to take up those jobs. Under the Welfare to Work initiatives, what will ensure that those people are not pushed into those jobs when they are unable to take them up because of those structural reasons?

**Mr Quinn**—There are already a number of jobs that are seen as unsuitable for particular job seekers so legislation defines jobs—for example, self-employment opportunities—as unsuitable for job seekers because there are a whole range of conditions job seekers have to meet to maintain them. Some forms of this type of work are unsuitable for job seekers, particularly if they have to go out and do something unusual to get there. If it is outside their area of residence, such that they need to purchase some sort of travel assistance to get there—train, bus, car or whatever—that could be an unreasonable ask of the job seeker and therefore it is not an expectation that they take up that offer of work. We would not be pushing Welfare to Work job seekers into areas outside their own area of residence or anything like that. It would simply be making job seekers aware of those opportunities as they arise.

**Senator McEWEN**—In your submission you mentioned labour agreements. You say the Commonwealth managed or negotiated some 100 of them and two of them placed overseas workers in the agricultural and horticultural industries. I understand that you cannot reveal the name of the actual employers, but can you tell you what kind of work that is, where it is, how many workers are involved and what countries they might come from?

**Ms Press**—We have two current labour agreements in place which provide for the recruitment on a temporary basis of overseas workers. The particular agreements focus on the entry of people who are either farm managers or a person on that sort of level. There are also diesel mechanics to service the farm machinery and, obviously, our agricultural and horticultural mobile plant operators. I can take on notice how many may come in in any one calendar year.

**Senator McEWEN**—That is all right. I was curious as to the work they were actually doing in the horticultural industry.

**Ms Press**—They provide for the placement of people all over Australia.

**Senator McEWEN**—How successful is SMS text messaging in getting people to jobs?

**Mr Quinn**—It is a bit hard to tell because data is not maintained on the link between the SMS we send job seeker A and whether job seeker A turns into an actual placement in a job. But feedback from the National Harvest Labour Information Service, which is our key point of contact for job seekers and growers, clearly showed that when we sent out the SMS it increased the number of calls to its centre tenfold. So it was highly successful in getting the information out to job seekers so that they could then take action on that information. We would expect that a large proportion of those would then flow through to inquiries with growers. As I said, whether those inquiries turned into placements we would not be able to tell.

**Senator BARNETT**—Thanks for your submission. In regard to the working holiday-maker scheme and the changes by the government to require a minimum of three months work to stay the 12 months, did the department oppose that proposal and that change before it came in? Did you have a view and did you express a view in opposition to that proposal before it was introduced?

**Ms Press**—Was that the proposal to extend the definition of primary industry?

**Senator BARNETT**—No, this is regarding working holiday-makers. They can stay in the country for 12 months if they work for three months in harvest work in regional areas.

**Mr Quinn**—I believe that that decision was one made by the government and we would not oppose a decision that was made by the government. As you have mentioned already, backpackers are one of our largest supplies of labour to this area, mainly because they are mobile and will accept a lot of things that others will not. It has meant that that supply would be enhanced and we would have access to that supply on greater levels.

**Senator BARNETT**—I suppose that is exactly the point. The working holiday-makers are incredibly important to different regional parts of Australia and for businesses to succeed, but they have increased in terms of the proportion of the workforce in those areas—particularly

since that government policy changed. Some people might say that government policy is a distortion of the market, but others would say it was a progressive, sensible approach to allow more access to labour for those areas where there was a very high demand. I noticed that the department is opposing, or does not support, a scheme such as the proposed guest worker scheme. I am wondering if that is consistent with the view that there should be a total free market and that there should not be any change. That is why I was wondering whether you oppose the previous government policy change which provided and ensured more labour opportunities in regional Australia.

**Mr Quinn**—We see the two groups as being very different. The ones that are coming to Australia on working holiday visas are definitely only here for a short time. They usually have the objective of seeing as much of Australia as they possibly can. They already have arrangements in place to move from one place to another and to follow a trail of work. In most cases, they are looking to return to Australia at some other stage; this gives them an opportunity to come back again. But the other group that we are looking to import specifically for a purpose is coming under different circumstances and possibly has a greater risk of not returning—as I think Immigration might have said in their submission.

**Senator BARNETT**—I am sure I will be corrected if I am wrong but I think that, in terms of the recent changes for working holiday-makers, it has helped to meet a demonstrated need. In this instance, the NFF met with us this morning and just about everywhere we have been around the country they are saying, ‘We need help; we need more labour.’ One of the two key problems is labour shortage and the second is the reliability of that labour. The NFF put it to us this morning that if there is a demonstrated need for those two key criteria, and then further criteria are met with respect to the guest worker scheme, that should be adequate. Do you not support the proposal by the NFF and others that have put that view?

**Mr Quinn**—No. Our findings are that there is sufficient labour to meet the demand, as Mr Neville has already said. The issue we have found in operating Harvest Labour Services, and the National Harvest Labour Information Service in particular, is a mobility issue and making these jobs attractive enough for Australians to take them up.

**Senator BARNETT**—Do you recognise that the backpacker labour proportion has increased in terms of the total labour workforce in these areas in the last several years and do you recognise that reliability is an issue?

**Mr Quinn**—We have not noticed the proportion of backpackers because we have not looked at it specifically. Most of our recording is done based on pure numbers of jobs, of supply and demand, not specifically whether they are an unemployed job seeker, a backpacker or a grey nomad, for want of a better phrase. We know the numbers of supply and demand but, as far as breaking down who they are, it is not that clear.

**Senator BARNETT**—I find it amazing that you are actually not aware of the proportion, the change and the make-up of the workforce that is being utilised in these areas. I want to just clarify that you are not aware of that change.

**Mr Quinn**—We are aware of the greater numbers of working holiday makers. Is that correct?

**Ms Press**—As Michael said, it is obviously very difficult because working holiday makers are not sponsored when they come to Australia, so it is very difficult to track them once they get here. They can seek employment with any employer or in any industry they want to seek employment in. The only thing that we can say is that some research that our department and Immigration commissioned, which I think was published in 2002, suggested that somewhere around 15.9 per cent of working holiday makers at that time were undertaking some sort of fruit-picking work, as it was defined then. Obviously there has been an increase in the number of working holiday maker visas granted since that research was undertaken but, relative to the total number issued now, you would expect there to be a greater pool available to the industry.

**Senator BARNETT**—What is your response to the World Bank report that was recently released? Have you had a chance to look at it? What are your views on its findings?

**Mr Neville**—We are certainly aware of the World Bank report. My understanding is that one of the recommendations in the World Bank report was that Australia should introduce a seasonal guest worker arrangement between Australia and the Pacific island countries. It is our view that the report did not provide any convincing or new evidence to support the recommendation and was based on previous studies. So, yes, we are aware of it but we do not believe it adds an enormous amount to the debate.

**Senator BARNETT**—I understand that it took a good amount of time to complete and was reasonably comprehensive, but I will accept your response. Have you had a chance to look at the Mares report and Peter Mares's submission to our inquiry? Do you have a response to it?

**Ms Press**—We did have a quick look at it. We looked at a lot of submissions. We do not have a defined view of it.

**Senator BARNETT**—It has made 15 recommendations and suggestions in favour of a guest workers scheme. It suggested changes in terms of tax arrangements, Medicare, occupational health and safety and those types of issues, to meet some of the criteria that would be important if such a scheme got under way.

**Mr Neville**—From our portfolio's perspective, we are in no real position to comment on any recommendations relating to taxation or health changes or anything like that.

**Senator BARNETT**—It has been referred to throughout the inquiry, in different parts of the country, as a reasonably important submission. We will be hearing from Mr Mares later today.

**CHAIR**—You may have to help me with this. I meant to dig up and get the detail of this question, so if you do not understand what I am talking about I will put it on notice. Some of the evidence we have had is that a disincentive to grey nomads was a change in the accounting processes for going on and off benefits. I think what was being put to us—and I should have done this work so that I could explain exactly what it was—is that there was a time when they could average their income from these sorts of industries over 12 months and now they have to do it over a 12-week period, which means they go on and off benefits. It was just too much bother, so as a result a lot of people have just dropped out of this industry completely. Have I got that right? Has there been a change and, if so, have you seen an impact from that? If it could be

demonstrated to the department that it is a disincentive for people to engage in this industry, would they consider recommending to government to change that back?

**Mr Quinn**—I am sorry—I am not aware there has been a change. We would need to look into that further.

**CHAIR**—All right. I will dig back through the *Hansard* and find out exactly what that point was, and we will put that to you in writing.

**Mr Quinn**—That would be great.

**CHAIR**—Thank you for your submission and your participation today.

**Mr Neville**—Thanks very much.

[2.26 pm]

**CHAND, Dr Satish, Private capacity**

**CHAIR**—Welcome, Dr Chand. Is there anything you would like to say about the capacity in which you appear today?

**Dr Chand**—I teach at the Australian National University, but I appear in my own personal capacity rather than representing the ANU.

**CHAIR**—The committee has before it your submission. Are there any changes or additions you wish to make?

**Dr Chand**—This presentation is based on a published paper rather than a specific submission to this inquiry, and I must thank the secretariat and the committee as a whole for asking me to be present on that basis.

**CHAIR**—Thank you. I invite you to make your opening statement before we go to questions from the committee.

**Dr Chand**—I would again like to thank the secretariat and the committee for this opportunity. My presentation is based on a paper titled ‘Labour mobility for sustainable livelihoods in the Pacific island states’, written a few years ago but published in 2005 in the *Pacific Economic Bulletin*.

I am an economist by training and this is one of the few opportunities where I see a definite case of an excess demand for labour within Australia and, at the same time, an excess supply of labour, particularly unskilled labour, in the Pacific islands. I therefore see this opportunity of making the market. Obviously there are risks. There are reasons why this market does not work the way you would want it to work. But, considering all of the benefits, together with the risks of making the market, in my opinion there is a very strong case for allowing for mobility. That does not mean that there are not risks, but I think those risks could be contained. There are models that we can draw on to reduce the risks of the adverse effects of such a scheme. On the whole, I think this is an area where fruitful progress could be made in alleviating the labour needs in Australia and at the same time creating employment opportunities for people in the Pacific.

Critical to such a scheme working, I think, would be ensuring that there is circularity, in terms of people being able to come to Australia and go back to the Pacific. I also think that critical to a successful scheme would be retaining the incentives for unskilled workers to acquire skills so that they could increase their income and thus help in the process of poverty reduction, particularly in the Pacific islands. But, on the whole, such a scheme would have to work on the basis that it would be a gain in economic terms for both the Pacific islands and Australia, without imposing a burden on Australian taxpayers and the Australian government.

**CHAIR**—What risks are you talking about?

**Dr Chand**—Obviously, there is the risk of overstaying, and there is the risk of workers being abused. All the work that has been done so far has looked at schemes that have operated in Canada, in the US and in Europe—in particular, Germany. We have looked at the good parts of those schemes. In Australia we had our own scheme which predated Federation—the so-called blackbirding scheme. For very good reasons, most of us want to forget about that scheme; it had a lot of unfortunate incidents. But, if we are thinking about another scheme, it would be helpful to look at that particular scheme to see what could be avoided. In the blackbirding scheme there were problems in recruitment. A lot of the recruitment was done under very dubious—if not criminal—circumstances. That would have to be avoided if we were to rethink a scheme of that nature. There was abuse of some of those workers, most of whom came to work on sugar plantations in Queensland. The blackbirding scheme started around 1860 and was brought to a halt around 1906.

We would have to look very closely to ensure that, when workers come in, if we go ahead with such a scheme the checks and balances are in place so that workers' rights are not compromised. If we are looking at circularity, we would also have to look at workers going back home. Many lessons about repatriation can be learnt from the scheme that came to an end in 1906. A number of blunders were made in sending workers back home when the scheme came to a sudden halt. All those things have very important lessons if we were to rethink a scheme of that nature 100 years later.

**CHAIR**—One of the issues that the committee has been turning its collective mind to is how a scheme may be managed at the South Pacific nation end. How would people be selected? What sort of groupings would be selected? How would the benefit of remittances be spread about the community? Could it be managed in such a way that people could not, in effect, buy their way onto a scheme and thereby take away the value of remittances from the overall benefit of such a scheme? Do you have any views on how that might be managed across the South Pacific? We know that the issues are vastly different across the different sovereign nations.

**Dr Chand**—That is an extremely important question. There is a risk that a system of that nature lends itself to abuse. But, remember, it is not a totally new scheme we are suggesting. At the moment, a fairly large number of people from Fiji, Tonga and Samoa work abroad and send remittances home. Systems have been developed within these countries to ensure that those who take advantages of such schemes are the ones you would want to take advantage of it. As far as possible, if we are to think through a scheme, there would have to be a regulatory structure. But, over and above that, I think you would want to outsource much of the recruitment and the operation of the scheme to the communities themselves because that is where much of the information resides and that is where much of the checks and balances are going to take place.

In the published paper, I was thinking about letting the communities, at the level of the church, at the level of the NGO sector and at the level of civil society, be actively engaged in the selection of the recruits and—in terms of assimilation and the questions you raised, Mr Chair—ensuring that the benefits were shared, in the spirit of poverty reduction or helping the community at large. I do not think we should think of this scheme as an aid scheme or as a scheme for development. If it is to be sustainable then it has to be based on economic considerations where the participating agents benefit from such a scheme but within a regulatory structure that ensures that the rights and privileges as thought through are maintained. I am not

sure I have been clear, but I am happy to elaborate on any of one of those points should there be a need to do so.

**CHAIR**—I am not quite sure how to put this, but is there a general acceptance in the South Pacific of the concept of workers' rights? One of the issues which concerns every member of the committee is that inevitably with schemes like this there may be some who seek to take advantage of it and exploit people. Part of the defence against that is if there is an understanding of what constitutes a right, an abuse and what might be exploitation at the workers' end as well. I am just wondering whether you have a view on how that is developed and indicated at the South Pacific island level.

**Dr Chand**—I have two points to make on this. The first is that the experience of the blackbirding scheme to some extent still resides within the oral traditions of these places so people to some degree are aware of those abuses. I think, more importantly, the Australian labour unions have been extremely active in the South Pacific—certainly in terms of much of the labour legislation, the workers' protections et cetera, in Papua New Guinea, in Fiji and in Tonga via New Zealand. I think the extent of knowledge of workers' rights in the Pacific compared to countries at a similar stage of development would be pretty high. The other positive thing about the Pacific is that within the Pacific, if you go around Papua New Guinea and so on, people are not only familiar with the Australian psyche—the culture and the sports mentality—but also know many of the strong labour union characters. That is principally because there is a certain amount of exchange that takes place on an ongoing basis. I have seen people from the trade unions of Australia doing presentations in Port Moresby on workers' rights. I am not suggesting that we should ignore the issues you are raising, but if you are asking me whether there is an awareness of workers' rights then my belief is that there is that awareness—or at least a lot more than what you would expect for countries at a similar level of development.

**Senator BARNETT**—Dr Chand, thank you very much for your submission and for coming today. I want to check whether you are aware of the Canadian program and get your views or feedback on it. Have you had any feedback from the Caribbean nations that were involved with that program and, if so, what feedback you have received?

**Dr Chand**—Thank you; it is a pleasure to be here. The Canadian scheme is a seasonal workers scheme. All of my knowledge comes from reading the literature on it. I have not done any primary research in terms of talking to the Caribbeans themselves. My own understanding from the literature I have read is that much of the Canadian agricultural industry actually survives on the basis of these workers. The scheme has lasted for a good 40 years, I am told. The scheme has about 20,000 workers in Canada working there. There are suggestions—and Peter Mares and Nic will be talking about this later—that there are huge prospects for further growth in this scheme. That is about all that I know.

**Senator BARNETT**—That is fine. Also, His Excellency the Fijian High Commissioner was talking about the Pacific islands and the benefits that he saw for the Pacific islands and the people there. I talked about the Pacific region, so that would include Papua New Guinea and probably East Timor. Did you happen to consider his submission, or would you be of the same view about the benefits that could flow through to the Pacific islands?

**Dr Chand**—I have not specifically looked at the submission by the High Commissioner. I would, however, say that remittances are a major source of foreign exchange for several of these island economies—Tonga, Samoa and, increasingly, Fiji.

**Senator BARNETT**—He said it was about 300 million Fiji dollars for Fiji, which is about seven per cent of GDP.

**Dr Chand**—Yes. In fact, the governor of the central bank said in the media a couple of months back—and I have the evidence if you need it—that the actual number is around half a billion. The difference between the official numbers and the numbers that the governor has been quoting is because of the use of foreign exchange. If you go down even to the village that I come from—and, for the benefit of the committee, I am out of Fiji—in the rural areas you would be able to use Australian dollars and buy whatever you want, but not only that; also New Zealand dollars, US dollars and Canadian dollars, even in the village shop. So there is a fair degree of dollarisation, if you want to term it that. There are also a fair amount of goods that go via containers—for example, a complete house gets shipped over—and this does not get captured in the official statistics. So the 300 million he is quoting is probably an underestimate.

**Senator BARNETT**—Sure. I think it was a little more than that, but yes. You mentioned that this should be not an aid scheme but should really be based on economics. When you say that, do you mean a win-win and economically beneficial outcome for Australia and the Pacific islands or whoever is involved? If so, how do you measure the economic benefit and the advantages and disadvantages? Do you have any suggestions on how that can be measured?

**Dr Chand**—Yes, I do. First, on the issue of sustainability and comparing a remittance scheme with aid—and as someone who remits money back to Fiji on a regular basis I think I have some firsthand experience of this—aid is a transfer from one group to another, so, if you like, it is a transfer from the Australian taxpayer to the recipient. In the case of a remittance, it is an earning out of labour. Insofar as those workers are hired voluntarily for producing output for maximising profit, then the wages paid are a reflection of the value-add of that labour; therefore that is the win for the labour. The win for the farmer is in terms of whoever hires them—and I do not think this should be specific to farming, but I think the experience in sugar in Queensland has lessons for us on farming itself. But whoever hires this labour does so to maximise their own profit and therefore there is the win for the firm or the individual that hires the workers.

In terms of how much this extra output or extra value-add seeps down into the wider community, I think there is some evidence from the literature which seems to suggest that remittance flows contribute to reductions in poverty. So there is, if you like, a bonus over and above the actual gains in dollar terms on value-add from remittance flows. So, if you were trying to measure it, I think you would want to measure it in terms of the extra value-add created as a result of this labour trade. But again I would suggest that, because of the spillovers, it would again be an underestimate.

**Senator BARNETT**—If you were looking at it in terms of economics, as you have just said, and not as some sort of aid program or scheme, if you took that logic to its conclusion, would you then say that it should not be just the Pacific islands but perhaps other Asian nations and anywhere around the world that saw fit to be part of such a scheme?

**Dr Chand**—Yes. I think you would have to say yes to that. Obviously you would want a scheme which is not discriminatory, because that in itself creates distortions. But I think that has to be balanced with the fact that, within the immediate region of Australia, a stable, prosperous region in the neighbourhood actually has spillovers onto Australia itself. Therefore, in considering a scheme, factoring that in is going to be important. The other thing is that we have been looking at the scale. I am sure that, in starting a pilot scheme—an experimental scheme—you would want to start small. But in principle I think the point you make is a valid one.

**Senator BARNETT**—Finally, I want to ask you your views on the assessment process in Fiji or any country that is involved. You mentioned the use of NGOs, churches and others, and this morning the Fijian High Commissioner talked about the government department of industrial relations being used. How do you see the assessment process working? If I am over there and I want to apply to be part of this program, how do I get assessed? Do you have views on how that should occur? If so, would you flesh them out, please.

**Dr Chand**—As always, the devil is going to be in the detail. Just thinking aloud: as far as possible you would want to take that away from governments except that governments would be in charge of providing the regulatory framework and maybe some oversight. I say that for two reasons. One is to minimise the burden on the taxpayer. If it is genuinely win-win, then the beneficiary should be able to shoulder the costs of such a scheme. Even more importantly, decentralising it at the level of the community will then provide the extent of information you want to ensure that the beneficiaries are the ones that you want to benefit from the scheme and that there are—and in the paper I talk about these—incentives and penalties so as to ensure that the conditions of entry are not abused. Say, for example, that an NGO or a church were given the responsibility of selecting the very people who were to benefit from this scheme. If somebody violated the privileges, there would be penalties imposed and then the community itself would shoulder the responsibility of ensuring that the scheme worked in the way that I think it is designed to, in the spirit of being win-win for everybody. To get back to your question: for those reasons, I would rather see a scheme—at least at the operational level—that is managed or run at the community level and is decentralised as far as possible from the state.

**Senator BARNETT**—But you would agree that you need to ensure equality of opportunity for everyone in Fiji or wherever so that they could apply and be assessed on their merits, rather than having everybody being connected with some particular NGO or some particular church. So you would have to be able to weed out any favouritism.

**Dr Chand**—I think that is an excellent point. The risks of that happening are as much as with government as with the NGO community. Judging by the way governments have been run around the place, I think we would probably be better off by not burdening them with one added responsibility. If that could be taken away from governments, it would be so much the better, but again it is a question of balance.

**Senator BARNETT**—I should comment here that I am aware of the tremendous contribution of the churches and the NGOs in Fiji. That is well noted.

**Dr Chand**—It is well over the region, not just in Fiji. It is in Papua New Guinea—

**Senator BARNETT**—Yes, it is across the region of the Pacific.

**Dr Chand**—That is absolutely correct.

**Senator McEWEN**—One of the issues that come up concerns the remittance amounts and what people in the Pacific islands will use them for: there have been some suggestions of plasma TVs and things like that. We know that realistically the remittance amounts will be thousands of dollars. Given your experience, what sorts of things would people in your Fijian community use them for?

**Dr Chand**—In some senses, remittances are not different from any other source of income. The way they are used is very much a function of the investment climate within these countries. In many cases the remittances are used for consumption. In the cases where soldiers have gone from Fiji to work in the Middle East, having left their families behind, the money that they have sent home has been—not surprisingly—for consumption. In my case, the money that I send home is for my folks. I would not expect them at this stage to be investing it for the future. It is basically for consumption.

A lot of the money that does go back which is classed as being for consumption is for the education of the children. I think if we looked closely at that, we would see that at least part of that would be going into investment—skill acquisition. But, even if all of the money sent over went to consumption, the extra demand it creates in the economy creates opportunities for investment. I argued at the last Pacific Islands Forum Economic Ministers Meeting, in Honiara, with the ministers themselves, that I think the onus is on them as much as on anybody else to create the conditions so that the money people remit back home is used for investments—if they are serious about growing their own economies. I think we have to accept the fact that, in many of these Pacific island countries, the smaller ones in particular, people are their greatest resource. I do not think the Pacific islands are looking at losing this resource of theirs altogether. I think they are looking at benefiting from the process of globalisation insofar as is possible from this one abundant resource that they have.

**Senator McEWEN**—In your publication that we have taken as a submission—and I am mindful that you wrote it in 2004, so you might have forgotten that you said this—you said:

Denying Pacific islanders access to labour markets in the surrounding metropolis may threaten the very existence of small far-flung island communities, particularly as sovereign states.

Can you elaborate on what you meant by that?

**Dr Chand**—Yes, I can. There are two things. The papers have been talking about Nauru, Kiribati and the Marshall Islands. I am not sure if you have been to these places, but they are not the most pleasant places to go to. In Tarawa, for example, the physical environment, the lagoon itself, is being destroyed. We have to question whether the environment will be able to sustain the sort of population densities we have in the future. That is question No. 1—the physical capacity of the environment to sustain these populations without hooking onto the global economy. On the issue of sovereignty in a number of the Pacific island countries, donors have in the main been providing the basic services like primary education, basic health care and now even security and government services. One of the reasons why that is the case is because the domestic economy is not in a position to generate the sort of tax revenue you want to be able to fund these provisions. If a state is unable to provide those basic services, I think its very

sustenance is called into question. That is the point I was trying to make in that paper. I think you are right, it was done a few years ago, but I think that is what I was trying to say.

**Senator McEWEN**—So what you are saying is that, unless there are alternatives sources of income coming into those tiny nations, their survival is genuinely at risk?

**Dr Chand**—I think it is more than that. The other country I had in mind then was Niue. Niue has been complaining quite vigorously that it is losing people. I think the population in Niue is around 1,200 to 1,500 people in total. You could think of a little village with a population of about 1,500. People are moving out in droves. If we could create circularity, where people went back home, then it would have a domestic economy which would be able to sustain a sovereign state. But if people just pack their bags and go away—as they have out of Banaba, but for different reasons—then I think sovereignty is called into question. I am not sure that makes sense, but that is what I had in mind.

**Senator McEWEN**—Yes. That is fine.

**CHAIR**—Thank you, Mr Chand, for your paper and your presentation today.

**Dr Chand**—Thank you very much. It has been a pleasure being here. I wish the committee the best of luck.

**Proceedings suspended from 2.54 pm to 3.12 pm**

**MACLELLAN, Mr Nicholas James, Senior Policy Adviser for the Pacific, Oxfam Australia**

**MARES, Mr Peter, Senior Research Fellow, Institute for Social Research, Swinburne University of Technology**

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

**Mr Maclellan**—I am also an adjunct research fellow at the Institute for Social Research at Swinburne University of Technology.

**CHAIR**—Thank you. The committee has before it your submissions. Are there any changes or additions?

**Mr Mares**—There are no changes or additions, but I would like to offer some comments on various related issues that have arisen in the course of today's proceedings.

**CHAIR**—You are most welcome to do so. I invite you to make an opening statement and then we will begin our questions.

**Mr Mares**—I will make a few comments and then Nic might have a couple of comments of his own. I should add that Nic and I are both authors of the fourth chapter in this World Bank report. We do not appear here for the World Bank but we were contributors to that report, as were some of the other people who have appeared before you—notably Richard Brown, who appeared before you in Brisbane and wrote the third chapter in the report, about remittances. I have also provided to the committee a journal article I have written which is still a draft, as in it has not yet been published or refereed, which is called 'Objections to seasonal work programs'. It basically attempts to summarise the key objections to seasonal work programs and to give responses to them.

**CHAIR**—The committee has received that and it was emailed to all the senators.

**Mr Mares**—There are a number of issues that have come up in the course of today's proceedings. One is the question of discrimination: would a scheme like this, targeted only at Pacific island nations, be discriminatory? The obvious answer to that is: yes, clearly it would be. That would be a reflection of Australia's special relationship to the island nations of the Pacific, where Australia is seen as a kind of defence guarantor, where Australia is the major aid donor, the big power in the region. I think that we have to confront that issue up front, as it were. It would be a discriminatory scheme. Does that matter? My argument is: no, it does not. There are plenty of other examples of discriminatory schemes of various kinds.

The most obvious example in the Australian context is New Zealand. New Zealanders can come to Australia visa-free and work from day one, and we do not have that relationship with any other country. That is a specific bilateral arrangement we have with New Zealand.

We have a Working Holiday Maker Scheme, which we have heard a lot about. That is a specific set of bilateral reciprocal agreements with specific countries. They are, by their nature, discriminatory. They do not include any Pacific island nations. There are other types of labour schemes. Tuvalu and Kiribati have a scheme with the European Union to allow their sailors to work as merchant seamen. New Zealand has special entry schemes for people from Tonga, Samoa and so on.

The question that has arisen today on the issue of discrimination is whether this would contravene World Trade Organisation rules, particularly under mode 4 of GATS, the General Agreement on Trade in Services. My understanding is that if a scheme like this was part of a broader regional economic agreement such as PACER, the Pacific islands economic agreement, it would fall outside mode 4 of GATS. But I am not an expert in this area. Dr Manjula Luthria from the World Bank, who coordinated this report, can probably give you better advice on that.

Another aspect is that some Pacific island countries are LDCs, less developed countries, and they qualify for special and differential treatment under WTO rules. So if Australia was to have an agreement with a country like Vanuatu, which is an LDC, that would be exempt from any problems under mode 4.

Another question that has arisen has been the question of economic viability. Is a scheme like this viable? We have had it put to us by representatives of departments that it is not economically viable and that the cost would be too great. I have a number of responses to that. Firstly, in Canada it works. In Canada it has been running for 40 years. It appears to be viable both for the workers and for the employers in that situation.

Secondly, we have done our own modelling, and I refer you to the World Bank report, pages 125 to 127. We have attempted to set out some modelling there which looks at how the costs might be shared and what workers might hope to take home over a period of six, 13 or 26 weeks work at current tax rates, which would be 29c in every dollar they earned or, at a more concessional tax rate—the tax rate available to domestic workers—of 13 per cent tax rate on seasonal earnings.

Our modelling suggests that with an adjustment to the tax scheme, a labour program is certainly very viable and could enable Pacific islanders, with a minimum stay of three months and a maximum stay of six months, to remit several thousands of dollars home, which would be of enormous significance in a Pacific island nation context.

If it was felt to be inappropriate to change the tax regime then another way would be to withhold the tax but to reimburse the tax to workers on return to the home country. That could be a form of incentive to return home and reduce overstaying. That might be an alternative way of approaching the issue, but in my view it would be inequitable to have Pacific islanders paying a 29 per cent tax rate in every dollar they earn working alongside other workers who are paying 13 per cent and benefiting from a \$6,000 tax-free threshold.

The other question of viability is: what is the cost to the grower? Again, our modelling suggests that growers pay 50 per cent of the travel costs and other associated costs but that the workers pay for their accommodation. We would see the costs to growers over a 13-week period—a minimum three-month period—coming in at around \$2 an hour additional cost for

labour, on the basis of a 40-hour week. I think that is not an unreasonable extra amount to expect growers to pay, in order to take part in such a scheme as this. If they say that they have a labour shortage then to pay some kind of premium to address that shortage is not unreasonable.

The next question that arises is whether or not this labour shortage actually exists or whether it is just a figment of the imagination of various moaning farmers. There is strong evidence to suggest that there are labour market difficulties—let's put it that way. The most obvious evidence of that is the fact that the federal government has been changing the Working Holiday Maker Scheme in order to attract more backpackers into seasonal pursuits. That is a response to the pressure coming from farmers and the difficulty of meeting their seasonal labour needs. The Working Holiday Maker Scheme, as I am sure senators are aware, was envisaged as something that was experiential and where work was incidental to travels around Australia. What we are seeing with the changes that have been made to the scheme is that it is becoming a labour market program. It is being targeted at meeting labour market needs in agricultural and seasonal industries. Again, that is a sign that these labour shortages are real.

I know that in your travels around Australia you have heard evidence from several sources that up to 80 per cent of seasonal labour is now coming from backpackers, working holiday-makers. That shows that the industry is already heavily reliant on foreign labour. The question then becomes: which foreign labour should we use to meet these needs? I point out that there is no labour market test for working holiday-makers. There is no test to determine whether there is a shortage of workers or whether those holiday-makers are displacing local labour. There is no premium on the cost of employing working holiday-makers. The farmer does not have to pay anything extra for a working holiday-maker in the way that we are suggesting they would for a Pacific island seasonal scheme.

If local labour is being displaced then I would suggest that it is being displaced now by working holiday-makers, if that is going to have an impact. I do not think local labour is being displaced. Because of various fundamental structural changes in the rural economy, there is a growing demand for non-family farm labour. If any potential labour is being displaced, I would suggest that it may be Indigenous labour. The issue has been raised that Australia, before looking offshore to Pacific islanders, perhaps should be looking at similar schemes for Indigenous Australians. In my submission I have drawn attention to one scheme run by Cape York Partnerships, a very small-scale pilot scheme. I suggest that these two things are not mutually incompatible or mutually exclusive. It is quite possible for the modelling that has been done for the Pacific islands to also be applied to remote Indigenous communities in Australia.

Another issue that has arisen is the question of recruitment—how that would be carried out and who would get to take part in this scheme. I think that is one of the most difficult questions that any such scheme would face. We have heard from His Excellency the High Commissioner for Fiji today that the scheme would be opened up in Fiji nationally and everyone could apply. Given that for a scheme like this, especially in the early stages, if it begins small, there will be limited places and very large demand, a more appropriate way might be to target the scheme at particular areas of disadvantage. You might say that this is a scheme to assist people from remote island communities, for example.

Our preferred model would be to create locality-to-locality links, kind of like the sister city relationships we see. So rather than it just involving Pacific workers coming in, you would set up

a link between an Australian rural community and a Pacific rural community. You would build around the labour relationship things such as church relationships and NGO relationships. There could be local fundraising in Swan Hill for a new school roof or schoolbooks or that kind of thing so that it becomes a people-to-people partnership. In that way you can also justify it being in this location or that location and grow it organically from that small base. Obviously there are problems in opening up the scheme to everyone in the Pacific. There will be a lot of people missing out if that were to be the case. So this is our suggestion of a way in which you might begin small and grow it and, in the same way, strengthen people-to-people links. I will leave my initial more than five minutes there and Nic will add some comments.

**Mr Maclellan**—I would like to add very briefly a couple of key points. Thank you for the opportunity to participate in this discussion. Oxfam's concern and the reason we came in as an industry partner to the research conducted through Swinburne university was the focus on potential development outcomes—social, economic and cultural—of greater labour mobility between Australia, New Zealand and neighbouring Pacific island countries. That remains our primary focus. A lot of the work of the committee has focused on the benefits for Australia, but our key concern is to look at the final term of reference for the inquiry: 'the effects of the scheme on the economies of Pacific nations'. But I think the two are interconnected, and I endorse very much Peter's statements about looking at this through the prism of Australia's broader relationship with neighbouring island countries.

One of the criticisms that has been raised in the media, and indeed by some government officials, is that increased labour mobility in itself cannot solve the many development challenges facing neighbouring island countries. We do not disagree in any way with that. Seasonal worker schemes will not solve many of the challenges, but they could complement and indeed contribute to broader aid, trade and security policies. We would see the development of seasonal worker schemes as part of a broader relationship, not simply as a one-off thing. That question of integrating it in broader aid, trade and security policies is part of the package.

The key concern about this is tied to the growing demand for improved rural livelihoods and access to basic services in countries neighbouring Australia, especially in rural areas and outlying islands, where the bulk of the population lives. The key anger that comes from many of the people I interviewed during the research in a number of Pacific countries was that they see Australia giving greater access to working holiday-makers coming from a range of countries, particularly European, when neighbouring Commonwealth countries and neighbouring Pacific countries do not have the same opportunities. They ask, 'Why can't our young people have the same opportunity to have an experience in Australia that European partners do?'

That reflects these questions about relationships as much as economics, but the economics are central. There is growing literature on the links between remittances and poverty reduction. Some of the research that has been done recently, particularly by Professor Brown and his team at the university, which is published in the *At home and away* report, has some really new data that has not been seen before about the way in which Pacific island communities spend remittances and the clear link that has to development outcomes. The amount that is spent, for example, on school fees and on educating people is clearly documented and the correlations are spelt out. That parallels other studies that have been done in the Caribbean on schemes that have been running with Canada for much longer. There is a lot more data showing the link between the way in which remittances can contribute not just to consumption and basic needs but also to

investment in things like education, improved housing and improved health. So that literature is there and I would be happy to discuss any more detail of it, but that is very much our interest in this process.

We see the potential for this contributing not just to traditional remittance countries like Tonga and Samoa but to others like Fiji which have relatively strong economies by Pacific standards, with industries like sugar, garments, tourism and so on. Remittances are playing a growing role in the region. Globally, remittances to developing countries last year were \$US167 billion. That is remittances sent into developing countries globally, not just in the Pacific, but that is twice the amount of all overseas development aid. So remittances into developing countries are a growing trend and a significant trend, and to that extent Australia may miss the boat if we do not engage on this question with our closest and nearest neighbours.

**CHAIR**—Mr Maclellan, I think you are also the first person to introduce the issue of security policy into this general debate. I was wondering whether you might expand upon what you mean by that and how that could be impacted by such a scheme.

**Mr Maclellan**—One of the features of the security debate within the Pacific is that most of the security challenges are internal, not external, in neighbouring Pacific countries. They relate to conflict within the community, conflict between communities and corporations, and conflict between communities and government. One of the concerns that has been raised in recent conflicts in Bougainville, East Timor, the Solomon Islands and even in Fiji is that there are many young unemployed people who have the potential to engage in illegal activities, whether petty crime or something more serious. In times of conflict, as has been seen during the crisis in the Solomon Islands, this has become an issue of concern for some Pacific governments.

There is a lot of work being done, both by governments and by non-government and community organisations like Oxfam, to work with young people. They are often presented as a problem, but young people are a great asset in the Pacific. They are engaged in a whole range of activities—in agriculture, in HIV AIDS education and so on. The opportunity for young people to have access to work is a really important part of that. It is not just about cash; it is about a sense of identity and a sense of belonging to the society. A really important part of this process is developing opportunities for young people in the Pacific to enter into the workforce, whether it is in farming and fishing or whether it is in other skilled trades.

One problem, as has been mentioned, with increased labour mobility is that many young people do not have access to the formal wage sector in their own countries, which are pretty small. There are many more school graduates coming out of countries like Fiji, Papua New Guinea and the Solomon Islands than can be absorbed into the formal wage sector. So that raises question of what work and employment opportunities exist for people to earn cash for their basic needs and for further education and so on. That is intimately tied to questions of conflict within those societies. If young people do not have those opportunities, what are they going to do?

**Mr Mares**—Particularly for young men in remote and outlying islands, if there are no employment opportunities there, they are likely to move to main islands, capital cities and so on, where they will potentially become part of that underclass of underemployed or unemployed youth who have the potential to be mobilised in moments of unrest or tension and so on. I suppose it would be my argument—and I am not sure if I am speaking for Nic here; I speak for

myself—that we need to create work opportunities for people from outlying islands and remote communities who do not have clear alternative economic options.

**CHAIR**—Mr Mares, you talked about the WTO. You indicated that you were not necessarily an expert in the area. The Department of Foreign Affairs and Trade were fairly clear with us this morning that they thought that such an arrangement would not be compatible with WTO rules. I do not want to put words in your mouth, but what I have taken away from your submission is that you see that as more of an excuse rather than an opinion based on what the practical application of WTO rules would be.

**Mr Mares**—I was very pleased when Senator Barnett asked if it would be possible to see the legal advice on which that opinion was based, because I would be interested to see that as well. I am not aware that mode 4 of GATS is operative in any functional sense at this time in terms of restricting these types of agreements. My understanding is that it is still a work in progress, rather than a fixed and clearly operating system. As I said, though, I am not an expert in this area. The two exceptions I would point to are lesser developed countries. If they qualified for that status, they would qualify for special and differential treatment under WTO rules, so they would be exempt in any case. I could imagine that they might be the countries to which Australia is looking for this kind of employment scheme. Secondly, if it is part of a regional agreement, it would then also be exempt from GATS and mode 4. I hope the committee will have a chance to hear from Dr Manjula Luthria from the World Bank, who would be better able to give an opinion in this area.

**CHAIR**—All right. We will attempt to do that. I know you are not here as the author of the report *At home and away*, but I will ask you a question about it anyway.

**Mr Mares**—That is fine.

**CHAIR**—In the chapter that you are partially responsible for, you pose this question:

If labour shortages are as severe as growers attest, then why is there continued investment to expand the industry?

That is in effect a question the committee regularly asked some large investors and developers as we went through the inquiry. I have read your response there, but I think it would be interesting if I gave you an opportunity to expand further and give us the answer to that question.

**Mr Mares**—Thank you. This question was actually put by two eminent international referees who looked at our draft chapter and commented. They said, ‘Why are these Australian farmers investing so much in horticulture if they really have a labour problem?’ I think it is a very legitimate question. There are a number of factors. There are the obvious ones: the fact that there is a time delay between planting a vineyard, an olive grove or an almond grove and the point at which your labour needs will peak. At some point off in the distance of several years you can perhaps think that those problems will be solved—‘Cross that bridge when we come to it’—or that the situation may have changed. However, there are two other factors at play here. One is the growth of managed investment schemes which are attracting superannuation moneys and also have proved to be tax-effective schemes for urban investors who may have a large tax bill and who can claim the full expenditure on a managed investment scheme in horticulture in the

first 12 months of its operation. So this is seeing a lot of what might be called ‘hot’ money, I suppose, going into large-scale plantations.

This is an issue that has been discussed in parliament recently, or has been a matter of concern, anyway, to a number of members of parliament. It seems to me that the structuring of these schemes is such that the final harvest of the product, which may be many years away, is somewhat divorced from the profit that can be achieved by the developer of the scheme in the short term. That is, an investor may invest a sum of \$9,000 to plant a hectare of, say, almonds, of which a significant portion will go as profit to the developer of that scheme, which may be a large managed investment company. Therefore the profit is made early on in the project. Whether there is an ultimate return later on perhaps is not the immediate concern. It is the growth of managed investment schemes, which is part of a shift away from family farming towards larger scale forms of agriculture, which in turn demands greater non-family farm labour. The Productivity Commission report on agriculture in, I think, 2005, showed that there is this trend over time away from owner labour and family farm labour towards off-farm labour. Wage labour is increasingly needed in order to manage, particularly in horticulture, because it is more labour intensive.

The other aspect I would suggest is drawing investment into these horticultural schemes is the price of water and the scarcity of water. That would seem to be a reason not to invest in horticulture, but in fact horticulture produces more value per megalitre of water than other forms of agricultural activity such as, say, dairying or raising fat lambs on flood pasture. As the price of water and water scarcity increase, what we are seeing is investment in a much more highly targeted use of water for high-value horticultural products. So I think those are some of the factors that are leading to this investment. But I cannot really speak for the investors themselves as to how they think they are going to solve the labour problems that I see emerging once these investments mature.

**Senator BARNETT**—Thanks for your presentation and your very comprehensive submission. It has been most valuable to me and, I know, to others. I would like to kick off by confirming your answer about the legal question regarding the WTO and whether it is actually legal to have an arrangement with Pacific island nations. I guess that, in short form, you are saying that that is not necessarily the case, based on your advice and understanding.

**Mr Mares**—Based on my understanding, it is not, but I do not profess to be an expert in this area.

**Senator BARNETT**—Sure. I thought I had better give you an opportunity to respond to the view of the Department of Employment and Workplace Relations that there is ‘nothing new’ in the World Bank report. I think they made similar comments about your own report, the Mares report. Would you like to respond?

**Mr Mares**—I think that the World Bank report does contain significant new information—not our own information so much as that of Richard Brown on the use of remittances and the way in which remittances spread throughout Pacific island communities well beyond the immediate family recipients. In our own report, my survey of labour needs, inadequate as it was in its own way, did reveal some interesting information. I think one of the key points was that one in four of our respondents admitted to knowingly using illegal labour. That, to me, was an extraordinary

statistic. I did not expect the figure to be nearly that high, although I was aware of the issue from talking to growers and meeting illegal workers. The fact that so many admitted to it suggested to me that labour is an issue for growers and that the real figure may be higher because a lot of growers now use labour hire companies and do not inquire as to the status of the workers that those labour hire companies may hire.

Something else that I think is new in our report is—and I do not want to sound like I am blowing my own trumpet here—that I do not think anyone in Australia has as comprehensively looked into the operation of the Canadian scheme and identified its strengths and weaknesses. That is something we attempted to do and it showed that schemes like this are feasible but that the design of the scheme is important. The Canadian scheme operates very well from the point of view of growers and not so well from the point of view of workers. The workers still want to be part of it because they want that opportunity to earn income and support their families. Even Canada's trade unions, who are picking up the pieces of the problems in the Canadian scheme, do not oppose it as such. What they say is that they want to see it fixed. They want to see it better run. They want to see it improved. They are not saying, 'Get rid of this scheme.' I think that is one thing we have done.

I would also point to the work that my colleague Nic Maclellan has done in getting the opinions from the Pacific, in his travels in Vanuatu, Fiji, Tonga and elsewhere, and getting a sense of what the concerns are from the Pacific end in terms of the social costs—because migration does have costs—and how we can best manage and reduce those costs. Nic may want to add something there.

**Mr Maclellan**—I think it is important to note that the economic scene in the Pacific is changing quite significantly, and so the research that has been done by researchers, in Australia, at the University of the South Pacific and so on, is trying to document a pretty fast-changing situation. A number of countries in the Pacific have been long reliant on remittances. The classics are Tonga and Samoa, for example. Roughly 90 per cent of households in Tonga get remittances. That has long been the case. It is changing, though, for some other countries, and Fiji is the major example. Historically, Fiji's economy has been reliant on key industries like sugar, the garment industry to a certain extent, tourism and gold. But the changing nature of the world, with the WTO and trade liberalisation, has meant that key industries like sugar and garments do not play the same role now and certainly will not in the future that they did during the 1990s and further back. What we are talking about is a changing picture. Some of the work that has been done through this report and others looks at that rapidly changing situation.

Fiji's remittances have gone up. In 1994, it was 56 million Fiji dollars; now it is over 300 million Fiji dollars in a year, and those are the recorded figures. The real figures are much greater. In the same period, sugar has gone down from 266 million to 188 million, so sugar is a declining industry. So a lot of the work that was done a decade ago is not relevant to the current, rapidly changing situation, and I think that is where the pressure on the Australian government is coming from the Pacific neighbours. The issue of labour mobility is taking on greater importance, not just for countries like Tonga and Samoa that have traditionally been reliant on remittances but even for Melanesian economies that have been reliant on sugar, mining or timber and so on. So this is a very rapidly changing economic environment.

The essence of our argument is that this issue is not going away. Pacific populations are very young and growing, and although the population fertility rates are dropping relative to the high points—sometimes in the eighties and nineties; it varies from country to country—they are still growing at a rate such that they will not reduce in ways for another generation. So the issue of employment opportunities for young people and the burgeoning impact of growing populations on the provision of health, education, welfare and all government services is not going to go away for another generation. As the key powers in the region, Australia and New Zealand are going to have to keep addressing this issue at the same time that trade liberalisation has meant that traditional industries like sugar, garments and so on are not going to be able to provide the job opportunities that they did in the past.

**Mr Mares**—I might just add that the reverse is true in Australia. The supply of local Australians to work picking fruit or doing other seasonal jobs in horticulture is not going to increase. I do not think we are going to see a sudden rush of young people saying: ‘I’ve always wanted to pick fruit.’ Somehow the trend is in the opposite direction.

**Senator BARNETT**—Mr Mares, you are our local expert on the Canadian experience—or at least the Australian expert to some degree. Can you just share with us the successes and the particular features of that that you think are relevant to Australia and that perhaps could be implemented here and any failures that you think we need to be aware of.

**Mr Mares**—Thank you for the question. I spent two weeks in Canada as well as reading a vast amount of everything I could get my hands on in terms of academic literature, newspaper reporting and so on about the Canadian scheme. The fundamental thing that Australia can take from the Canadian scheme, I think, is its circularity—that is, the idea that the workers come for a season, go home and then come again the next season. The advantages of that are several. One of the obvious advantages is that it creates a disincentive for overstaying. There is no need to overstay, be separated from your family and live illegally if you know that you are going to have another opportunity to come back and work in the following year. And there is a good reason to go home and see your family, spend time at home, use your money on your own property and so on.

Secondly, it provides the employers with continuity of their workforce so that their workforce is becoming increasingly skilled over time. While this is unskilled labour, there are skills involved in doing it: handling pesticides, learning to prune appropriately, learning to thin, learning to handle fruit et cetera. As a workforce becomes more proficient at the job, it also works more efficiently, so there is less spoilage, less wastage, the fruit gets picked more quickly and so on. So I think the circularity is one of the great positives of the scheme.

An official in Human Resources and Social Development, Canada, which I guess is their equivalent of DEWR, said to me that illegal labour is no longer a problem in Canadian horticulture. There is no need for growers to employ illegal workers. I am sure there are some at the margins, but essentially the scheme is there, people can use it, they do use it, and it provides them with the workforce they need. So, as an alternative to illegal labour, it seems to be very successful in the Canadian context.

It is a series of bilateral arrangements, so Canada has bilateral agreements with the various source countries—the Caribbean countries: Jamaica, Barbados, Trinidad and Tobago and so on;

and Mexico—and those are annually reviewed. That enables problems within the agreements to be addressed. It enables things to be finessed and finetuned to try to make things operate more effectively. It also enables the scheme to be targeted, rather than a global scheme where you would take whoever would come. So, in the Mexican case, the Mexican government has not opened the scheme up nationally but has opened recruitment centres in provinces of Mexico where it sees the need to supply work opportunities because there is a large supply of landless farmers or the prospects of irrigation in that particular area and other forms of development are limited. So there is a targeting of the scheme towards those who seem to be most in need of employment. So those are some of the key benefits of the scheme.

There is obviously the impact of remittances. The research shows a lot of money being spent on children's education. Workers who have been in the scheme are likely to keep their children in school longer than their colleagues, farmers in the same village, who are not part of the scheme. It gives them the resources with which to maintain their children's education. In the Jamaican context, I think the figures are up to 35 per cent of remittances being spent on education of children.

That spending will also change over time. In the first few years, the money may all go on paying debts that have been accumulated, or on improving the house and improving nutrition and things like that. But, over time—and, again, this is part of the circularity—the longer that someone is in the scheme the more likely they are to be able to use their remittances for productive investment. So those are the strengths of the scheme.

The weaknesses are really that the scheme is weighted far too heavily in favour of employers. An employer has the right to send a worker home for failure to work, refusal to work or—this is the wording—‘any other sufficient reason’. Essentially, the employer can say, ‘This worker's not pulling their weight; off they go.’ That creates a situation in which it is very difficult for a temporary, seasonal worker, to say, ‘No, I am not working in that greenhouse spraying pesticide without a gas mask,’ because the employer can say, ‘Then you're going back to Mexico.’

This seems to me the fundamental problem in the Canadian scheme: the weighting is too much in favour of the employers without any kind of counterbalance. There is no appeal mechanism. The only protection the workers have is through a system of consular liaison officers from their own consulates, who they can call upon to try and help them if there is a dispute. Naturally, when you are talking about 20,000 workers nationally, the chances of reaching your consular liaison officer on Saturday afternoon when you are in dispute with your boss are perhaps limited. And there is something of a conflict of interest for the consular liaison officers themselves, in representing their own workers as opposed to maintaining the smooth running of the scheme. There is some competition between the different countries—between the Caribbean countries and Mexico, for example. If Jamaican workers are seen to be too much trouble, then the farmer may choose to go and hire Mexican workers the following year.

So I think from that we see the need for some kind of system of oversight and an independent appeals mechanism, or some kind of independent body, which might be a tripartite body—with government, growers and unions, in the Australian context—to which workers can appeal, to which problems can be addressed, which can be called in if there is a problem.

Briefly, the other problem I see with the Canadian scheme is that workers are tied to a particular employer for the entire duration of their stay and can only be transferred with payment of a fee and an approval process. Essentially, you are tied to one employer. I would prefer to see a system whereby there was some mobility within a location, because I think it would mean that if there were a falling-out between a particular employer and a particular worker another situation could perhaps be found. It may also mean that the costs could be defrayed across several employers bringing workers in; it may mean that the season for those workers could be extended; and so on. I would think some kind of pooling system, on a locality basis, would be more appropriate than simply having people linked to one specific employer. Sorry, that was a very long answer.

**Senator BARNETT**—You said earlier that the changes to the Working Holiday Maker Scheme here in Australia was in part due to the demand for more labour in those areas that need it across regional Australia. That seems to be in conflict, at least to some degree, with the Department of Employment and Workplace Relations, who indicated that they could not see a need for the possible pilot scheme envisaged through this inquiry. They advise that they could not see any evidence to support any scheme, notwithstanding they refer to 2002 figures with the use of working holiday makers. But I understand that you have had a look at the area and you can see that there has been an increase in working holiday makers as a proportion of the total workforce and that these two issues of labour shortage and reliability are very important issues across regional Australia. I am seeking your response as to whether you can confirm that and whether you can flesh out your views?

**Mr Mares**—I can only say in terms of numbers that the number of working holiday makers approved to come for Australia has grown—I think doubled—in the last 10 years from around 50,000 to around 110,000. Whether a larger proportion is working in horticulture or agriculture would be difficult for me to say. My point, I guess, is that the federal government has created a situation where there are specific incentives for those working holiday makers to work in seasonal agricultural jobs and has made a specific allowance where the three months per one job time limit has been extended to six months, again for specific seasonal and agricultural jobs.

I am assuming those decisions were made because there was a perceived need to supply more labour to those industries. That is my supposition. I do not have evidence for that, but when these measures were released, the relevant minister, the minister for immigration, made a point, particularly in the last case, of putting out press releases for every rural community in Australia, pointing out the huge benefits this would have for their communities. So I think there is little doubt that these were targeted at supplying foreign workers to rural communities to meet their seasonal labour needs.

As for the Department of Employment and Workplace Relations and their evidence that jobs can be filled from domestic sources, I am sorry, but that flies in the face of the evidence. These jobs are not being filled from domestic sources; these jobs are being filled by foreign workers—those workers being working holiday makers. My evidence for that comes from the submissions and evidence that your committee has heard around the country of growers saying, ‘Eighty per cent of the people putting tomatoes in boxes in my sheds are backpackers.’ That is the only evidence I have, and it is evidence that is already before you.

**Senator BARNETT**—You mentioned that the cost to the grower for covering the travel costs was \$2 an hour. I think your analysis was over a 13-week period. So obviously if they are here for six months or longer, that cost to the grower is going to be half or somewhat less than that?

**Mr Mares**—Yes, that was calculated on the grower paying \$20 per week per worker they employed to help cover the administrative costs of the scheme and the grower paying 50 per cent of the travel costs, which I estimated as a total of about \$1,600 made up of a return economy airfare, Fiji to Australia, plus a range of associated costs—a couple of hundred dollars for travel into Nadi airport, some incidental costs, visa fees, medical fees and things like that.

**Senator BARNETT**—What is your preferred time frame for the scheme?

**Mr Mares**—My preferred time frame would be that the worker should come with a guarantee of three months employment, to ensure that they go home with money in their pocket, and that the maximum should be six months. The reason for making a maximum of six months is simply that I think it would be regrettable to have a situation, as exists in Canada, where some workers come for eight months of the year every year for decades and in fact spend the majority of their time away from their families. That seems to me to be an undesirable outcome. So it is arbitrary in one sense, but it seemed to me that six months is a good time limit. If there is a need for a greater number of workers, another worker can come for six months and it can be shared out in that way.

**Mr Maclellan**—That is tied very much to the findings of our research in the Pacific that there are some social costs associated with these questions of family separation. If young people are travelling to Australia and New Zealand to work, there are, for example burdens on older women in the village, who are often left with child care. There are issues about children's educational standing if parents are separated and so on. So there are some costs related to this that involve intervention by government, by community, by family, to ensure that the separation of families during this process does not bring added social burdens. Those social burdens fall on the community.

I think one of the core messages that have come out of our research is that there are both costs and benefits to this process. It is not all one-way. The question of who bears those costs as well as who gains the benefits is part of the discussion. Our broad thrust is that there is a role for government, for employers and for the workers themselves to bear some of those costs. It is a key political dispute, frankly, about the balance between the various players. We see a role for all of those participants in the process. I suppose that is where we have a slight difference to some other people who have written in this area when they say there is a role for government to set the broad legal and administrative framework for these schemes but then to step back and let the private sector do it. We think there are roles for other players, for government and for community.

There is a role, for example, for church and local communities within Australia and in the Pacific to support people in the social adjustment necessary for this. Non-government and church leaders might play a role in pre-departure briefing and orientation on issues such as cultural relations, HIV-AIDS, which is a crucial issue for the Pacific, and substance abuse. If you have blokes coming over and working for six months in Australia with nothing to do at night, what is that going to mean in terms of alcohol and substance abuse? With all those sorts of pre-

departure questions, we think there is a role for community, for church and for government to play that is beyond the purely economic relationship between employers and workers. That is where we may differ from some other researchers in the sense that there are some costs for government. We think though that government should be playing that role to support this process because it contributes to broader development objectives.

**Mr Mares**—I do not want to take up too much time but I want to add something in relation to this from the Canadian scheme. The situation in Canada was that the workers coming in were virtually invisible for decades. They would be accommodated on farms; they would only go into town on their Friday night off to go to the bank and to go out to dinner and so on. Mostly they would be accommodated purely on farms, which were remote and quite isolated. There was very little interaction between the Canadian local community and these workers. That has begun to change as the scheme itself has achieved some notoriety, because of abuses and problems. Journalists have begun to write about it, academics have begun to study it, churches have begun to get involved and now what we are seeing in Canada is a kind of flowering of community support for the workers in things like English language classes, community events, festivals. Some now are getting the support of local governments, provincial authorities and so on.

We would hope that we could learn again from the Canadian experience and try to build in that sort of social interaction from day one rather than have the workers shut away in houses that are behind the barn somewhere out on a farm. I would also recommend to the committee—and I would be happy to lend my copy—a film called *El Contrato*. It is by a Canadian documentary maker and it traces the experiences of four Mexican workers going to Canada under the scheme. It is a very partisan film. It takes very much the view of the workers, but it is also quite a heartbreaking film and it brings home to you the fact that we are talking about people with families, who experience great pain, loneliness and separation from their families, but who are desperate for work and employment opportunities. I say that because I think it is always important to keep that fact in mind. We are talking about people's lives here so getting the settings right is extremely important.

**CHAIR**—We would appreciate borrowing your copy.

**Senator McEWEN**—I have a couple of questions about the Canadian system. One of the issues we have here is to demonstrate that there is an actual need for labour in the horticultural industry. In Canada do the employers who use the scheme have to demonstrate on a regular basis, annually or whatever, that they do have skill shortages? How do they do that? What information do they have to provide and who checks that it is accurate?

**Mr Mares**—Before they join the Canadian scheme an employer has to demonstrate that they have made efforts to secure local labour. They have to demonstrate that they have been to the local employment office, that they have advertised and that they have attempted to recruit labour locally. Once they prove that to the satisfaction of the local employment centre—which is part of the Department of Human Resources and Social Development, Canada—then they can be admitted to the scheme. They do not have to prove it in any subsequent year. Once you are admitted to the scheme, essentially you are in and you then remain part of the scheme. You do not have to reprove that there is a labour shortage. So it is only initial. My inquiries suggest that it was a fairly simple thing to prove, that it was not very rigorously checked.

**Senator McEWEN**—So there is no evidence that local unemployment has grown while growers are still importing labour from Mexico and the Caribbean?

**Mr Mares**—I think the evidence actually shows the opposite. The evidence is that the scheme itself has enabled horticulture in Ontario, where I looked, particularly to expand and has created extra jobs. It has created jobs in the processing industries, transport and packaging. The spin-off effects of the spending by the seasonal workers while they are in Canada creates employment effects in the local town. As the Mexican Consul General in Toronto told me, the town of Leamington—which is the tomato capital of Canada—has the best tacos in all of Canada; and indeed I know it is true because I sampled them. That is a small restaurant set up by a former seasonal worker to cater to the Mexican workers on their days off. I think that, in fact, a scheme like this, far from taking away jobs, is more likely to create jobs and have an employment effect. We propose that workers pay for their accommodation. That would create another spin-off employment area. So I see the effect as being the opposite.

**Mr Maclellan**—There is some benefit also for the sender countries. For example, Oxfam International held a major conference on remittances and development in 2004. The documents for that are available. There were studies showing sending countries also getting some industries out of it—for example, exporting ‘comfort food’ as it is described. So, for example, people are able to send taro; there is now a market. If there are several hundred people from a Pacific island country working in a particular area, there is the potential for entrepreneurial links between rural Australia, regional Australia and Pacific island countries for a range of exports, trade industries, handicrafts and so on. So there were actually some economic spin-offs beyond the remittance culture. There is the potential for that to be expanded.

Some aid programs are tied to that; for example, with the Canadian scheme the Mexican government has a scheme called ‘three by one’ where the three tiers of government—local, regional and national—all put in a dollar for every dollar that is put into an investment activity within the country. So as workers come home to a village with, say, \$10,000 the three tiers of government put in another \$30,000. That boosts the capacity of people bringing money back to a community to build a new roof on the school, community hall or something like that. So the government aid programs are tied to remittances coming back into the community. There are similar examples in the Philippines and other countries that have a long tradition of remittances. That seems to me to have enormous potential. AusAID, NZAID and non-government organisations in Australia could target some of their activities to complement this work as remittances came back into a community. There is the potential for investment in microcredit, in community development programs and so on that could be complemented as people returning bring money back into the community.

**CHAIR**—The committee got to sample some taro in Robinvale—and I do not think there is going to be much of a market, I am afraid.

**Senator McEWEN**—I have one other question, and I guess it is also an opinion, mainly directed to Mr Maclellan because of his close recent connections with the Asia-Pacific region, about this matter. The committee has asked the officers of various government departments what the government’s response is to the fact that our Pacific neighbours are continually being knocked back—they are requesting that this worker scheme be put in place and they are continually being knocked back. The Prime Minister and the Treasurer have made bald

statements that we will not be having a guest worker scheme. Public servants, when asked about that, quite rightly can only reflect what the government is saying. I am curious about what you think are the reasons the federal government is still opposed to this scheme.

**Mr Maclellan**—I think the government has stated its reasons publicly both in Australia and in the Pacific. They relate to an analysis of what is the best way to promote economic, social and cultural development in our near neighbours. The government's priority commitment is to promoting good governance and better economic management in Pacific island neighbours and the belief that resources allocated to that are more important. The foreign minister has also made a number of statements suggesting that the small numbers of people coming under seasonal worker schemes could not address the broad needs for employment opportunities within the Pacific, so I think that the government has been quite open about that.

I think, though, there are also underlying issues which are less publicly stated in both the Pacific and Australia. The references to blackbirding that have often come up are significant. There are historical issues about the presence of foreign workers in Australia that have deep roots and are often unspoken. You only have to go to rural and regional Australia to have these issues come up about the relationship between domestic workers and overseas workers. We talk about overseas workers, but all the working holiday-makers are overseas workers. They are not black overseas workers by and large, though.

I think these are important issues that need to be talked through because they have implications about the way in which these schemes would work. If there were examples of exploitation of seasonal workers coming in, those would cause a big political problem for the sending government and Australia. That needs to be talked about fairly openly, because if these schemes are to work they have to be done with goodwill on both sides and people have to address the very real concerns that people who come be treated well. I think that is an important issue that possibly underlies not so much what the government has stated, because it has been very open about its concerns in terms of economic priorities, but the underlying community response to this issue. That is a very important issue in the labour movement in some parts of rural and regional Australia.

From my interviews both with government officials and community people—we interviewed extensively throughout the countries during our research—I know there is a real anger that Australia is not addressing what is seen as a growing problem, the growing demand for greater access to the labour market. Australia and New Zealand are currently engaged in building closer relations with Pacific island neighbours. There is a process of regional economic integration under way tied to a whole range of trade, financial and other areas. The government has made a major commitment, through the Pacific Plan for strengthening regional cooperation, to this process, and many Pacific governments—and certainly the non-government community sector—see the question of labour mobility as part and parcel of that. So if we are going to continue with this process of supporting regional integration—and I think that is very important—then labour mobility will keep coming up as an issue as part of that process.

**Mr Mares**—One of the stated objections to a scheme like this—from the Prime Minister and the Treasurer—has been that Australia is a country of permanent migration and not a country of temporary migration—‘We don’t do guest worker schemes’. As we know from the dramatic growth of the 457 long-stay business visa—the skilled business visa which is a temporary visa—

these days Australia certainly does have temporary migration schemes. The working holiday-maker scheme is increasingly a temporary migration scheme. As I said, it was originally meant to be an adjunct to travel but increasingly it is being used for labour market purposes.

I think that part of it is the idea that we are not a country of permanent migration. One alternative is to say if we have labour shortages let us open up to unskilled migrants as well as skilled migrants, as we did in the post-World War II period—‘Why not allow unskilled migrants in to fill these jobs?’ There are two responses to that. One is that that would then need to be a global opening, so whether many Pacific islanders would benefit from such an opening for the permanent migration of unskilled workers is questionable. Secondly, if you came to Australia as an unskilled permanent migrant, the chances are you would not choose to go and work in horticulture because, as we know, it is difficult and hot and remote. The chances are you would move to Sydney or Melbourne and get a job on a construction site or in processing in a factory where you would be nearer your compatriots who live in that suburb or where you would earn more money or where your kids would have a better choice of schools and so on. Ideally, there should be an option of greater permanent migration for unskilled workers, but that will not necessarily meet the needs of the Pacific or the horticultural industry.

**CHAIR**—You said initially that the Canadian scheme was largely invisible. Should I take it from that that the general community at large was not aware it was even happening? One of the things I am conscious of is that there would have to be community acceptance, particularly in regional communities, that this was ultimately a good thing if it were to work appropriately and have a long-term future. I am wondering about the experience in Canada initially was and what the community reaction was—if there was one.

**Mr Mares**—I have spoken to the head of the Ontario Fruit and Vegetable Growers Association about the history. His father was one of the people who got the scheme off the ground in the late sixties. He said that it was initially 200 workers or something like that from Jamaica. In the first year there was some controversy and some concern about those workers taking local jobs and so on. Initially, I think the program actually declined in the first couple of years. That was partly because of the political sensitivities around it when it was first raised.

My understanding, though, is that it gradually disappeared from view, and most Canadians had very little idea that their tomatoes were being picked by temporary Jamaican workers. It grew over time without anyone taking much notice, to the extent that after a few years there were several thousand workers, a few years later there were 10,000 and so on. It grew as the industry grew and as the number of local workers interested in working in that industry declined—I think there were alternative employment options that were preferable.

I should say that Canadian growers had been complaining about labour shortages since the Second World War. The Canadian government had drafted Polish veterans and displaced people from Europe and so on into horticulture in an attempt to meet those needs. So I think that at its inception there was some controversy. It was debated and there were concerns about the labour impacts. But over time it disappeared from view. It has only re-emerged into view in recent times as a result of things like the documentary I mentioned, some newspaper reporting and some interest from churches and a range of social scientists looking at the scheme.

**CHAIR**—You may have done this work and it may be in your submission—if it is, I missed it—but is there any correlation between the figures for the expansion of the industry, the number of guest workers and the resultant creation of full-time, permanent jobs in Canada as a result of their scheme?

**Mr Maclellan**—I can only go on the evidence that was presented to me by industry bodies and other researchers. There appears to me to be a correlation between the growth of horticulture and the growth of the scheme, and there appears to be a correlation between spin-off, related jobs—jobs in associated industries and so on—and the growth of the scheme. But I do not think it would be possible to put exact figures to it or to calculate that in terms of permanent, ongoing, full-time work. I would not have that sort of data and I am not sure whether it would be available.

**CHAIR**—Does the Canadian system allow for the effective replacement of a full-time, permanent job with a number of guest workers? That is the issue. Logic says to me that, if you have the ability to plant a million acres of almond trees and you need a thousand people to harvest them and, as a result, there are three factories built which are going 24 hours a day, 365 days of the year with permanent, full-time jobs, that is something you can easily demonstrate as expanding the industry with guest labour. The direct result is permanent labour. If you then rotate four-monthly guest workers through those full-time jobs, there is no net benefit. Could that happen?

**Mr Mares**—Let me start by saying that the Canadian seasons are perhaps more dramatic than our own. The season for field crops is clearly limited by weather impacts. It is too cold before May or June for any work to be done—

**CHAIR**—So it is bit like Canberra, is it!

**Mr Mares**—Perhaps!—and it is too cold and too dark after September. The people who I spoke to in Ontario who were working in apple or other stone fruit orchards say that the season is limited to about four months work, beginning with pruning and moving through to the final clean-up after the harvest. The tomato industry, though, is rather different. The tomato industry is huge in Leamington, which is near Windsor in southern Ontario. This is a greenhouse industry which uses gas fired greenhouses. In a sense, the seasons have been overcome. The greenhouses can produce several crops in a year. The greenhouses close down for the coldest months of the year, so there is no work in December and January. But for much of the rest of the year there is work, and that is why you have Mexicans coming for eight months of the year—because they are working in the greenhouse industry. Potentially, you could have almost full-time, year-round employment. There would probably be a gap, but people would need to take holidays, too.

**CHAIR**—The point that I am getting at is that it is for one eight-month period. In Australia, it is six months. But could you have two lots of six months to create a permanent ongoing job for someone who is taking on a job with a supposedly seasonal nature? That would be filled in different lots by guest workers.

**Mr Mares**—I suspect that in the Australian context permanent ongoing jobs would only exist if you were working for a labour hire agency that was moving you around the country so that you were working in different areas at different times. It may be that a job could be created by

putting together pruning in the vineyards, picking winter navel oranges, picking summer grapes, trellising dried fruit et cetera. There may be a combination of different jobs that could be put together to create year round employment. That is quite possible. But you would probably be working across different farms and perhaps different seasonal locations. The potential is there for year round employment in some industries, but probably not in all industries, and in some locations, but probably not in all locations. That would be my answer. Does that answer the question?

**CHAIR**—Yes.

**Senator TROETH**—I have one question. In your discussions with farmers and farmer organisations, what was their reaction to and feedback on the notion that they would need to pay at least some of the costs involved in this?

**Mr Mares**—You will see from the survey results—and I know you have read that survey that I carried out—that the general reaction was: ‘We’d rather not pay.’ That is a fairly normal reaction. However, larger growers and investors who have thought seriously about the labour issue recognise clearly that there has to be some cost sharing and that there will be a cost to them in order for them to secure the labour they need. They are already experiencing those costs in various ways. Some of them are saying, ‘We’re building accommodation, because we think we’ll have an advantage in the labour market if we can offer accommodation.’ They are building accommodation, which requires an investment up front.

**Senator TROETH**—I am not worried about the million acres of almonds, because in an investment of that nature that would be part of the cost for them. I am thinking more of even the larger individual family farms, where that cost may be seen as something that is not going to produce a direct economic return and therefore will not be very popular.

**Mr Mares**—The response varies, it would be fair to say. But the larger family farmers would be willing to pay a premium for it if, as a result of having to pay more, they can get security of labour supply and reliability of labour supply and a labour supply that is increasingly skilled. They are not going to be willing to pay a lot of money for someone for a couple of weeks work. However, a scheme like this that supplies labour to the larger employers should—theoretically, at least—make it easier for the smaller employers to find workers elsewhere.

**Mr Maclellan**—It is also about reallocating costs. From the research, a number of the growers spent a lot on retraining people. When you bring in a backpacker, you spend time training them on how to do the work, how not to damage the fruit and so on. If that person leaves, you have to do it again. If you have a regular and reliable source of labour, your training costs drop and that money can be reallocated. More important than the money are the people involved. Often in the mid-level operations there are key foremen, managers and even family members who are involved in that training work who could then be reallocated to other work, which would improve costs and benefits in other areas. So it is sometimes a question of reallocating resources rather than extra burdens in terms of paying a premium.

**Senator TROETH**—But, if the scheme did target the unskilled or low-skilled, there would be a training component with every worker?

**Mr Maclellan**—Yes and no. We use the term ‘unskilled’, but many of the people in the Pacific that we are talking about are actually very skilled farmers. They are involved in horticulture and they grow root crops. They survive on growing a range of products. So they are probably better fitted than your average European backpacker to work in areas like this. There are specialist techniques that are needed in the areas of pruning and so on, but, with regard to the term ‘unskilled’, we are talking about people who come from the Pacific islands who live by growing fruit, food and so on, so they have certain agricultural skills that could be transferred to work in horticulture in Australia with, I think, less training than your average backpacker might need.

**Mr Mares**—Especially in the first year, there would need to be training for the specifics of the job here in Australia—in Mildura, Swan Hill or what have you. But the idea of the scheme, as we envisage it, would be circular—you would have the same workers coming back the following year. So, over time, as that workforce became more experienced, your training costs would be diminished.

**CHAIR**—Thank you for your excellent work and for your presentation today.

**Mr Mares**—Thank you very much for the opportunity to speak.

[4.28 pm]

**GRANT, Mr Allen, Executive Manager, Corporate Policy Division, Department of Agriculture, Fisheries and Forestry**

**HANCOCK, Mr Peter, Manager, Horticulture Policy, Department of Agriculture, Fisheries and Forestry**

**SHEALES, Dr Terence, Chief Commodity Analyst, Australian Bureau of Agricultural and Resource Economics, Department of Agriculture, Fisheries and Forestry**

**WORRELL, Mr Matthew, Manager, Corporate Policy and Planning, Department of Agriculture, Fisheries and Forestry**

**CHAIR**—Welcome. The committee has your submission. Are there any changes or additions?

**Mr Worrell**—No.

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

**Mr Grant**—There are a number of factors affecting employment in agriculture, including the strengthening of the Australian labour market; growth in the services sector; increased competition from other attractive industries that can offer easier work or higher remuneration, especially in regional areas; declining regional populations; demographic impacts, including fewer young people entering farming; and technological change. Australian horticulture is operating in an increasingly complex and dynamic environment and facing a number of challenges domestically and internationally. Australian horticulture is largely a labour-intensive seasonal industry, as you have heard today. While some parts of the horticultural industry have benefited from technology—in particular, mechanical harvesting—seasonal harvesting remains focused on a large number of workers for a relatively short period of time across different industry segments.

There are a number of deterrents or barriers to people undertaking seasonal harvest labour. These include the temporary nature of the work, the potential wages that are offered, the remote location of some farms, and the lack of transport and accommodation that is offered. Evidence of unskilled or low-skilled labour shortages in the horticulture industry is somewhat anecdotal. There have been a number of claims made in the media and a number of representations have been made by industry bodies but it is difficult to put a consistent handle on the numbers. Suffice to say that there are concerns among producers, and that is self-explanatory.

The government has undertaken some policy initiatives to address some of the seasonal labour shortages—and I think you have heard of some of those today—including changes to the National Harvest Labour Information Service and changes to the working holiday maker visa arrangements.

There are a number of seasonal labour schemes that operate elsewhere in the world. A successful scheme appears to have a number of positives for participating workers, employers, regions and other industries. However, there are a number of issues that would need to be resolved about how such a scheme might operate in Australia. From the perspective of the department of agriculture, the key issue is whether the right skills can be made available to farmers at the right time at the right price.

There are a number of issues that need to be resolved and that are associated with both current arrangements and a potential guest worker scheme. They include the need for: further research into the magnitude of the issue, including whatever barriers that exist to seasonal work for the domestic labour supply; exploration of initiatives and opportunities created by farmers to address this issue; greater utilisation of the Harvest Labour Information Service to better match labour supply with demand; development of skills and employment initiatives among potential rural workers; and improvement in the skills, particularly the management skills, of farmers.

**CHAIR**—Thank you. Some of those issues about matching labour and skills to the work available are fairly self-evident and need to be ongoing anyway. The introduction of a seasonal labour scheme would not, in itself, be a solution to the labour market problems in Australia, so those things would have to be ongoing anyway. So if we got to a stage where the issues that you just identified were put in place there might yet be a problem in getting enough labour for the industry. You said earlier that there would be a number of issues to be resolved if there were to be such a seasonal labour scheme—such as the available skills at the right time and at the right place—but they are not insurmountable issues. If those issues were resolved, could a seasonal labour scheme be part of the overall equation?

**Mr Grant**—It is a very hypothetical question but, potentially, yes. If you resolve all those issues that are obviously at the heart of some of the concerns about the schemes that have been discussed then the key issue for farmers is getting a consistent supply of skilled labour that can solve the seasonal problems. If those other issues can be resolved then potentially there is no reason why they should not come from overseas.

**Senator BARNETT**—Skilled or unskilled?

**Mr Grant**—Skilled or unskilled, yes. They need to be skilled in the area in which they are being employed.

**Senator BARNETT**—Exactly; I am just clarifying the terms.

**Mr Grant**—Yes.

**Senator TROETH**—And I think you also mentioned the right price—

**Mr Grant**—Correct.

**Senator TROETH**—which is an element in the argument.

**Mr Grant**—I was assuming that all the assumptions under the hypothetical example were fixed—so, yes.

**Senator TROETH**—Yes, that is right.

**CHAIR**—Yes. The National Farmers Federation put to us today that there would have to be labour market testing in any area where it was said there was a shortage of labour. And of course one would assume that there had already been a process of discovering what the barriers are to seasonal work in this area. One would also assume that greater utilisation of the harvest trail information, matching the supply and demand, and the management of a skilled work force would all be under way. But if there is still an identified labour shortage in the area and there is a seasonal labour scheme in place then their view is that it should be utilised. I think that is what you are saying too: that that could be utilised as part of the picture.

**Mr Grant**—Well, potentially; I think it is something that should be explored.

**CHAIR**—So what do you say about the labour in the industry at the moment? Do you say there is a shortage or there is not?

**Mr Grant**—Dr Sheales might have some better statistical information but, as I said, there is mostly anecdotal evidence that suggests that, certainly amongst some producers and growers, labour shortages exist. Whether that is consistent for the same growers each year or not is difficult to tell; whether it is consistent with particular areas or not, or for each season or not, is difficult to tell. I think there are enough anecdotal suggestions and press reporting to say, yes, there is a problem, but I do not have a strong feel for the exact quantum of that problem. Terry, do you have anything?

**Dr Sheales**—Not really. I think the evidence that is presented is typically anecdotal, as you have already heard from a number of sources, I suspect. What we do know is that employment in horticulture is declining. That could be because of a range of factors; one of them would be increased mechanisation in some elements of the horticultural industry. Clearly, other elements are very heavily dependent on seasonal labour, for harvest in particular. But we do not have any data that we could put in front of you that would help you in your thinking about that.

Labour is just one of those variables that producers have to deal with when they are running their businesses. Clearly, for some industries it is quite a high proportion of their costs. We do not have data across all the horticulture industry but we did do a survey, for example, last year on the vegetable growing industry in several regions. In those regions where they relied very heavily on manual labour for picking, hired labour amounted to around 20 per cent of their cash costs of running the business, which is quite a high proportion. Within that category it varies quite substantially with the size of operation. Clearly—maybe obviously—the bigger the farms get or the businesses get, the more hired labour they have to employ, so it becomes an increasing percentage of their cash costs. Other than that, we really do not have any data that would be useful there, I think.

**CHAIR**—When you say employment is declining in the horticultural industry, are you including backpacker employment in that, or is that seen as outside those statistics?

**Dr Sheales**—As far as I know—and this is data that comes from ABS—it would include all labour. But I could not be sure about that.

**Senator BARNETT**—How recent was that data?

**Dr Sheales**—2005-06, so that would be an estimate put out by ABS. Just to give you an idea of the numbers we are talking about: in 2005-06 it is estimated that around 82,000 were employed in the horticultural industry across the country. That is down from almost 95,000 in 2001. It has come down quite a bit, and there is a steady trend down; every year, almost, it has been down in recent years. But, as I said, as to the reasons for that, we are not entirely clear.

**CHAIR**—Have growers associations or farmers federations made submissions to your department about labour issues in the horticultural industry?

**Mr Grant**—Peter Corish, a past president of the National Farmers Federation, was commissioned by the government to produce a report on the outlook for agriculture. In that process that reference panel did receive submissions about labour, and there were some recommendations from the Corish reference panel in his report on labour.

**Senator BARNETT**—Which said: there is a labour shortage. Did he tell you that?

**Mr Grant**—The recommendations said that, yes, there were concerns about labour and about skills and training. The Corish report recommended changes to the migration arrangements to increase the flow of foreign seasonal workers into the horticulture sector. The government is currently considering its response to that report.

**CHAIR**—At the same time the government extended the working holiday arrangement into the tourism industry, didn't it? Have you seen any competition between agriculture now and tourism?

**Mr Grant**—I have not, but—

**CHAIR**—Because I would have thought that, in a lot of these regional areas, a part of the competition—

**Dr Sheales**—Competition for labour?

**CHAIR**—Yes.

**Dr Sheales**—I would suggest that in many of our regional areas the strongest competition would be from the mining industry which, as we know, is thriving—

**CHAIR**—In the regional areas where there is mining.

**Dr Sheales**—Yes. They are certainly a big magnet for labour and they pay well, so that does make it increasingly difficult for farm operations generally to compete there. I suppose we would have to say that that is a sign of a labour market operation: workers are going to where they get the best rewards, both financial and in terms of the living conditions they are provided with—and that includes things like education, health services, housing and so forth.

**Senator McEWEN**—In the committee's travels, one of the solutions to the labour shortages in the horticultural industry—assuming there are labour shortages—that people have put to us is: 'We're just going to have to get better at mechanical harvesting and maintenance of the various crops.' Maybe ABARE would be the appropriate people to answer this question. Given the massive expansion of managed investment funds in funding horticultural crops, are we going to be in a position to mechanically harvest those sorts of crops, like mangoes, avocados, almonds and the things that we see taking over the landscape at the rate of a million miles an hour?

**Dr Sheales**—I am not a technical person but in some areas the nature of the crop lends itself to mechanisation. I would suggest that any of us who are consumers and who go down to the fresh fruit and vegetable markets obviously would look at the condition of the fruit and vegetables. Those fruit and vegetables that are, let us say, easily damaged in harvesting do not lend themselves to mechanisation at all. Those where it is not important do lend themselves to it. A prime example of that would be wine grapes. There is a lot of mechanical harvesting there because ultimately they just take the grapes and crush them to create juice, so it does not matter if there is quite a bit of damage from the mechanical harvesting. I suspect that with some of the nut crops there is a fair bit of mechanical harvesting that goes on—I think they shake the trees or something to get the things to fall off.

But if you are talking about soft stone fruit, you have got to pick them by hand. There is no way, to my knowledge at least, that you can use mechanical harvesting on that type of operation—and I would suggest it is unlikely to change for many years. The apple industry is another one where you have to pick them by hand, as far as I know, unless you are just trying to pick up the remnants for juicing. It really depends on the nature of the product and the end use it is going to, I would suggest, and most of them do not lend themselves very well to mechanical harvesting.

To give you an example, I suggested earlier that about 20 per cent of the cash operating costs of vegetable producers were in hired labour—that is for those sorts of vegetables where it cannot be mechanised. Where you can mechanise, such as with potatoes, those sorts of numbers drop quite substantially—down to around six to eight per cent of the total cash operating costs of the businesses. Where you can mechanise, it is not really an issue. It is really an issue for those where you must use labour to harvest. Some of the other farm operations require quite a bit of labour too—some of the pruning operations, for example.

**Mr Grant**—Following your example of investment through managed investment schemes, I think with some of those schemes you are more likely to see mechanical harvesting and those sorts of arrangements than you are with some of the smaller, traditional, family type farms. To the extent that they are likely to grow, there is an extent to which mechanised harvesting will grow; and the demand for seasonal labour will fall in those particular areas.

**Senator McEWEN**—But is it ever going to be a realistic option for the small family growers? I presume it is very expensive to purchase or hire the machinery or whatever is needed to mechanically harvest crops.

**Mr Grant**—I think it is. But the farms are becoming bigger in Australia as there is rationalisation. Economies of scale mean that as those technology costs fall the potential for increasing use of technology is there. But, as Dr Sheales says, whether in fact the market that

you are supplying to will accept fruit or vegetables that have been harvested in that way is a matter for the individual grower.

**Dr Sheales**—It is fair to say that contracting of services is expanding across the board, and harvesting is one of those. Certainly, an option that is open to the smaller producers is to hire the service in through contract harvesting. And that is occurring, not just in horticulture but also in lots of other industries.

**Senator McEWEN**—In terms of the expansion in horticulture, particularly that which is funded by the managed investment schemes, where are we at? Do you think it has peaked, or are those investments continuing? Can we expect to see more acreage planted under these schemes? What is the level of expansion in horticulture in Australia, in the context of us having to plan for the future with regard to labour? It seems to me that there has not been any planning so far. If the horticultural industry in terms of the product is increasing, how much is it increasing?

**Mr Grant**—Dr Sheales might talk to you about horticulture developments, but I can talk a little bit about managed investment schemes. Certainly, most of the growth over the last 12 months or so in managed investment schemes has been in non-forestry activities. Five years or so ago, and for the two or three years after that, pretty much all the investment was in forestry activities for managed investment schemes. But that has turned around in the last 12 months or so.

In the short term, there is no reason to think that that is going to slacken off over the next couple of years. If that current trend is consistent then I would expect similar increases in the next three years in MIS schemes in non-forestry horticulture areas. Some of those schemes are also getting into broader grazing, including beef and even dairy. So they are looking across the board in agriculture; they are not just limiting themselves to the horticulture sector.

**Dr Sheales**—I think it is fair to say that in the horticultural sector generally it varies between crops. Generally there is quite modest expansion, not rapid expansion. We have been through rapid expansion with wine grape growing, for example. We know where we are at the moment on that. I suggest it is going to slow down quite a bit for the next few years. Most of the others wax and wane a little bit depending on seasonal conditions. But, in terms of new plantings, I do not think that for most of them there would be extensive new plantings. If you think about apples, which is a large one, most of those plantings would be replacement plantings, I suspect; and that would apply for most of the others. It is not really growing rapidly. There is a bit of modest expansion, but that is about it.

The thing with our horticulture, as it is with most of our other agricultural industries, is that most of the future growth will be destined towards export markets, and they are notoriously competitive, for one thing. They are difficult to get into and often difficult to supply if you are producing particular products that are easily damaged in transit. Also, the nature of those markets is that the importers in other countries like continuity of supply and often we are not in a position to provide that continuity of supply. That makes it quite difficult to supply successfully on a longer term basis into those markets.

With some of our products, and I am thinking of fruit in particular, the technology of controlled atmosphere storage is making it easier to store product for longer periods before you

consume it. We can successfully do that without getting spoilage. That is also happening in the importing countries with their domestic product, so some of those windows that looked quite good for counterseasonal supply, for example, are getting narrower over time. So there are a range of factors out there that would suggest to me at least that any expansion is going to be quite modest over the next several years—five to 10 years, say. It is certainly not going to grow rapidly. There could be a few exceptions, but in general we are not going to see rapid expansion.

**Senator TROETH**—There is no doubt, and it has come out through our discussions, that any scheme involving migrant workers would have to see the payment of parity rates, equal to those paid to Australian workers. It would be my view, and I would be interested in any information you can add to this, that a farmer would be looking on the one hand at a migrant seasonal worker, for whom he will have not the hassle but the added costs of transportation to get the worker there, accommodation and the other costs on top of that here in Australia, versus on the other hand a domestic worker that he may have to pay slightly more but who arrives and leaves and presumably goes to his own home. If a farmer is interested in lowering that labour component, there would be no choice. He would choose one over the other. Have you had any feedback or information on this from farmers?

**Mr Grant**—Not particularly, no.

**Mr Hancock**—Not directly, but I think those sorts of costs are recognised in the submission that DAFF has put forward. Those sorts of costs are mentioned as being an issue.

**Senator BARNETT**—I must say I am a bit puzzled because I have had a look at your submission and I have read and listened this afternoon, yet we have had submissions from the NFF and from Horticulture Australia. You have received and read the Peter Corish report and you are aware of the launch by the NFF in September last year of their Labour Shortage Action Plan in Australia. The first line of the NFF's submission, which you would have perused, is:

The National Farmers' Federation (NFF) has recognised that there is a labour shortage affecting the agricultural industry in Australia ...

The Horticulture Australia submission is far more concerning where they talk about 'severe' shortages across Australia. You are the government department and it worries me that you do not seem to have any consensus with the two leading peak bodies in this area about labour shortages. How do you feel about or how would you respond to the submissions that were put in from the NFF and Horticulture Australia about the significant, severe labour shortages?

**Mr Grant**—We can only respond on the basis that the evidence that they used to develop those submissions has not been put to us.

**Senator BARNETT**—Do you think they have got it wrong or that their evidence is wrong?

**Mr Grant**—I am not sure I am in a position to talk for the National Farmers Federation.

**Senator BARNETT**—You are the department, you get research from ABARE and ABS and you are not sure in your own mind whether there is a labour shortage. What stimulated this inquiry, at least in part, was an underlying assumption that there are a few problems out there

with regard to labour shortages. Part of the extension of the working holiday maker visa program was to help alleviate some of the concerns expressed in agriculture and horticulture, yet many months after that change has been made we still do not have any acknowledgement that there is a labour shortage in agriculture and, particularly, in horticulture. Probably the vast majority of the submissions to our inquiry have, and just about everywhere we have been there is, an acknowledgement there is a labour shortage in that particular area, for a season at least. So it is puzzling.

**Mr Grant**—I think I acknowledged in my opening remarks, and it is in the submission, that we accept that there are a number of reports from producers and some sectors, including the horticultural sector, that there are from time to time and in certain places shortages of labour. They have difficulty in recruiting the sort of labour that they need for that period of time. What we do not know is the extent to which that is consistent across seasons and producers. Is it an issue that is endemic across the whole sector, or is it an issue that affects individual producers from certain sectors? Is it an issue that is particularly related to the timing of the harvesting of certain crops, or is it something much more endemic that seems to be the problem?

We do not have the answers to those questions, so all we can do is acknowledge that there are problems and acknowledge that there are a number of areas where we should look at trying to find some solutions, including to acknowledge the changes that the government made to the harvesting information system and to the holiday visa process and to acknowledge some of the department's programs that are put in place through, say, the Agriculture Advancing Australia program, which looks at FarmBis among other things, which is helping to educate and make farmers better managers. So there are a whole range of issues that we are trying to look at, but we are not fundamentally saying that the NFF has it wrong or that the horticulture sector has it wrong. It is not clear to us at this stage that there is a fundamental and systemic problem that requires a specific solution.

**Senator BARNETT**—Just accept that they consider it as a pretty big issue for those people. I come from a farming background, and I know what it is like in Tassie, but I do not know exactly what it is like in every state and I have to rely on advice that I get from the NFF, Horticulture Australia and other parts of the country. Obviously I want to rely on your advice. You have different evidence that you can put to us. The only thing I am drawing to your attention is that it was put to us this afternoon that the number of working holiday makers since the program was introduced has about doubled. Isn't that an indicator of the need for the take-up of employment in those areas?

**Mr Grant**—I think the evidence is that it has worked, in some way. But there are a number of problems with agriculture employment that are broader than just seasonal workers. There are demographic issues associated with farmers, such as the luring away from the farming sector of the young children of farmers and young people. They are significant long-term problems that we are trying to investigate in conjunction with the industry.

**Senator BARNETT**—Sure, and you have noted that in your submission, which I appreciate. You have also noted the declining population in rural areas. I have noted that. Thanks for that.

**CHAIR**—What is the dollar value of the horticultural industry to the Australian economy?

**Mr Grant**—It is in our submission.

**Mr Hancock**—If you include wine grapes, it is about \$8 billion a year.

**CHAIR**—Say we accept your proposition that at present there is not a labour shortage across the board. The evidence that this committee has before it is that, even in the large horticultural and agricultural centres, about 45 per cent of the work is done by backpackers, and as soon as you move out of those large centres 80 per cent, or even 85 per cent, of the work is done by backpackers. If there was an international event or even an event in Australia which dried up the source of backpackers, do you have a plan in place to salvage this industry? Based on the evidence regarding the number of backpackers that we have before us, which is undisputed, if they do not come one year, this \$8 billion horticultural industry is finished, isn't it?

**Mr Grant**—I do not accept that.

**CHAIR**—You should. Is there a plan to salvage the industry?

**Mr Grant**—I do not accept the premise that the whole industry is based on backpacker employment or that the whole industry would fall apart if that backpacker employment, for one reason or another, suddenly did not appear.

**CHAIR**—Let us deal with the first issue. You tell me what the figures are if they are not the figures I have put to you, because no-one else has disputed them. If you have some better evidence, that is what this inquiry has been calling out for. So I am very happy for you to present it to us.

**Mr Grant**—What was the question?

**CHAIR**—I put it to you that in the major agricultural and horticultural centres 45 per cent of the seasonal work is done by backpackers. I would consider that Shepparton in the Goulburn Valley area is a major centre, and in the Sunraysia area Mildura would be a regional centre. It is up to 80 per cent in those areas, and you can translate those examples across the country. If the backpackers do not turn up or are significantly reduced, for whatever reason—and there is a lot of planning going on at the moment throughout the Australian community and the worldwide community regarding the effects of events that may, for one reason or another, stop international travel—I would think there would be a problem. Because you are responsible for this industry, do you have a plan in place to salvage the industry?

**Mr Grant**—We have longer term plans, including programs that are trying to encourage young people to either stay in or move to agriculture. We also have plans that are trying to encourage farmers to become better businesspeople, and that would include contingency planning against the sorts of risks that you are talking about. So we have a range of programs, particularly under the Agriculture Advancing Australia set of programs, that are designed to make farming sustainable into the future to cope with some of the sorts of measures that you are talking about.

**CHAIR**—But the people I am talking about do that physical work on a seasonal timetable. We are not talking about farmers organising themselves better. Senator Barnett's point was that

the farmers themselves are saying that there is a labour shortage. If they are saying there is a labour shortage and they cannot get enough labour now, do you have a contingency plan for when there is less labour available in the form of backpackers?

**Mr Grant**—Part of the contingency planning is to work out what would happen if, for one reason or another, your seasonal labour—if you are talking about backpacker labour—was not available.

**CHAIR**—Do you have a plan, or is it just encouraging them to have a plan? Because just the horticultural side of our economy is at least an \$8 billion industry. It would be an enormous dent in our economy. If there is no plan, just say so, but I would have thought there ought to be one.

**Mr Grant**—One of the major priorities of the department is to encourage and to help farmers to become self-sustainable, to be able to manage their farms into the future and to become more profitable. We do not have a plan that we impose on farmers to do that, but we put in place programs that encourage them to look at those sorts of business planning and sustainability issues.

**CHAIR**—Thank you for your submission and your presentation today.

**Committee adjourned at 5.04 pm**