

English Australia submission

Working Holiday Maker Visa Review



Sent to: Department of Agriculture and Water Resources

Submission via: agriculture.gov.au/workingholidaymaker

Section 1) Background

The Australian Government is conducting a review of the broad range of issues affecting the supply and taxation of labour performed by working holiday maker visa holders.

This review was jointly announced on 15 August 2016 by the Deputy Prime Minister and Minister for Agriculture and Water Resources, the Hon Barnaby Joyce MP and the Assistant Minister to the Deputy Prime Minister, the Hon Luke Hartsuyker MP.

The review will address the government's terms of reference, which are focused around four key themes:

- Australia's international competitiveness for backpackers
- seasonal and temporary jobs and projected growth in agriculture and tourism
- support for small businesses around engaging seasonal labour, and
- protections for vulnerable workers.

The review has called for public submissions to be made by Friday, **2 September 2016**.

The Australian Government will announce the review's outcomes before **1 January 2017**.

Section 2) English Australia Comments

English Australia, formerly known as the ELICOS Association, is the national peak body and professional association for the **English Language Intensive Courses for Overseas Students (ELICOS)** sector of international education. English Australia represents over 120 member colleges across Australia and over 86% of all overseas students who study English in Australia do so with an English Australia member college.

Given approximately **17,060 working holiday maker visa holders were enrolled in Australian English language colleges in 2015**, English Australia welcomes the opportunity to make this submission to the Working Holiday Maker Visa Review.

English Australia believes the imposition of a 32.5 per cent rate of taxation on this class of visa holder will have an adverse impact on Australia's international education as well as on agriculture and tourism. This assessment is based on the recent experience detailed below which demonstrates that the market for working holiday makers is highly sensitive to price signals such as currency fluctuations and barriers to entry higher than those in comparable countries.

Visa fees and other upfront immigration charges can be particularly sensitive when students compare countries to determine where to study.

In the last two calendar years since visa fees and other charges applying to working holiday maker visa holders were increased/imposed in the 2013 Budget, working holiday maker enrolments declined from 15 per cent to 10 per cent of total ELICOS enrolments. During the same period less price sensitive student visa enrolments have continued to grow.

On the basis of this evidence English Australia can credibly predict that an increase in tax on working holiday makers would result in fewer enrolments from this visa class in English language colleges.

English Australia recognises the broad range of issues will be considered under the Terms of Reference of the review and in particular impact of the tax on labour supply for the agriculture and tourism industries, which will undoubtedly be raised through other submissions. However, this submission and considerations providers focuses specifically on the impact on international education and ELICOS enrolments and calls for greater recognition of this sector as part of the review.

Considerations for the review

English Australia submits that the role of working holiday makers in international education has been overlooked in the terms of reference. This is an important omission given international education has been identified along with agriculture and tourism as a potential super-growth sector for the Australian economy.

For international education to play its part, the source of overseas students' needs to be diverse and not too dependent on a single market, notably student visa holders from China. Working holiday makers are a key part of the mix to drive greater diversity as shown from the following figures from *English Australia: Survey of Major ELICOS Regional Markets in 2015* published in June 2016 and funded by the Department of Education and Training.

Of the **17,000 overseas students enrolled in ELICOS colleges in 2015 on working holiday visas**, 14,000 were from the Asia Pacific region:

- South Korea – 6,787
- Japan – 4,361
- Taiwan – 2,421

The other major source countries were European:

- Italy – 1,581
- France – 1,121

Since working holiday makers were treated separately in the English Australia Survey data set in 2009, the highest number of enrolments was recorded in 2013 with 15 per cent of total enrolments, dropping to 11 per cent in 2014 and 10 per cent in 2015:

- 2013 – 15% of a total ELICOS enrolment of 147,828 = **>22,000**
- 2014 – 11% of 163,542 = **<18,000**
- 2015 – 10% of 170,628 = **>17,000**

This Working Holiday Maker decline in international education mirrors the experience in agriculture and tourism. The Tourism & Transport Forum Australia stated on 15 August 2016:

Industry groups such as the National Farmers Federation and TTF have made it very clear that introducing this damaging tax will have a negative impact on the number of people choosing a working holiday in Australia and that will make it even harder for farmers and tourism operators to secure their workforce.

Over the past couple of years, we have seen a marked decline in the number of applicants for working holiday visas as successive governments have ratcheted up the costs of these visas.

The ‘marked decline’ referred to by TTF and the reduction in ELICOS enrolments from 22,000 in 2013 to 17,000 in 2015 were mostly due to a suite of visa application fee increases which came into effect from 1 July 2013. This is clearly reflected in the big decrease between the figures in calendar 2013 and 2014.

In addition to the general visa fee increase international education was adversely affected by the \$700 Subsequent Temporary Application Charge for those wishing to stay onshore to extend their study opportunities or as short term tourists after completing their study.

The 2013 increases contributed to making Australia’s overall visa costs significantly higher than competitor countries including UK, Canada and the USA.

The National Tourism Council of the Australian Chamber of Commerce and Industry has estimated that under the proposed Backpacker Tax a working holiday maker in New Zealand would be \$100 a week better off than in Australia.

Anecdotal evidence from our member colleges suggests that a prospective drop of \$100 a week in ‘take home pay’ will be a more serious disincentive to potential working holiday makers than the upfront fee hikes of 2013. It should also be noted that the overwhelming majority of working holiday ELICOS enrolments come from South Korea, Japan and Taiwan which are sophisticated, well informed and sensitive education and travel markets.

The impact of the price signal that the Backpacker Tax would send will be felt quickly and will extend beyond the working holiday maker market. An impost of this nature will be immediately circulated on the internet among potential young travellers and via the intermediary network of education and travel agents. This will make Australia appear less welcoming and more interested in making money from the visitor economy than providing a quality education and travel experience.

In addition to the arguments being put forward by agriculture and tourism, English Australia submits that diversity is important to maintain and grow the cohort of international students in Australia. Therefore, measures such as the Backpacker Tax which will discourage a distinct and sensitive part of the total overseas student market should not be introduced in isolation.

In 2015, the Australian Government Department of Education and Training commissioned Deloitte Access Economics to assess the value of international education to the Australian community. The report '*the value of international education to Australia*', (p.13) noted the economic impact of the Non Student Visa (NSV) ELICOS, which includes Working Holiday Makers, contributed approximately \$205 million in export revenue to the Australia economy over the 2014–15 period. The report (p.23) also noted that NSV ELICOS students (including Working Holiday Makers) provided a total contribution of 2,408 FTE in employment.

The terms of reference predominately focused on the supply of labour, however the inverse effect of the application of this tax could be a reduction in the economic contribution from the non-student visa ELICOS markets and a reduction in employment.

A total review of all the temporary visa classes is already in prospect following on from the review of the Student Visa system. The Temporary Visas review could include appropriate rates of taxation.

English Australia on behalf of our members urges the Australian Government to reconsider the future implementation of this tax not only due to the potential consequences on labour supply but also the impact on the English Language (ELICOS) sector of international education, in regard to the attraction of future students and the contribution to the economy from these students.

For further information, please contact the undersigned.

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