



**Accommodation
Association
of Australia**

Working holiday maker visa review –
Submission of
Accommodation Association of Australia

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EXECUTIVE SUMMARY

- The “backpacker tax” threatens to severely reduce the number of working holiday makers visiting Australia and therefore, the accommodation industry and the economy more broadly will suffer should it proceed in its current form.
- Working holiday maker visa-holders are a key source of labour for tourism accommodation businesses, particularly in regional and rural Australia.
- Spending in Australia by working holiday maker visa-holders delivers strong benefits to the Australian economy.
- Any reform or further announcements in relation to the backpacker tax must take into consideration the fragile nature and global competitiveness of the tourism industry.
- The review should recommend broader reforms of the working holiday maker visa program.
- The review should consider changing the working holiday maker visa program to allow visa-holders working in regional and rural areas to be granted a second-year extension, it should permit visa-holders to work with the same employers for up to 12 months, the age requirements for working holiday maker visas should be abolished and working holiday maker visa-holders should no longer be paid superannuation contributions.
- Any change to the working holiday maker visa program should be accompanied by an increase in promotion of the program.

INTRODUCTION

1. The Accommodation Association of Australia is pleased to provide the following submission to be considered as part of the fresh review of issues affecting the supply and remuneration conditions of labour performed by visa-holders in the working holiday maker category.
2. The focus of the Association's submission is the so-called "backpacker tax".

CONTEXT

3. The backpacker tax was announced by the Federal Government in its Federal Budget of May 2015.
4. The original proposal was that from July 2016, people aged between 18 and 30 visiting Australia for a working holiday would be reclassified as non-residents for taxation purposes.
5. Therefore, these working holiday makers would lose access to the tax-free threshold (of \$18,200) and pay tax of 32.5c on each \$1 of income they earn.
6. Following strong advocacy against the proposal, in March 2016, the Government announced a review of the backpacker tax saying it recognised "the (backpacker) workforce is vital to two of our key super growth areas, agriculture and tourism, and there have been a number of legitimate concerns that have been raised".¹
7. Accommodation businesses are an integral part of the tourism industry, which is one of the most important industries in Australia.

ABOUT THE ACCOMMODATION ASSOCIATION

8. The Accommodation Association of Australia (the Accommodation Association) is the national industry body for Australia's accommodation industry.
9. Members of the Accommodation Association include major hotels, resorts, motels, motor inns, serviced and holiday apartments, bed and breakfasts, guesthouses, backpackers and timeshare establishments in metropolitan, regional and rural Australia across all states and territories.
10. The Association's members include major hotel and motel chains, and serviced apartment groups.
11. The Association's membership base includes almost 2000 properties and more than 110,000 guest rooms.

¹ Senator the Hon Richard Colbeck, Minister for Tourism and International Education, The Australian (online), 16 March 2016

TOURISM AND ACCOMMODATION – OVERVIEW

12. Tourism directly contributes \$47.5 billion to Australia’s gross domestic product (GDP), 3.0 per cent of Australia’s total GDP.²
13. There are 580,800 persons directly employed in the Australian tourism industry – 5.0 per cent of total employment.³
14. Tourism exports (international visitor consumption) were \$30.7 billion in 2014-15, a 9.6 per cent share of total Australian exports.⁴
15. Accommodation businesses add \$7 billion of gross value to the Australian economy.⁵
16. There are 87,500 people employed in the accommodation sector of the Australian tourism industry.⁶
17. There are 4464 tourism accommodation establishments in Australia.⁷
18. There are 248,573 tourism accommodation rooms in Australia and 678,361 bed spaces.⁸

IMPORTANCE OF WORKING HOLIDAY MAKERS

19. Working holiday makers visiting Australia are an extremely important driver of business for the accommodation industry.
20. There are two aspects of the economic importance of working holiday makers to the accommodation industry:
 - They are a vital source of labour for accommodation businesses, notably accommodation businesses which are located in regional and rural Australia; and
 - While they are not usually significant individual spenders when travelling in Australia, the collective amount their spending does inject into the visitor economy remains significant.
21. Losing a significant labour source would come at a time when there are predictions the tourism and hospitality industry will face a shortfall of more than 123,000 jobs by 2020.
22. It must also be taken into consideration by the review that a large proportion of working holiday makers make return visits to Australia.
23. The backpacker tax threatens to severely reduce the number of working holiday makers visiting Australia and therefore, the tourism accommodation industry and the economy more broadly will suffer should it proceed in its current form.

² Tourism Satellite Account 2014-15, Australian Bureau of Statistics

³ Ibid

⁴ Ibid

⁵ Ibid

⁶ Ibid

⁷ Tourist Accommodation, Australia, 2014-15, Australian Bureau of Statistics

⁸ Ibid

INITIAL IMPACT

24. Even the mere announcement about the introduction of the backpacker tax in May 2015 has resulted in a softening in the number of international visitors travelling to Queensland and the Northern Territory, which are both heavily reliant on backpacker visitation.
25. In Queensland, the number of international backpacker visitors went from 338,000 in the year ending June 2015 to 331,000 in the year ending June 2016.⁹
26. In the Northern Territory, the corresponding figures are 95,000 (in the year ending 2014/15) to 86,000 (year ending 2015/16).¹⁰
27. Therefore, any reform/further announcements in this policy area must take into consideration the fragile nature and global competitiveness of the tourism industry.

KEY POLICY POSITIONS – ACCOMMODATION ASSOCIATION

28. The Accommodation Association acknowledges the tight fiscal environment the Government is currently confronted with and with this in mind, our key policy positions have been developed with the aim of them being revenue-neutral for the Government.
29. The Association has not been privy to any economic modelling which may or may not have been conducted about the effect of the backpacker tax.
30. We respectfully submit any economic analysis of the costs and benefits of the backpacker tax must take into account imposing a tax or levy on a particular part of the economy will inevitably result in less economic activity taking place in that part of the economy.
31. In this case, the number of backpackers visiting Australia will decline should the tax go ahead in its current form. For Queensland and the Northern Territory, which have already seen a year-on-year drop in the number of international backpacker visitors, these jurisdictions can expect a much larger decline.
32. Therefore, it is the submission of the Accommodation Association that this review should recommend broader reforms of the working holiday maker visa program. Only then will the holistic economic impact of visa reform be accurately analysed.

BROADER REFORM IS REQUIRED

33. If there is to be a tax imposed on working holiday maker visa-holders, then this must only be done if there are other significant changes to the visa program.
34. Without these changes, the negative economic impact of the backpacker tax stands no chance of being offset – with the accommodation and tourism industries to bear the brunt of

⁹ International Visitors in Australia, Tourism Research Australia, 31 August 2016

¹⁰ Ibid

the inevitable downturn in visitor numbers, which, in turn, detracts from the broader economy.

35. The Accommodation Association supports the following policy reforms being considered by the review and, ultimately, implemented:

- Working holiday maker visa-holders who spend three months or more working in a tourism accommodation business which is located outside of a capital city should be granted a second-year extension to their visa;
- Working holiday maker visa-holders should be permitted to work with the same employers for up to 12 months;
- The age bracket for which international visitors are eligible for a working holiday maker visa should be abolished (it is currently 18-30 years old); and
- Given the intention was for backpackers to be classified as non-residents for taxation purposes, then the requirement for employers to make superannuation contributions for working holiday maker visa-holders should cease.

36. If implemented, these proposals will assist with restoring the level of enthusiasm backpackers have to visit Australia from overseas destinations in the face of a new tax being imposed on them.

PROMOTION – WORKING HOLIDAY MAKER VISA PROGRAM

37. Another critical part of any reform of the working holiday maker visa program should be an increase in promotion of the program.

38. Such promotion could take several forms, including, but not limited to:

- Additional promotion in overseas markets by Tourism Australia;
- Dissemination of more information about the program via the Australian Government's diplomatic and trade networks overseas; and
- Providing extra information about the program for local employers – particularly those in regional and rural areas – through greater communication.

39. As well as spruiking the benefits of Australia as an attractive destination for backpackers, increased international promotion should make the point pay rates for work undertaken by backpackers in Australia are among the highest of any country in the world.

CONCLUSION

40. The Accommodation Association would be pleased to provide further information in relation to our submission by direct engagement, should this be required.

Date: 2 September 2016