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JOINT STANDING COMMITTEE ON MIGRATION

**Reference: Temporary business visas**

MONDAY, 30 APRIL 2007

PERTH

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**JOINT STANDING COMMITTEE ON  
MIGRATION**

**Monday, 30 April 2007**

**Members:** Mr Randall (*Chair*), Senator Polley (*Deputy Chair*), Senators Bartlett, Eggleston and Parry and Mr Laurie Ferguson, Mrs Irwin, Mr Keenan, Dr Lawrence and Dr Southcott

**Members in attendance:** Senators Eggleston, Parry and Polley and Dr Lawrence and Mr Randall

**Terms of reference for the inquiry:**

To:

1. Inquire into the adequacy of the current eligibility requirements (including English language proficiency) and the effectiveness of monitoring, enforcement and reporting arrangements for temporary business visas, particularly Temporary Business (Long Stay) 457 visas and Labour Agreements; and
2. Identify areas where procedures can be improved.

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**Committee met at 9.30 am****HOWARD-SMITH, Mr Reginald James, Director, Chamber of Minerals and Energy, Western Australia**

**CHAIR (Mr Randall)**—I declare open this public hearing of the Joint Standing Committee on Migration inquiry into temporary business visas and welcome you all here today. The committee is inquiring into the adequacy of current eligibility requirements and the effectiveness of compliance arrangements for temporary business visas, particularly the temporary business, long-stay, standard business sponsorship subclass 457 visa and labour agreements.

I welcome the representative of the Chamber of Minerals and Energy, Western Australia to this public hearing. Although the committee does not require you to give evidence under oath I should advise you that the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House itself. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. The committee has received your correspondence, which has been accepted as an exhibit to the inquiry. I invite you to make a brief opening statement, if you wish, before we proceed to questions.

**Mr Howard-Smith**—I certainly welcome the opportunity to come here this morning. I will make some brief comments. The Chamber of Minerals and Energy represents the overwhelming majority of operators within mining, oil and gas in Western Australia—as an estimate, in excess of 90 per cent of the production in mining, oil and gas in WA. Section 457 visas are of intimate interest to the chamber—more particularly, to its members. There are other issues of intimate interest, particularly around student visas, but I understand this morning's focus is around temporary business visas.

The resources sector, particularly oil and gas, has been a long-term user of section 457 visas pretty well since they were introduced, and in relatively small numbers in the area the visa was targeted at—that is, senior professionals and managerial types of employees. Having said that it is strategically important, in the overall context of the industry the numbers over the years have been relatively low. In fact, a report, which I would like to tender as an exhibit, was undertaken in conjunction with the federal government's Department of Education, Science and Training. I will tender four copies of *Accessing the required skills from international markets: a summary*.

I will not go through the report in any detail. This report was commissioned last year under the National Skills Shortages Strategy—one of a number of reports—and the work was essentially done by Bob Birrell, who is certainly very well known in the area. One of the interesting comments is on page 5:

Historically employment and participation of new migrants in the minerals industry—

this was focused on minerals but the overall context is quite representative—

has not been significant. As of 2005, 19 per cent of the minerals industry workforce was born overseas compared with 25 per cent of all workers in Australia.

That is in a general context and people in those numbers are obviously permanent residents in the main. The report goes on:

Migrants arriving in Australia since 2001 made up 1.8 per cent of the minerals workforce as of August 2005 compared with 3 per cent of the total Australian workforce.

Overall, what he concluded was that the minerals industry has the least amount of migrants—new arrivals—of any industry in Australia, which is perhaps not the public perception, certainly not in the media.

As I was saying a moment ago, section 457 visas are critically important but in relatively small numbers. Suffice to say that I think that position is changing and has changed. Nevertheless, even though, historically, the resources sector has in the overall context of new migrants been a small user, I do appreciate that we draw heavily on other sectors of the economy which, in turn, are utilising section 457 visas to a far greater extent than the industry directly. That is certainly acknowledged. Having said that, I will reference two documents. One is entitled *Staffing the supercycle: labour force outlook in the minerals sector*, which, again, is a document which was created as part of the federal government's National Skills Shortages Strategy. We tender four copies of that document. The inside front cover looked at demand forecast over the next 10 years. Basically, we are saying that the core workforce of the Australian resources sector will grow by 70,000 positions. That is a significant growth when one considers that, currently, the core workforce of the industry is about 120,000. The Western Australian figure, which is of intimate concern to my organisation, represents about 42,000 of that 70,000. This report was based on work done by BIS Shrapnel and the National Institute of Labour Studies at Flinders University, so it is not a chamber advocacy document. It is based upon sound research. It is saying that buoyant times will continue for the next 10 years and that most of this growth will occur over the next five years. So, in WA, we are looking at a growth of around 42,000, based on a current workforce of 61,000—again, a very significant increase on current numbers. In the last 18 months to two years the core workforce in Western Australia—we are not talking about the multiplier effect—has grown from about 40,000 to 61,000, which I mentioned a moment ago. So we have already seen significant growth.

Clearly, participation rates in Western Australia in the workforce are extremely healthy, with long-term employment being in a very healthy position. Notwithstanding that we have a view that Australians should be employed first and foremost—and certainly my organisation and the members are doing a tremendous amount of work in the education system, particularly at the secondary level within the VET-TAFE sector and in the university sector—I think it is quite apparent that the sector will grow by an additional 42,000 jobs in WA, that people with those skills are not to be found in Western Australia and, arguably, are not to be found elsewhere in Australia.

Most of that positions growth will occur in trades and operators numerically. That is where most of the growth will be. Professions, nevertheless, even though they are not numerically the largest group, are strategically the largest group of growth. For example, the number of engineers, certainly within the Western world, peaked in 1988—a long time ago. Our concern goes further: positions in that traditional area that section 457 has looked at, including engineering, are in absolute short supply throughout the world, including in Australia. I think a



significant source of those people will come from section 457 visas. We would hope people will take up permanent residency. There will be, I think, substantial growth.

I think we will see a development in the resources sector that we have not seen to date, and that is potentially the growth of labour agreements. There are significant projects. An extract from a Department of Industry and Resources publication on the projected projects in Western Australia basically forecasts a growth in monetary terms of \$80 billion worth of projects. I have four copies with me. I think if other projects, particularly in the LNG sector—and some are in here—were added in, then you would be looking at well over \$100 billion. I refer to those perhaps in the Northern Territory and the Timor Sea which, nevertheless, would leverage significantly off Western Australian input.

**CHAIR**—Over what time frame are these projects?

**Mr Howard-Smith**—These projects are basically ones that are regarded as quite certain to go ahead in the next few years. So we are looking at two or three and perhaps four at the most.

**CHAIR**—So \$100 billion potentially within four years?

**Mr Howard-Smith**—Yes, that is an extraordinary figure. I am not sure what that looks like, but it is an extraordinary figure. DIR are a little more conservative on their projection of increases. We are talking slightly different figures. They are saying that 32,000 workers are required for construction. The reason I table this information at this stage is that I was about to talk about labour agreements. I think labour agreements, which the resource sector has not traditionally looked at—it has not looked at them at all—are potentially an area that the sector will be looking at, particularly around the construction of some of the major resource projects. If the sequencing is such that you have a number of these major projects happening at the same time, there are simply not the people here. I would say that labour agreements would certainly preserve the integrity of the temporary business visas, but I think the sector is getting very close and will have to look at other measures.

In summary, whilst the sector has been traditionally a conservative user of section 457s, nevertheless they have been important from a strategic point of view and they will continue to be. I am sure the number of temporary business visas in this sector will increase and potentially other forms of visas will also be attractive.

**CHAIR**—We appreciate your evidence, and I am sure there will be a lot of questions from the committee on your evidence. Before I go to some of the outstanding questions, I would like to go back to one of your statements from the document that said that migrants arriving in Australia since 2001 made up 1.8 per cent of the minerals workforce. That might be fine, but can I just tell you that the information we have as an appendix to our documents here today indicates that in Western Australia the mining sector had the largest number of people arriving on 457 visas—in fact 1,130 in 2006-07 compared with 890 in the previous year. That was a 30 per cent growth. The one that came second to that was construction, which I suspect might even be associated with mining, which was 21 per cent. Do you think your figures of 1.8 per cent in the last year or two might be a bit skewed?

**Mr Howard-Smith**—Chair, I do not think there is any contradiction between the two. The picture I was painting is that we have been traditionally a conservative user. I do not doubt those figures at all. In the last 12 months there has been a significant increase in the use of section 457s. That will continue. I think the figures you reconcile also tally, if I can use that term, with the reports that we are getting. It is getting increasingly difficult to recruit locally, and ‘locally’ also includes people from the east coast. The Western Australian population does not generally increase significantly from people flowing in from the east coast, as does Queensland’s. I think it is less than 10 per cent. I was talking in general terms about the make-up of the workforce. The growth in section 457s in the last 12 months has been significant.

**CHAIR**—Okay. Let us get to some more specifics in terms of the people you represent. It is pretty obvious that you are very supportive of the 457 temporary skilled visa program. You have said that there are shortages across all sectors of the industries you represent—is that correct?

**Mr Howard-Smith**—Yes. Obviously the shortages vary depending on the occupational group, but generally speaking the shortages are very widespread. We did a piece of research in late 2005, which was the precursor to the national skills shortage framework, and that basically found that the shortages are in every component of the sector. They vary significantly between regional locations.

**CHAIR**—Can you paint a picture. You have said that in the next four years there is potentially \$100 billion worth of projects on the drawing board. How serious is the skills shortage in seeing these projects go ahead? Does it really have an impact, or can you source skilled workers from other areas? What are the inhibiting factors for you in satisfying the number of people you need to do the work you are talking about? For example, what are the turnaround times in finding people and then processing the visas and getting them here? Can you talk to the committee about that.

**Mr Howard-Smith**—In a broad context and then coming down to some specifics, it is interesting when you are forecasting 42,000 jobs to be found—new jobs, not replacements—because I would say that the figure is much greater than 42,000. It is a mature industry. As the committee would be aware, most of our members have been operating for a long time—20, 30, 40 years. Woodside has been around for 20-odd years, and Alcoa, BHP and Rio—if I take that cross-section of the industry—have a very mature workforce. Our workforce is more mature than the Australian average, in which we will see an exit, with people retiring. Generally people retire early in the resources sector because they have had a relatively high income, so there will be a significant shortage. Things are changing to try to meet the shortage. People are recruiting. People are coming in on section 457s and other forms—permanent residency. The announcement in recent times of speeding up that process is something we would welcome.

**CHAIR**—What is your experience so far of the turnaround times on a visa—the location of an appropriately qualified person, dealing with them, getting them here and getting them on the work site? Can you give me a time frame.

**Mr Howard-Smith**—If a section 457 visa is obtainable within four weeks, that is very satisfactory.

**CHAIR**—How often does that happen?

**Mr Howard-Smith**—If you go back six, 12 months, you will find that it was quite regularly; it has blown out in recent times. But the announcement in recent weeks by the minister that that would speed up is welcome.

**CHAIR**—How do you think he is going to speed it up if you are saying that it has been blowing out recently? What would speed up the turnaround times?

**Mr Howard-Smith**—These views are not based on data, but one gets the view that there has been more focus on compliance rather than on facilitating the process, and everybody is limited by resources. If a greater focus could be put on facilitating the process, that would be fine. I might say that this sector has no issue with compliance. If people breach the system, they should be pursued by the full force of the law. If it was an indicative four-week period, that is the short part of the process. The longer part of the process is finding the person overseas and bringing him to Australia.

If, as has traditionally happened with 457s, those people come as part of a technical exchange then the companies know when those people are going to come to Australia. That is quite different from the trend of recent times in which companies are going out and actively seeking to recruit people to come to Australia. The recruitment process takes a lot longer than the visa process, particularly in these professional occupational groups in which the skills shortage is worldwide; it is often not just in Australia that the skills shortage exists. So the recruitment process is the longest part of the process. In recent times the question of whether two weeks would be fine for section 457s was put to us. It would be excellent, but we probably do not need two weeks because that is not where the bottleneck is.

**CHAIR**—How successful has been the use of the immigration outreach officer program? Is it working to capacity or could it be extended? What is your view?

**Mr Howard-Smith**—I think the program has been very successful. In fact, we were an applicant and have been successful in the second round of the industry outreach officer program. Three organisations—my own, Australian Mines and Metals and the petroleum organisation—were parties to the initial agreement. That has been extended to the Minerals Council in this second phase. Each of those organisations uses the resources of the outreach officer to a different extent. We principally use the officer in a policy sense simply because most of the members I represent have quite sophisticated migration resources themselves. That is not to say that they cannot leverage off further resources. But essentially it is in a policy sense, and that, no doubt, over the last 12 months has been a major plus to our sector. It has been very supportive and I think it was a significant development when that was announced some two years ago.

**Senator POLLEY**—Thank you for your submission. In your submission and this morning you have indicated that there is a shortage not in specialty areas but in semi-skilled labour areas. How do you currently fill those positions and have the employers in your sector been successful in gaining regional exemptions to employ the semi-skilled workers through the 457 visas?

**Mr Howard-Smith**—In answer to the first part of that question, the sector has been reasonably successful in sourcing people in a tight market. It is a relative situation; it is extremely tight. Wage growth in the sector has been significant and, as I mentioned in the submission, we are no doubt aware of the flow-on effects that recruitment in the resource sector

has had. As I said, in this tight market we are still succeeding in getting people but it is causing shortages down the line. That is the constant feedback and I would be hypocritical if I said otherwise. The farming sector, the metal fabrication sector and the original equipment repair and maintenance sector all have conversations with us saying, 'Yes, you may be getting people'—I think that that is getting to the end of the line, I might add—'but it is causing shortages elsewhere.' So it is extremely tight. The feedback is that the time to get people has blown out significantly. It is not the only factor increasing costs in the resource sector—materials are significant—but it is certainly increasing costs on projects. What was the second part of your question?

**Senator POLLEY**—It was in relation to whether or not your employers have been able to gain regional exemptions to bring semi-skilled migrants out on 457 visas.

**Mr Howard-Smith**—I am not intimately aware of the details of that, I must admit. Can I say, though, that approximately 50 per cent of the resource sector in Western Australia work on a fly-in fly-out basis. A lot of the growth has been and will continue to be in fly-in fly-out. In Western Australia it is almost impossible to get regional accommodation. It is the subject of a discussion that we are having with both the state government and the federal government about approval processes. For example, it takes years to get approval for housing in regional centres, so a lot of the people that work in the sector will increasingly work on a fly-in fly-out basis and not necessarily live to the north and south of Perth, although that is where the bulk of them will be living. I think increasingly people will be remaining residential on the east coast of Australia and will work on a fly-in fly-out basis in Western Australia.

**CHAIR**—On the fly-in fly-out basis, which obviously your industry largely uses, one of the requirements of the 457 visa conditions is that you provide accommodation. You are flying them in and out because of the accommodation crisis in Western Australia at the moment with rents being the lowest they have been, I think, on record. How do your members cope with the requirement to provide accommodation?

**Mr Howard-Smith**—It is a significant cost. We understand the requirement and that is adhered to, but it is increasingly a significant cost. Not all would be on a fly-in fly-out basis, but a significant number would. They still call them camps, although that is probably a misnomer. There is very good accommodation on site these days, particularly for the construction workforce. From the point of view of accommodation and food, they are very good compared with what they were 10 to 15 years ago.

**Senator POLLEY**—I refer to your submission. We have had evidence during our hearings in relation to labour hire firms and some alleged cases of abuse. Do you have any knowledge of that or comments to add in relation to labour hire firms?

**Mr Howard-Smith**—I think generally labour hire firms of the type that operate in the resources sector should be able to continue to utilise section 457 visas within the sector. The sector is heavily reliant upon contractors. Some of those are certainly not labour hire contractors. It gets mixed up in the terminology sometimes. But entire operations are operated by contractors in some instances, particularly in mining. If you go to a mine site, you will find it will be operated by a contractor. They are not labour hire companies in the traditional sense. Nevertheless, there is sitting under those the operating contractors, if we can use that term. There

are labour hire companies—large national ones—that feed in. As far as I am aware, most of the issues that have been alleged as to hire companies concern small hire companies, not the national hire companies that employ their own workforces. One labour hire company here in Western Australia has a workforce of over 3½ thousand that it employs directly. I do not think it is of the type that has been the subject of allegations over alleged abuses. It triggers a number of other issues, particularly in relation to training—the provision of training and how you prove those companies are providing training, because often the training is provided by the principal. I do not think that is an unresolvable issue. It is a complication but not an unresolvable issue.

**Senator POLLEY**—I have one final question and it is on English language skills. Do you have any comments or recommendations that you want to place on record?

**Mr Howard-Smith**—It is perhaps not surprising that our traditional markets of recruitment have been New Zealand, South Africa and the UK. That is changing, particularly in an Asian context on which there is a heavy focus. Having said that, I note a lot of our focus is on countries like India. English is a requirement by and large in the industry. The industry prides itself—but it is still not perfect—on a very good safety culture. That has been improving dramatically over the years, and obviously communicating in English is an issue. Typically, with professionals and managers that have come in on a section 457 visa English has not been an issue at all.

**Senator PARRY**—Mr Howard-Smith, I want to go back to the single-page document that you tendered. You have got \$80 billion worth of projects on the go, currently underway or planned. Do you have any idea of the percentage of those on the list that are currently underway?

**Mr Howard-Smith**—Not off hand, Senator, but I could certainly provide that information to the committee.

**Senator PARRY**—Are you able to make an intelligent guess now?

**Mr Howard-Smith**—I can guess; I do not know about the intelligent bit. If I cast my eyes down there, I can see which projects are underway and which are not. If I look under oil and gas, the Chevron Gorgon gas project—and I pick that one because it has a figure of 11,000 sitting beside it—is not underway but will obviously be a significant project. Similarly, the Impex LNG project, 8,000, is not underway.

**CHAIR**—Worsley, Alcoa's expansion is, is it not?

**Mr Howard-Smith**—Yes. There is a lot of expansion in the alumina sector. There is a lot of expansion, for example, around BHP—their rapid growth projects 3 and 4. Their phasing of those projects, some of that has commenced. FMG and iron and steel have commenced construction of the mine and the rail.

**Senator PARRY**—So probably over 50 per cent are to be constructed or to commence.

**Mr Howard-Smith**—That is probably a fair guess, Senator.

**Senator PARRY**—Thank you for that. Your evidence in response to Senator Polley indicated that the mining sector is responsible for stripping other areas—you mentioned farming and metal

fabrication—because you do not bring in people on 457 visas in as great numbers. We could be getting a distortion of figures. The impact is really that the mining sector is at the top of the food chain. Is that because salary levels drag people out of other sectors?

**Mr Howard-Smith**—I would not use the word ‘strip’, Senator.

**Senator PARRY**—I was using your terminology.

**Mr Howard-Smith**—The market forces are such that it is attracting people out of other sectors—there is no doubt about that. And yes, a substantial amount of that is to do with income. One of the things of which we are very aware is that we survey rosters and hours of work in the sector. Some unusual things have been happening. Hours of work in the sector have actually been falling progressively over the last six years. Rosters now are very attractive and people are putting to us that it is a pretty good lifestyle working in eight and six—eight days on, six days off. It is becoming attractive. The old long rosters do not exist in the sector any more.

**Senator PARRY**—So it is the same wage but for fewer hours.

**Mr Howard-Smith**—I do not know about ‘same wage’; I think in a lot of instances there is increased wage.

**Senator PARRY**—For less—it is amazing. As an industry body, do you get complaints saying that affluence in the mining industry at the moment is dragging people away from other sectors?

**Mr Howard-Smith**—The short answer is yes.

**Senator PARRY**—Is it a prevalent complaint?

**Mr Howard-Smith**—It is something with which, if I walked down St George’s Terrace and ran into somebody from the National Farmers Federation, I would—

**Senator PARRY**—You would go the other way?

**CHAIR**—If you want to live long enough you would!

**Mr Howard-Smith**—Exactly, Chair. Yes, people do raise it quite regularly.

**Senator PARRY**—This is a really hard thing to predict or even to estimate, but how much do you think the mining sector is stripping other industries? It is probably a difficult question for you to answer. I do not know where we are going to find the answer to how many people are leaving other sectors at a disproportionate rate to go into the mining sector.

**Mr Howard-Smith**—I do not have data on that.

**CHAIR**—Is it significant, insignificant or mildly significant?

**Mr Howard-Smith**—It would be somewhere between significant and mildly significant. It is a significant pull that is occurring. That is where the boom is. It is supply and demand. I do not know what the exact figure is, but it is certainly happening.

**Senator PARRY**—Thank you.

**Dr LAWRENCE**—Thank you for your submission and for your remarks to us today. A lot of the territory has already been covered so I will not take you back over it. One of the problems with 457 visas in the current climate is that the various skills categories in a sense highlight inadequacies in our preparation of our own people. You mentioned engineers as an example. I am wondering whether your industry sector is looking long term to a more sustainable arrangement than is allowed for by 457 visas, whether you talk about increasing skilled migration so that at the point of entry they are becoming permanent residents, effectively, and/or greater commitment to recruitment of young people into engineering science in particular where we have obvious shortages.

**Mr Howard-Smith**—Indeed. It is a significant issue for the chamber.

**Dr LAWRENCE**—As you say, there are worldwide shortages, so we are not going to be able to keep pulling in people under that category.

**Mr Howard-Smith**—That is true, and in some of the skill pool groups, if I could use that term, the number of people in some of those specialised professions is so small that everybody is known to one another. In terms of what the industry is doing, we do a lot of work now at the secondary school level, particularly around science and mathematics. We are having discussions with the Western Australian government and have also approached the federal government about a concept called 'resource schools'. They are not schools where you just learn about resources. Perth has been traditionally music and it is now attracting a different clientele, essentially one of interest to us in science and mathematics, and there are other schools here, which you would be very aware of, which are focused on aviation or sport. We are looking at developing five schools which are focused on resource education.

We have analysed the data of high schools, and we know that high schools in Western Australia, in both the public and private sectors, provide a feed into the relevant university and VET-TAFE courses. We have a list of 20 schools, for examples, which have a propensity to feed students into relevant university courses. Most of those that feed into engineering courses are public schools, which is interesting. Probably seven out of the top 10 are public schools feeding into engineering-type courses. We are also working very closely with the Science Teachers Association, for example, and the Presbyterian Ladies College, which might seem an unusual partner, to develop science learning materials—not curriculum—which are now being piloted within schools in Western Australia. We are supporting the world science congress here in Western Australia in July. So schools, particularly in the secondary area, are of intimate interest to us. We have been a party—we have now handed that over to the board—to getting an Australian technical college in operation in Western Australia. It is a unique ATC, in that it sits within the Western Australian TAFE system, utilising their infrastructure. That TAFE college will be substantially Indigenous focused, although not exclusively. It will bring in young year 11 and 12s and some adults into the college. Subject to the usual criteria, they will be indentured into apprenticeships. That is just one example of what is happening in that sector.

The university area is an area of constant frustration. For some years we have been trying to achieve some rationalisation into the university level. It is very competitive, to the point where it is now having an impact on the number of lecturers and others available to provide courses. For example, five years ago there were five states teaching metallurgy in Australia. Western Australia is the only state now to teach metallurgy, at two universities: Murdoch and Curtin. At Curtin, even though their enrolments are at an all-time high, particularly at the school of mines, metallurgy courses are still not economical. We have put a proposition to Curtin University, which they have accepted, that will now move ahead to look at the long-term sustainability of courses such as metallurgy in Western Australia.

We are pursuing with significant vigour a concept called a 'minerals research alliance' here in Western Australia, focused clearly on research. In a relative sense, WA has the worldwide capacity to do much more research than it has perhaps done to date. Whilst it is research, it will nevertheless have a very positive impact on postgraduate and undergraduate teaching.

We are also working overseas—in India, to be specific—with two universities endeavouring to establish a relationship. These are universities in India that focus very much on the resource sectors and mining oil and gas. They have formed relationships with Western Australian universities—particularly Curtin—to develop capacity in that area. Education is a critical issue—there is no doubt about that.

**Dr LAWRENCE**—What happens in the sector when the relationship between the employer and the 457 visa holder breaks down? I have had examples in my constituency of people, through no fault of their own being found unsuitable for the jobs. Many of them had made life-changing decisions to come here. They had brought their families and uprooted themselves fairly substantially and found themselves then in a sense in limbo and seeking an alternative employer to sponsor them, which is not always easy. What, if any, responsibility do you take? What responsibility do some of the labour hire firms take? From my experience, they can be a bit cavalier about these relationships.

**Mr Howard-Smith**—I can only comment from my own experience in the resource sector prior to my time with the chamber. I worked with a company that had significant numbers of section 457 visa holders. Where the relationship did not work, those people were assisted to go back to their country of origin. The resource sector has the ability, particularly in the direct employment relationship, to do that. I do not think that it happens very often, but it certainly has the ability to respond appropriately and professionally to those circumstances.

**CHAIR**—On that, the visa requirements require the person who sponsored them to provide them with a way home if it does not work out.

**Senator PARRY**—You indicated that in metallurgy there are now only two places left, and they are both in Western Australia. Is that because of critical mass? Is that because you need a certain number of students and other universities were competing? Is that the reason?

**Mr Howard-Smith**—In part. Western Australia is the only state teaching pure metallurgy. Students are now being sourced through different avenues—for example, chemical engineering has a top-up or a metallurgy stream. It is like a lot of engineering and chemistry courses across the Western world, in that there is no longer the capacity to teach it. It is not necessarily



economical to do so. Student numbers in the sciences undoubtedly have declined right across the Western world for a number of years. That has certainly been driving that change.

**Senator PARRY**—So it is a drop in student volume as well as teaching facilities.

**Mr Howard-Smith**—There are a multitude of factors. The oldest chemistry school in the United Kingdom—oldest as of two years ago—closed its doors because it could not get students. The teaching fraternity is unfortunately becoming more mature and looking at retirement. It is an area of critical interest to the chamber.

**Dr LAWRENCE**—It is driving it to some extent.

**Mr Howard-Smith**—It is. That is quite true.

**CHAIR**—Just on Indigenous employment, are you aware that in Western Australia one in four Aboriginal boys in year 12 go to Clontarf College? Have you investigated a relationship with them through your membership?

**Mr Howard-Smith**—Indeed we have. A number of our companies work with the Clontarf program. The Clontarf program is regionally based as well as having a physical location here in the metro area. Our companies are familiar with the Clontarf program. Recently, a couple of their leaders came into the chamber to address the appropriate committee that deals with those issues.

**CHAIR**—In response to Dr Lawrence's question in relation to upskilling young people in schools, you said something to the effect that this is of some interest to you. You talked about the 20 skills. Are you interested in promoting scholarships, for example, through your members? You might bond students by removing their HECS requirements et cetera by giving them scholarships to go through various training or university courses?

**Mr Howard-Smith**—Scholarships, Chair, are of intimate interest, and member companies provide a range of scholarships. The bonding aspect, I must admit, is not an aspect that we have looked at.

**CHAIR**—There is an opportunity to roll these visas over if the holder is successful and eventually look at a citizenship outcome. Do you see that as desirable?

**Mr Howard-Smith**—I do see that as desirable, certainly, with the extension of section 457s into our non-traditional areas. Traditionally senior professionals and managers often came here for four years under section 457. As that has broadened out, then permanent residency is something which companies actively look at and might actively pursue.

**CHAIR**—Finally, some evidence has been given to this committee in other parts of Australia that 457 visas as a program drive down wages and employment conditions. Would you agree with that?

**Mr Howard-Smith**—Not in our sector, Chair, absolutely not.

**CHAIR**—Thank you for attending today’s hearing. The secretariat will send you a copy of the transcript for any corrections that need to be made. I would be grateful if you could send the secretariat any additional material that you have undertaken to provide as soon as possible.

**Mr Howard-Smith**—Thank you, Chair, and thank you, committee members.

[10.18 am]

**McFARLANE, Mr Bruce, Director, Small Business Services, Small Business Development Corporation, Western Australia**

**MOIR, Mr Stephen, Acting Managing Director, Small Business Development Corporation, Western Australia**

**THORPE, Mr Bruce, Director, Farm Business Development Unit, Department of Agriculture and Food, Western Australia**

**CHAIR**—I would like to welcome representatives from the Western Australian Department of Agriculture and Food and the Western Australian Small Business Development Corporation. Although the committee does not require you to give evidence under oath, I should advise you that these hearings are legal proceedings of the parliament and warrant the same respect as the proceedings of the House itself. The giving of false or misleading evidence is a serious matter and may be regarded as contempt of the parliament.

The committee has received a submission from the Western Australian Department of Agriculture and Food. Is it the wish of the committee that the document be accepted as a submission to the inquiry and authorised for publication? There being no objection, it is so ordered. The committee has also received the submission from the Western Australian government. I now invite you to make a brief opening statement if you wish before we proceed to questions.

**Mr Moir**—By way of explanation, the Small Business Development Corporation is the state government agency responsible for the state's migration program and as such works on behalf of the whole of the government of Western Australia.

You have obviously had a chance to read through our submission. Clearly, Western Australia is in a unique position with an economy that is extremely strong. That is putting a number of challenges ahead of us in terms of being able to fill positions right across the sector. I think it is very important to stress that, whilst the resource sector attracts the majority of attention, this demand goes across all sectors: hospitality, tourism, agriculture, food and the like.

The state government has put in hand a number of initiatives to encourage more entry into the workforce internally through apprenticeships and traineeships, and to date these have been very successful. We have also sought to increase our interstate migration program by running a 'go west' program which targets the east coast of Australia. Given that the economies—particularly of Victoria and New South Wales—are not as strong as Western Australia's, we are looking at picking up some of the slack that may be available within the marketplace.

In addition to that, our reliance on immigration from overseas sources is particularly strong. The state government is very committed to continuing to work with the federal department in terms of attracting suitably qualified, skilled people into Western Australia to address some of those shortages. You are no doubt aware that the resources sector is looking for approximately

42,000 additional people over the next 10 years; agriculture and food are looking for somewhere in the vicinity of 22,000; and the hospitality sector is looking for around 20,000. So the numbers are quite challenging, which is why the state government is very much of the opinion that the intake perhaps needs an increase, if anything, to be able to fill those positions. Approximately \$69 billion of projects are underway currently for which we need to get some support.

The state government has been working very closely at national working party level through the COAG process in terms of building in some protection mechanisms because our Department of Consumer and Employment Protection undertook some research in 2006 which highlighted a number of issues of concern within the 457 visa process; namely, that of exploitation of workers. To that end we have been working, through the national working party process, to look at issues such as the minimum salary level and IELTS testing for English language so that people are aware of their rights.

You may also be aware that, with regional 457s, the state government has the ability to issue waivers for skills. The state government has taken the approach that we do not support wage waivers in any form. With an economy that is working as strongly as this, it makes it a bit difficult to justify. We are also looking for parity across the workforce in terms of pay rates. We do not want to see a dual or split system where international workers are paid either more or less than the local workforce. We must have that parity across the workforce to ensure that process. Perhaps my colleague from Agriculture and Food has something to add.

**Mr Thorpe**—The issue for us around this exercise is the fact that agricultural skill levels are not formally recognised in a lot of the process. It goes to determining where skills are needed. That may be a historical fault of the industry in the way that it has structured itself and in the way the education system approaches it. Our primary concern in supporting the matters that have been raised in the paper that you have got there from the Small Business Development Corporation and from the Premier is the issue around identification of need in the agricultural sector. It tends to fall between the cracks a bit when these things are being reviewed. We felt that it was important to draw your attention specifically to the agricultural sector's need.

In the state here at the moment, I have indicated in the paper that we are working on a churn model and that a large number of workers are required relative to the number of employment opportunities we have there. It is causing some difficulties. Even though these things may seem to be related to seasonal events—it might be just backpacker workers to work in the vineyards or whatever—there are other areas of constraint that are occurring right across the food chain itself. That is severely limiting our capacity to be able to exploit it. The big problem we may have this season, for example, could be that, if the season breaks—and it looks like it is breaking well for us—there could well be a shortage of diesel mechanics. The problem is that, if you are out there trying to work with your machinery and it breaks down, there is no-one around.

I heard a previous speaker from the mining sector saying that they take people on and the individuals make their own choices based on the best return they can get for their labour. That is a problem. People are disappearing into that sector and we need to look at ways we can work together as industries to get some better balance there. That is going on, but it still means we have problems.

**Mr McFarlane**—As far as the Western Australian economy is concerned, it is anticipated that this is going to continue for some time.

**CHAIR**—Can you give us a snapshot—five, 10, 20 years?

**Mr McFarlane**—What I am trying to lead to is that a recent report by WA Treasury on infrastructure investment, public and private, shows that it is expected to be \$240 billion over the next 20 years.

**CHAIR**—That makes our Tasmanian colleagues feel humble!

**Mr Moir**—If you match that also to the unemployment rate, which is now under three per cent, you can see the gap.

**Mr McFarlane**—Yes. Obviously, this is driven by the economy in China; but also further down the track the emergence of the Indian market is going to add to that demand. The other point that we want to raise is the concern about the regional preference for South Australia, in particular Adelaide.

**CHAIR**—Do you think Western Australia should have the same status as South Australia?

**Mr McFarlane**—It should be one way or the other. I think the figures indicate, looking at the skilled independent regional visas, that they get something like 80 per cent of all visas coming into Australia. That is a strong indication that the balance is not quite right there.

**CHAIR**—I will ask a couple of quick questions. I am sure the rest of the committee has many questions of you. I will continue on with what you seem to be referring to—the lower skilled. We have the professions and the skilled workers—for example, tradespeople, sheet metalworkers—but there has been some evidence to this committee recently that semiskilled workers are also in very short supply and that this visa subclass does not satisfy that, unless there are some regional waivers. You might want to talk further to the level to which the regional waivers deal with lowering of skill levels and how that could be made acceptable. How do you see this? Do you think a new subclass of visa needs to be put in place? Do you have any solutions for us?

**Mr Moir**—The state government gave a presentation to the federal minister for immigration at a recent consultation forum. We put to him that there is probably a strong argument in Western Australia for the introduction of a new visa to address the semi- and non-skilled areas. For instance, the hospitality industry and the agricultural food industry are struggling right now for labour across their areas. The suggestion we made was that, because of the uncertainty in labour forecasts and with what is happening, it may be advantageous to have this as a non-permanent type. So it would not be the same process as a 457, where after two years you can apply for permanency, but they would be two-year visas and you could roll them over if necessary to fill the gap. That would assist the hospitality sector. It would certainly assist the agricultural sector. I think what you get into to some degree right now with the 457 process is that by default, because of the skill waiving that is occurring, we are now seeing applications come through for plant operators, bus drivers et cetera. So it is happening by stealth.

**CHAIR**—But that is illegal, basically.

**Mr Moir**—It is happening within the ASCO coding, which allows for it. But the line we take with 457s is that they are there specifically for skilled workers. That is the whole purpose of the visa.

**CHAIR**—That has been one of the complaints: that somebody who comes on a specific skills set is then working outside that skill outside the visa conditions. Are you suggesting there should be some relaxation of that?

**Mr Moir**—No, I am suggesting that the way you address that is to introduce another visa category. You do not relax what you have currently; you look at the options available. That is certainly the case for Western Australia—and, from discussions with my colleagues, it seems Queensland is under the same sort of pressure.

**CHAIR**—Was it you, Mr Thorpe, who mentioned truck drivers?

**Mr Thorpe**—That is right.

**CHAIR**—In today's *Financial Review*, there is a small article that says that the transport unions are saying that if we allow truck drivers in under this program it will lead to greater road problems and cause a lot of road safety issues. How do you respond to that?

**Mr Thorpe**—I do not see it as any different from allowing anyone in if they are not able to meet our standards in any skills. It would be no different operating a half-a-million-dollar machine on a farm, with which you could run over the local people if you were out in a paddock, to driving a truck down the road. We have to have our standards in place, and if they are met I cannot see any difference.

**CHAIR**—Mr Moir, could you expand a bit more on your regional waivers? You have said waivers do not include wages and conditions, but how do you see these waivers working?

**Mr Moir**—The state government has taken a very consistent approach to the issue of salary waivers. As you know, under the current system, \$41,850 is the minimum salary level; it allows for a 10 per cent discount, if you like, for regional areas of the state. If you take Port Hedland or Karratha, for instance, or even Kalgoorlie and Bunbury, to try and live on \$41,000 a year is a big ask at the best of times, given the rental prices et cetera.

We are finding a disparity in terms of where people are trying to fit potential employees into this visa program. For instance, the meat industry, which Mr Thorpe has been associated with through his agency, is having trouble getting workers into the state. We are now looking at a labour agreement with the federal department to try and address that issue. But if you look at the award rates, they are sub \$41,850. When that median salary level is adjusted this year, that will really challenge the industry in terms of how they are going to pay for those people. What it will effectively mean is that they will need to raise the wages of the local workforce to match the wages of the imported labour.

**CHAIR**—That might be a positive unintended consequence.

**Mr Moir**—In some arguments, yes.

**CHAIR**—In terms of the meatworkers, the union gave evidence at our Queensland hearing that realistically there are plenty of meatworkers out there but we are just not sourcing them or training them. How do you respond to that?

**Mr Thorpe**—In Western Australia I do not think that is the case, from the evidence that we have. The industry is indicating to us that it cannot source people and it has attempted to gather people from one or two closures of abattoirs on the eastern seaboard. I know that offers were made individually and collectively to that workforce at premium rates and there were no takers.

**Senator POLLEY**—Thank you all for your evidence and your submissions. In the hearings that we have had thus far, there have been allegations of abuse, particularly in the semi-skilled areas; we are talking about the hospitality industry but also the meat industry. Does anyone have any comments to make in relation to your knowledge of any abuse cases that have taken place, or on how the department can better monitor those people who are coming out here on 457 visas?

**Mr Moir**—The first issue is that DIAC and the Office of Workplace Services are not sufficiently staffed to be able to monitor the situation. There is also a slight tendency for the federal agencies to want to shift some of that responsibility across to the states. That again has issues for us in terms of resourcing. One of the ways we can partially address issues of abuse is by freeing up the information flow between the federal and state government agencies responsible for those things. It is an issue that we have put forward at the national working party level to address as a priority. Currently the information is rather restricted, and issues of abuse are difficult to track down when you do not have that flow.

**Senator POLLEY**—And one of the problems we have had with evidence given to us is that obviously if you are out here on one of those visas you are very hesitant to give evidence in public because you fear for your job and, obviously, the long-term security of your family.

**Mr Moir**—You are right. That is the reason that we have been aggressively pursuing this at the national working party level, to put some protections in place. One of the areas of concern to us is the issue of secondary visa holders and what happens with them. There may well be a very strong argument to have some form of MSL introduced to protect them. There are industries where they will go for a primary visa holder knowing very well that there is a secondary coming along with them, and that that represents cheap labour because they are not covered under the same system. It is of very strong concern to the state government to ensure that that does not occur.

**Senator POLLEY**—In relation to training, evidence this morning from a previous witness was very reassuring about the public education system moving into the minerals area. We should acknowledge that and also his comments about a girls school. I for one would be very happy to see that occur. From my experience, one of the problems that the country has faced in terms of training and why we have this skills shortage now is that, for the last 10 to 15 years, the emphasis has been on going to university if you want to be successful and have a good income. This is why we have such a shortage across a whole range of trades. Tasmania may not have the strong economy that WA has but we certainly have quality in all areas. I just wanted to place that

on the record. What state government initiatives are there to ensure that in the long term we will not have to rely on migration visas to bring people in? As Dr Lawrence said earlier, there is a worldwide shortage in a whole range of areas, whether you are talking about accounting, IT, engineers, doctors or nurses. What is your government doing to ensure that over the next five to 10 years we will be able to sustain our own workforce?

**Mr Moir**—Certainly there has been a major shift in how we approach a number of apprenticeships, particularly those in the construction trades where we are reducing the time down from four years to three and two years where possible, to try and encourage younger people to take up those apprenticeships and traineeships. Well over \$30 million has been spent just on introducing those changes. We have seen a shift in young people from the traditional approach of wanting to go to university. That shift has now moved across into the trade areas because of the types of incomes that are being offered, particularly within the resources sector. It is problematic. Recently I was talking with a noted academic from the University of Western Australia and he highlighted an interesting issue, and that is that the average age of academics within the TAFE and university systems is post-50. This means that in 10 years we may very well be in a situation where we have no-one to teach the professions. That is a longer term problem that we need to address, because it could leave us with a substantial hole.

**Senator POLLEY**—Mr Thorpe, in relation to the agricultural sector, do you have any comments on whether or not there are any advantages or disadvantages with labour agreements?

**Mr Thorpe**—Based on what we have already been saying about having a process in place which is transparent, if labour agreements achieve that then I think they are a good thing.

**Dr LAWRENCE**—You mentioned the possibility of introducing a new visa category which, from the description you have given, would be for unskilled workers or, at best, semi-skilled workers—and presumably they would be trained on the job. This sounds to me suspiciously like a guest worker program, which has been a catastrophic failure in Europe. We certainly would not want a repeat experience, for instance, of Germany in that respect. I wonder whether what we are talking about in part is a failure to address the working conditions in some of these environments which make Australians very unwilling, even in times of high unemployment, to take on some of these areas of employment because they are unpleasant, they do not pay very well and continuity of employment cannot be guaranteed. I put as a question to you whether we might not be looking for the wrong solution here if we go for another category of visa. How would you prevent it from developing into a guest worker program with all the downsides that are manifest in other parts of the world where it has been tried?

**Mr Moir**—I think you are right. But I also make the point that some of these vocations are not exactly uncomfortable. The tourism-hospitality sector, for instance, is a fantastic sector to be involved in. Their issue is that they have failed or have not been able to keep pace with the conditions and wages that are on offer in other sectors, and that is problematic for them. For instance, the award rates for a chef are somewhere in the mid-\$30,000-a-year market. They can go off and work in the resources sector for well over \$100,000 a year.

**Dr LAWRENCE**—Why haven't they followed them up?



**Mr Moir**—That is an interesting issue, and one that should perhaps be put to the industry themselves.

**Dr LAWRENCE**—The market prevails.

**Mr Moir**—Yes, if the market prevails, but certainly that would have a cost impact immediately on the general public. How do you address that? That is an interesting question and I am not sure that we have an easy answer for that. I take your point, however, on the guest workers. Certainly one of the reasons that the state government has been cautious with 457 visas is to ensure that we are placing Australian workers into Australian jobs without displacing, and with particular emphasis on Indigenous Australian. If you take the Pilbara and the Kimberley, for instance, we have to ensure that we have a very accessible process for them to take up that employment opportunity as opposed to bringing in labour from overseas. That is something that the state government will continue to push heavily with this process. Before we go into labour agreements with anyone, we will want to ensure that there is not a process that is readily available. For instance, with the meat industry, we insisted that the industry look at South Australia, for instance, where there were 180 people put off due to a fire at Primo's. They need to look at what is happening in western New South Wales and also in southern Queensland to ensure that if there is available labour from within Australia we take that.

The education process also probably needs to be looked at. For instance, a lot of employers just assume that the importation of labour is a cheap alternative. It is not—it comes with considerable costs. When those costs are explained to employers, they may well be better off hiring locally and offering better and more attractive wages to get those people into jobs. I think that is an area where the federal department could really look at improving the information flow.

**Dr LAWRENCE**—One of the things that is very obvious, if you look at the labour market figures, is that while unemployment levels as defined are historically low, there is still a lot of underemployment. When you ask people whether they would do more hours of work or enter the workforce, there is actually a considerable pool. You mentioned Indigenous people but there are other groups, including retiring workers and women in general, who are underemployed in our current labour market. In a way, I am not talking about the 457 visas, but they are being driven by skills and labour market shortages, and I think that we often overlook the pools of labour that exist in our community and that are not being fully tapped at the moment.

**Mr Moir**—Yes, you are right. With respect to the 18-to-25 bracket, for instance, the unemployment rate in that demographic is considerably higher than the average. The other area, in the Pilbara, for instance—and we have been doing some work with the development commission in the Pilbara—is that there are a number of partners of people who are working in the resources sector who are not currently employed and who are qualified and able to be employed but there are simply not the childcare places or there are not the other systems and support mechanisms there to make it attractive for those people to enter the workforce. In fact, you may well be able to address a lot of the shortages within that region by looking at more flexible work practices. As an agency, we will continue to work with small businesses particularly in those areas to look at their work practices to see what they can do to make that a better option for people.

**Senator POLLEY**—In the hospitality industry one of the problems with attracting people into that industry is the split shifts that do not always make it conducive, particularly for women and families, to work in that industry, so I think we have to look internally for some of these solutions rather than just looking externally.

**Mr Moir**—That is correct.

**Mr Thorpe**—Dr Lawrence, referring to the German program, I would agree that we do not want that particular model, but if you look at what they do in Canada it is a slightly different model. A crucial element of their model is the opportunity for the individual to be able to return. They are happy for them to go off back to their families and then come back in, if they are given some—

**Dr LAWRENCE**—It depends a bit on how long, though.

**Mr Thorpe**—That is the point. The issue for the agricultural sector is the seasonal work. That is what we would be interested in. It is particularly interesting for Western Australia to have something of this nature, because on the eastern seaboard they are able to run with a thing called ‘harvest trail’ which the federal government supports. The harvest trail works because people can travel up and down the eastern seaboard following the seasonal process, but in the west it does not quite work that way, and drawing them across the big gap is quite a challenge. So that is why there is a thought of people taking people in from other sources. The National Farmers Federation, in their own policy, have made some comment that we do not disagree with about seasonal workers being able to cover temporary gaps. But you need to make sure about the wages and conditions, and this issue of enabling them to come back the following year. One interesting thing that they have added into this as well is that we should look at taking people from places where we actually provide foreign aid as a country in the first instance. There a number of countries nearby that are not our traditional sources of labour, and that have severe problems, and repatriating funds back to them is a sort of two-way process.

We could benefit these people. I am talking about our near northern neighbours who have particular financial difficulties and it would be a useful extension of our aid processes and our neighbourhood processes to enable people to come in and do semi-skilled work.

**CHAIR**—Are you suggesting the Solomon Islands?

**Mr Thorpe**—Papua New Guinea, Fiji and various other places where they have considerable unrest; Indonesia. We have got a ready labour source sitting there in addition to our own Indigenous labour source which we, as a department, are working with as well to encourage into the industry. I think that should be explored further; I think there is a real opportunity.

**Senator PARRY**—With forward projections on what agribusiness is going to do and where there is going to be a shortfall of workers, has the drought been factored into those projections? Did that give a significant downturn in employment? How has that affected things?

**Mr Thorpe**—The figures we have given you are not normal circumstances, and we are returning to a normal circumstance with the season that we are running at the moment. But it is the same thing we were talking about earlier on in the education sector: you are running out of

people at the top end and the average age of farmers is well known to be well into the 50s. Whilst you do not need as many people on farms to run them these days, you do need some and we are already into using semi-skilled labour. I remember two seasons ago we had a bumper season. The wheat bins were being manned by schoolchildren. They were given some short training. All they had to do was write things down, so provided they were able to do that they were able to do the job. But CBH had to go to the women and children in communities to get its labour sources. That is probably a good thing in a sense but it is not desirable across the board in other sectors. That was a low-risk area but in high-risk areas, if people are being put into those sorts of situations, that is another issue for us.

**Senator PARRY**—In short it has been factored in.

**Mr Thorpe**—Yes, it has.

**Mr Moir**—I will give you an example: the state government was approached by the federal government to enter into a labour agreement with the meat industry. One of the considering factors that we have taken into account is the potential for a significant reduction in the lamb drop due to the drought. To that end, we have agreed on a six-month initial agreement so that if in that six months that lamb drop rate does reduce then we will be in a position to say, ‘We don’t require those people.’

**Senator PARRY**—I will move on to freeing up the information flow, one of the comments in your submission. Was your national working level discussed—the information flow?

**Mr Moir**—Yes.

**Senator PARRY**—Where do you see the obstruction?

**Mr Moir**—It is in the legislative ability of agencies to be able to share information across jurisdictions from federal to state.

**Senator PARRY**—Both federal and state legislation or predominantly federal?

**Mr Moir**—I think it is predominantly federal.

**Senator PARRY**—Privacy Act provisions.

**Mr Moir**—Yes.

**Senator PARRY**—Have you any idea whether that might be addressed? Does the working party agree?

**Mr Moir**—Yes. The states are reasonably comfortable with most of the recommendations coming through to COAG on that. Our frustration is the time line. We should have been able to get those up by now. All we are doing is putting more people at risk by not having those protections in place quickly.

**Senator PARRY**—In relation to evidence collection for exploitation or misuse of the 457 visas, do you see the whistleblower legislation being something that can be adapted or expanded to include 457 visa holders?

**Mr Moir**—I do not see why it would not be. I cannot see an issue.

**Senator PARRY**—Has that been discussed at the working party level from the state perspective?

**Mr Moir**—No.

**Senator EGGLESTON**—Do you have any concerns about how employers go about assessing 457 workers' skills, particularly for licensed and registered professions? If so, do you have any specific examples or suggestions about what might be done to assist them assess the skills of people coming in?

**Mr Moir**—Under the labour agreement regime, we are able to put in some substantial measurements—again, I will use the meat industry. They have to have a qualified assessor interview and video each employee to ensure they have the quality standards that are required. A major resource company is about to go into a labour agreement. Equally, they will be looking at very stringent protections to ensure they have appropriately qualified people to take on those tasks. Generally, across the 457 issue, it is a bit more problematic in ensuring that but, at the end of day, if the employer who is bringing those people in wants to have the quality maintained it is up to them to ensure that that occurs.

**Senator EGGLESTON**—Is there a role for the state government in setting up some sort of assessment process, an examination process or something such as that?

**Mr Moir**—Again, that comes back to the jurisdictional boundaries and also resource requirements. That would be a very heavy impost on the state government to do that.

**Senator EGGLESTON**—Would the industry examine them, for example?

**Mr Moir**—Certainly the meat industry are being very proactive in ensuring that those mechanisms are in place, and that goes to the quality standards that they require.

**Senator EGGLESTON**—Part of the brief of this inquiry is to look into complaints about the way the 457 visa process is working. Do you think there needs to be a more effective complaints mechanism or other safeguards available to workers on 457 visas so they can raise issues relating to breaches of conditions? Do you have any suggestions about how that might be implemented?

**Mr Moir**—In regional areas you are always going to have the problem of an employee feeling threatened about raising any issue, particularly when someone is holding on to their potential to get permanency in this country. The federal minister's announcement last week of increased protection mechanisms and rewards for good employers and penalties for bad employers is a very positive step forward. It is something that we have put forward at the national working

party level, basically saying, 'If you are caught taking advantage of the situation and being abusive then you will be cut out of the service.' I think that is a fair enough result.

**Senator EGGLESTON**—Earlier we mentioned Canada and the Canadian 'guest worker' program, if you like. I understand there is a very strict legislated framework around Canadian guest worker schemes which does a lot to protect the rights and the terms and conditions of workers. Would you see that as a model that we might follow in Australia?

**Mr Moir**—I must admit I am not conversant with it.

**Senator EGGLESTON**—You say Western Australia has a particular deficiency because we are not designated as a regional centre. You compare us to Adelaide, Hobart and Darwin, which you say have an advantage over us. How serious is that? We have this booming economy and a great demand for labour, so is that a really significant point or not?

**Mr Moir**—When you take into account with most of the resources companies who are employing fly-in fly-out that those people would be designated as living in the metro area it starts to impact. That is a very large workforce which is moving on a daily basis into regional Western Australia for projects. The state government are not necessarily arguing strongly that Perth should be 'regional'. What we are saying is: level playing field.

**Senator EGGLESTON**—Okay, I understand that now. Thank you.

**CHAIR**—We have run out of time so I will put some brief questions and I would like brief answers. On fly-in fly-out, a previous witness, from the Chamber of Minerals and Energy, suggested the state government could be doing more in terms of providing approvals and infrastructure so that there was not so much fly-in fly-out. How do you respond to that?

**Mr Moir**—I think that would be a discussion I would like to have with him separately!

**Dr LAWRENCE**—Pot calling the kettle black, I reckon!

**Mr Moir**—Yes, I would agree with you, Dr Lawrence.

**CHAIR**—You may wish to read the transcript and then talk to him.

**Mr Moir**—Certainly the state's investment in infrastructure, particularly in ports, has been quite substantial, at well over \$400 million in the last three years, and that will probably be continuing for the next four years. So I would find it a little bit rich to say the state is not investing.

**CHAIR**—There was a suggestion by Mr Thorpe about attracting people from within Australia. The \$5,000 relocation allowance to areas where there are problems in the workforce on the eastern seaboard: has that been successful at all, to your knowledge?

**Mr Thorpe**—I have no knowledge on that.

**Mr Moir**—My understanding was that that was a very, very small trial and it was aimed at long-term unemployed. The real target, for instance, with the state's Go West campaign is to attract skilled workers across—construction people, teachers, police, those types of people.

**CHAIR**—Is it worth continuing with the trial?

**Mr Moir**—I have seen no evidence that it has worked.

**CHAIR**—That is good feedback. Finally, there have been some complaints that there are insufficient inspections from DIAC on worksite visits to 457 visa holders. Is that a valid criticism? Should it be 100 per cent? The current rate is 60 per cent. How would you respond to that?

**Mr Moir**—I would say it is a valid criticism. It is also indicative of the lack of resourcing that has been put into the agency. It is not necessarily a direct fault of the agency's ineffectiveness. It comes back to resourcing.

**Dr LAWRENCE**—I have a follow-up question on that which is the issue of the workers' knowledge of their own rights and entitlements. We have come across several examples where people are unaware of what is required to be provided to them and the circumstances in which they should be employed. A classic case was a Korean labour hire company who recruited Korean workers under 457 visas to a construction company that was Korean. Although the language of English was not absolutely necessary in that sense, apparently they were duded—not to put too fine a point on it. They were employed under circumstances that were clearly in breach of the conditions and had no knowledge of that fact until they turned up in my office with health problems. Many of their health costs should have been met by the employer and were not being met. That is how we understood that they were being exploited. I wonder whether there is not a gap there in not just English language skills but also knowledge by 457 visa holders of their rights and entitlements. Is that something you have observed?

**Mr Moir**—Yes, it is and certainly at the national working party level we have been pursuing that. It is one of the reasons the state has been very strongly of the view that an IELTS score of four to 4.5 has to be an absolute minimum. We want a much better information flow to help people coming into the country to understand their rights and obligations as well. We also want employer education to say it is simply not acceptable and, if you do it, you will lose the opportunity.

**Dr LAWRENCE**—That is not just for the visa. There needs to be tougher sanctions.

**Mr Moir**—Yes, tougher sanctions and basically saying you cannot do it.

**Mr McFarlane**—One of the things that needs to happen is introduction to local community groups when they arrive.

**Dr LAWRENCE**—They live very isolated lives.

**Mr Moir**—Yes, they do. We are looking at things like the employer having to meet the costs of health insurance, education costs et cetera so that they fully understand the cost implications of bringing these people in.

**CHAIR**—In general, are you quite positive about the future needs of this program?

**Mr Moir**—Yes. The final point I would make is that I think it is very important that the federal agencies continue to actively promote internationally. Previously there has been an expo program which all states participated in. That seems to have dropped off this year. We are yet to get a finalised program. We are now coming into May. For a state such as Western Australia, we have just returned from China last week with our Minister for Small Business on our own because we cannot wait for the federal government to get a program up. We are going to South Africa next month, again on our own. These are things the federal government should be leading the way on. We are almost getting to the point where we will start to coordinate across states to try to get some kind of program going.

**CHAIR**—That is a very good point you make. I have made some suggestions myself. To put a commercial in, I am the chair of the Sri Lankan Friendship Group in the parliament and I have made it known quite often that we should be looking at Sri Lanka as an area of skills, given our previous relationship, the Colombo Plan et cetera. They have a similar education and political system to us. They speak English either as a first or second language. Many engineers come from Sri Lanka. You might want to think about that as a destination as well. Thank you for attending today's hearing. We would be grateful if you could send the secretary any additional material that you have undertaken to provide as soon as possible.

**Proceedings suspended from 10.59 am to 11.13 am**

**BAMBOROUGH, Mr Edward, Operations Manager, INTEQ - Australia, New Zealand and Papua New Guinea, Baker Hughes Australia Pty Ltd**

**BILLING, Ms Amy Elizabeth, Visa Coordinator, Baker Hughes Australia Pty Ltd**

**SMITH, Mr James Cargill, Area Manager, South Asia Pacific, Baker Oil Tools Division, Baker Hughes Australia Pty Ltd**

**SUTHERLAND, Ms Heather Louise, Human Resources Manager, Baker Hughes Australia Pty Ltd**

**CHAIR**—I welcome representatives from Baker Hughes Australia Pty Ltd to this public hearing. Although the committee does not require you to give evidence under oath, I should advise you that the hearing is a legal proceeding of the parliament and warrants the same respect as the proceedings of the House itself. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The committee has received your submission. Is it the wish of the committee that the submission made by Baker Hughes Australia Pty Ltd be accepted as a submission to the inquiry and be authorised for publication? There being no objection, it is so ordered. I invite you to make a brief opening statement, if you wish to, before we proceed to questions.

**Ms Sutherland**—My key responsibility is the country HR manager for Baker Hughes Australia Pty Ltd, which is a subsidiary of Baker Hughes Inc. We employ over 33,000 employees globally and approximately 380 employees in Australia. We are a global leader in providing products and services to the oil and gas industry. In Australia we have operations in most states, with the head office based here in Perth. The nature of our business focuses on provision of highly skilled employees and specialist technical labour to meet the varied needs of our customers, which are oil companies. Particularly in the services and contracting side of the oil and gas industry, we face a number of labour shortages, particularly of skilled personnel, including engineers, geologists and mechanical engineering technicians. As a result, we have faced a number of situations in which we have not been able to tender on particular projects, mainly because we cannot find the highly skilled personnel locally or interstate. Hence, we look overseas.

Baker Hughes supports the use of 457 temporary long stay visas to alleviate the labour shortage. As a company, we have had in place a labour agreement since 2001 which has allowed us to bring specialised personnel into Australia. We have a comprehensive training program for our personnel. We aim to upskill our workforce and provide suitable careers for them as well. The area of difficulty that we have found with the 457 visas is where we require employees to come into Australia on a short-term basis. In order to meet the requirements of our customers, often in urgent or emergency call-out situations, we are required to bring in non-Australians with specialised skills to assist our operations. It is only on a short-term basis. Generally their role is to troubleshoot or even train up our employees that we currently have here, whether it is onshore or offshore. So the employees that we are bringing in are generally very highly skilled, because we cannot find those personnel here, and they leave within a short period of time. The current visa structure does not accommodate this. We have found that with the 457 visas it has taken



considerable time to obtain the visas, often up to 12 weeks at a time. The nature of this is that it is more for immediate emergency situations that we need these short-term personnel. So we are asking the committee to consider a separate visa category for the short-term employees which sits in between a 456 visa and a 457 visa. That is the essence of our submission on the inquiry into the 457s.

**CHAIR**—I ask, as a result of the evidence that you have given in writing and verbally, what evidence can you provide that you have endeavoured to source Australian workers for those temporary skill sets you need?

**Ms Sutherland**—The majority of our employees are local Australian employees. We do a number of advertising campaigns and participate in career fairs and things like that to attract personnel to our business. The issue lies where the need is for highly technical specific skills which employees within Australia do not actually have. They have been trained up overseas. The idea of them coming in short term is also used as a training mechanism to train our current people so we do not need that in the future.

**CHAIR**—So this is an extension of the fly-in fly-out program, from overseas.

**Ms Sutherland**—Generally they are one-off situations because they are providing the troubleshooting if we have had an emergency situation on a rig, for example. The need is really immediate. Obviously our customer operational requirements are that the situation gets fixed, so we do need them.

**CHAIR**—Your submission is that both the 457 and 456 visas do not quite satisfy your requirements. Do you use 457 and 456 visas? How successful are they for your operation?

**Ms Sutherland**—We do use them quite successfully and we have been doing so, because we have had a labour agreement in place since 2001. A number of people have come in on business visas or on 457s. In the 2006-07 period, we brought in about 127 people on 457s, so we have used them successfully. We have no problem with the actual process as such, except for the fact that sometimes it can be a lengthy one, even when all the information has been provided. It is just to cover what we determine as the grey area: people sitting between the 456 and the 457, which is really short-term emergency work.

**CHAIR**—Are you aware of whether the intention of many of the people who have come in on the 457 visa program is to seek a migration outcome and become a permanent member of the workforce?

**Ms Sutherland**—I think we have a couple of good examples of that.

**Mr Bamborough**—I can only speak on behalf of INTEQ as a division, but several of our staff have become Australian citizens. I am one of them and so are a couple of my coordinators. We have transferred people from the United Kingdom on 457s. They have the relevant work experiences. It is of a large business benefit to have the guys in Perth to service the North West Shelf as a base of operations. Quite a lot of the guys have, through permanent residency, become full-time residents and citizens.

**CHAIR**—I will not hog the questions. I am sure somebody will ask you more about your labour agreements.

**Senator POLLEY**—Where do you source most of your recruits who use the 457 visa?

**Ms Sutherland**—It is a combination of areas depending on the particular division. For INTEQ, it would be the Philippines—

**Mr Bamborough**—The Philippines, India and the UK.

**Mr Smith**—There are a large selection of countries. It could be in the United States or somewhere in Europe. Sometimes it is somewhere closer like Malaysia. It depends on the skills set we are looking for from the employee. For many of the customers we work for, including the contractors, personnel have to have a minimum of five or sometimes 10 years of experience in a particular technology. Although we have a very comprehensive training program here, we do have this requirement to bring in people from outside who have the relevant skills.

**Senator POLLEY**—There was a comment in your submission—and I thank you for your submission—on the cost involved of 457 visas. Would you like to make any comment on that?

**Ms Sutherland**—We have just gone through a new process. Previously we used the immigration agent to assist us in the process; however, we have taken the company perspective that we would like to build a closer relationship with DIAC and hence we are now dealing directly with them. The cost involved was probably increased due to using the immigration agent; however, I think that there is now a better outcome in terms of building a relationship. With the 457s, if there was an interim or short-term visa for personnel, obviously there would be a cost and we would look at a streamlined process where there might be an extra cost to get it through the process quicker, which would be like you often find with passports.

**Senator POLLEY**—In relation to DIAC and the way that they monitor the use of 457 visas, we have heard evidence and comments not only today but at our other hearings on lack of resources in the department for monitoring. Have you got any comments or concerns that you want to raise?

**Ms Sutherland**—We are monitored quite closely because we are on our labour agreement. We get monitored every 12 months. From that point of view, it has been an automatic thing that we have had every year, so we probably have not seen the lack of resources in terms of monitoring. We as a company try to do the right thing and we get monitored every year.

**Senator POLLEY**—Before I hand the questions over, do you have any comments you want to place on the record on labour agreements?

**Ms Billing**—We are looking at the option of changing to a company sponsorship. I think the labour agreement can sometimes be a little bit inflexible. They are decided three years in advance, so it is therefore hard to predict sometimes what sort of projects are going to come up, whereas a company sponsorship allows for a lot more flexibility with different occupations.

**Senator EGGLESTON**—You want what you call a ‘grey area’ between 456s and 457s for specific purposes. Can you give us some examples? Are you talking about people, for example, at the most dramatic end, coming in to put out fires on oil rigs? Can you give specific examples so we can try to better understand what you mean?

**Mr Smith**—Okay. I will give one example from the Baker Oil Tools Division, which is a division of Baker Hughes. We have a service which we refer to as ‘fishing’—and it has got nothing to do with fish. Whilst they are drilling the well, sometimes the drilling assembly becomes stuck down the hole, and it requires a very specific level of expertise to go to the rig and figure out what has gone wrong and how we can resolve that. So we have what we call ‘fishing’ supervisors, who have special tools that they can run down in the wells and recover equipment which has become either lost or stuck in the hole. That is not something that the oil operators plan on happening, but it does happen from time to time. We do have a few Australian nationals who do that service and we have trained them over the years, but if a number of jobs occur at the same time then we need to bring in someone very urgently from overseas. We have a pool of people of various nationalities who are located in Singapore—being a central point for Asia-Pacific—so we would bring in a specialist from Singapore to go to the rig and help resolve the issue. They might be there for only two or three days and then go back to Singapore.

**Senator EGGLESTON**—That is what I thought it probably was—a small pool of workers for emergencies. So are you saying that you cannot bring them in under existing arrangements because of the time delay? That is obviously one thing.

**Mr Smith**—That is one concern.

**Senator EGGLESTON**—Is qualification recognition another?

**Mr Smith**—Yes. They need specific experience in the industry. Probably, in the case of a fishing supervisor, 10 years is about normal.

**Ms Sutherland**—So they are skilled.

**Mr Smith**—Yes, and we cannot apply for visas in advance because we do not know which one of these people will be available at the time we require them here in Australia.

**Ms Billing**—Also, if they are working overseas the majority of the time, it is not going to cover the salary levels, because we are not paying them directly from Perth.

**CHAIR**—So how do you deal with it now?

**Mr Smith**—There is a special consideration under the 456 visa where it says that, if the requirement is short term, an emergency and so on, you can bring the person in under that category. That is what we have been doing. We use specific letters that we fill in to make it very clear what this person is coming in to do, and it is very short term.

**Senator EGGLESTON**—Why is that process inadequate? Why do you want to change that process? That sounds like a rational way to do it.

**Mr Smith**—That process, in my opinion, works fine for us.

**Ms Sutherland**—They are working on the rig, though, assisting with the troubleshooting, and at times they may actually be required for a period of up to three to six months, but they would have to go out of the country and we would have to source someone else to come in and assist with the project.

**Senator EGGLESTON**—Does that mean that what you are really seeking is a clause in that kind of agreement which gives you the right to keep that special worker there for a longer period? Would that work?

**Ms Sutherland**—Yes, potentially that would work.

**Mr Bamborough**—Speaking for my division, I know we are quite often invited to tender for scopes of work that may not be in our regular business plan. We have a long-term yearly business plan which features staffing levels, headcount levels, and we budget accordingly and try to work towards that. Now, because some of our business stems as well from our clients being unable to deliver, sometimes we get invited to bid or tender on a project. That will not be within our budgeted staffing level, so we will need to import personnel from overseas, from one of the Baker Hughes districts, whether it be Malaysia, Singapore or India. To my mind, that would be one of the aims of this short-term work visa—a six-month visa that allows us to bring people in and work for three to six months.

**Senator EGGLESTON**—So that is not for an emergency; it is to replace a skilled person on a temporary basis. Is that what you mean?

**Ms Sutherland**—It would not actually be replacing that person. If there were an issue on the rigs—sometimes they are not resolved in the three days that Jim was suggesting. It would be assisting the team and at the same time training up the people we currently have in place in our workforce and then they would basically be leaving the country. The intent is not to stay here for ongoing employment.

**Senator EGGLESTON**—But you could still cover that under an extension to the—

**Ms Sutherland**—If we had an extension, yes.

**Senator EGGLESTON**—If you had that system. Okay.

**Ms Sutherland**—Yes. I guess we want to be in a position where, as a company, we are complying with the requirements. At the moment when you are bringing in people for the urgent work the question is: is it work or are they just standing by supervising? We want to be clear in our minds that we are doing the right thing.

**Senator EGGLESTON**—I suppose that is a matter of judgement for you. You require the person to stay and whether they are to work or to supervise is another matter. I would have thought that that was a fairly simple proposition, if that is what you are seeking.

**Senator PARRY**—What would happen if there was a fire on an oil rig and you needed a world expert from somewhere straight away? How would you get that person in?

**Ms Sutherland**—Through the same process.

**Mr Smith**—Using a 456 visa. Some nationalities, whether from the UK or elsewhere, can get the electronic 456, which is a lot quicker—I think it is the 956.

**Senator PARRY**—You could nearly get a holiday visa, in that sense. It is ridiculous if we have a system that is thwarting what should be happening for general circumstances.

**Ms Billing**—The electronic system is actually a lot quicker. You go through the same process as for a holiday visa, though it still takes time. If it is an emergency like a fire then, yes, you have those delays.

**Senator PARRY**—I am aware of one company that brought in a specialist, a Canadian, I think, to rectify a piece of equipment who was here for three days and went home. There were no visa implications. That person flew in and flew straight out after the job.

**Ms Sutherland**—On an ETA.

**Senator PARRY**—In your submission, you mention six weeks but that, in most cases, it is less than six weeks; in fact, this is the basis of your submission. Have you ever had a 456 knocked back?

**Ms Sutherland**—For the emergency situation, no.

**Senator PARRY**—How soon does it take to get a 456 visa granted?

**Mr Bamborough**—It depends on the citizenship of the applicant. If they are in Manila, it could take five, six, seven or eight working days.

**CHAIR**—What if they are British?

**Mr Bamborough**—They can do it online. It is instant as they buy the ticket.

**Senator PARRY**—I think it is a gap we have not recognised until this submission. Thank you. I have no further questions; the length of your submission covers most of the issues.

**Dr LAWRENCE**—One of the reasons for the existence of the 457 in the first place was to accommodate multinational companies. It would appear that it has not been very successfully, given your experience. That is my observation. Companies like yours do not really recognise country borders. You have highly specialised workers, who might be based anywhere, who are pooled to various places, depending on demand. It seems that is what is failing in this particular set of arrangements. In a sense, government is not recognising the fact that you do not necessarily want to source people in every country in which you happen to have operations; you hold them ready to go anywhere in the world. Is that a correct perception of the way you operate structurally?

**Mr Bamborough**—I think so, yes. A lot of the time it comes down to response time and how quickly we can respond to a business proposition.

**Dr LAWRENCE**—It does not make sense for you to have an X, Y, Z specialist in every country in the world in which you have operations. It would seem sensible for us to try and address that, because it was one of the reasons for the 457 in the first place. It seems to have gone down market a long way rather than dealing with a specific skill set.

**Mr Bamborough**—I think for a long-term business plan the 457 is ideal. The delays we see these days I think are a little longer than we used to have two years ago. Whether that is to do with volume or background and security checks, I do not know.

**Dr LAWRENCE**—Given your experience across national borders, obviously some of your people from Australia are being asked to go to other parts of the world. Just for our reference, what is your experience with comparable checking systems in other parts of the world where you operate?

**Ms Sutherland**—The US has been difficult, at times.

**Ms Billing**—For a project in Venezuela we had to get one guy from our operations in Dampier. It took a very long time just to get him over there for a very short period. It took a number of weeks. It was a very long, drawn out process to get him there. He was highly skilled.

**Ms Sutherland**—Certain nationalities have a lot more difficulty getting into certain areas—we even face difficulties getting into the US.

**Dr LAWRENCE**—From Australia?

**Ms Sutherland**—Not Australia, but—

**Dr LAWRENCE**—The Philippines perhaps.

**Ms Sutherland**—Yes.

**Dr LAWRENCE**—India?

**Ms Sutherland**—Yes, and Iraq.

**Mr Bamborough**—Indonesia gets a lot of scrutiny these days as well.

**Dr LAWRENCE**—Yet you would be happy to vouch for these employees.

**Mr Bamborough**—Yes. Often these guys work for us for 10, 15 or 20 years.

**Ms Sutherland**—They are long-term employees that have been trained up through the business.

**Dr LAWRENCE**—Both ways, in effect. You are saying that in the Australian system if you happen to come from the Philippines it takes a lot longer even to get a 456 than if you are a UK citizen. It would seem to me that, if we are talking about improving the capacity of a multinational to respond in an area like this, it would almost be like a reference from you guys to say that these people are guaranteed to return to their place of origin—whatever it is—and they are not a risk because of the experience they have in the company. You take the responsibility and in a sense any onus of proof and failure, I guess, of that reassurance, rather than having the government try to second-guess you about your own employees.

**Senator EGGLESTON**—It is very interesting.

**Senator POLLEY**—In terms of the long-term future of Australians in your industry, what, if anything, is your company doing by way of trying to skill up, train and encourage people to go into these areas? A friend of mine's daughter is an engineer and she travels all over the world. I do not know why more men and women are not going into the area, because she earns a lot of money and has a very good lifestyle. Are you actually providing any sort of scholarships for young Australians?

**Mr Bamborough**—Yes. Just in the last year we launched a scholarship program for UWA to try and get it out there into the faces of petroleum engineers and geologists. With the product line I am from in INTEQ we feature geologists very heavily and we have found that compared to a few years ago, when we used to get a lot of Australian applicants, Australians are few and far between. So we have had to take that battle back out there into the universities to try and get them back in. We have some success with recruiting them, but it is sometimes a short-lived thing.

**Ms Sutherland**—We recently participated in the University of New South Wales career fair and the young engineers career fair here in Perth. We are looking at doing one in Wellington as well, because it is easy to move people across because we have operations in New Zealand as well.

**Mr Smith**—In the Baker Oil Tools Division we have had good success in bringing students in from UWA, for example. The engineering students spend a day with us and we show them our operation and explain to them what we do as a company. We have had summer students in, helping out in the summer breaks, and also temporary students coming in part time, one day a week. We have one at the moment and we have had good success recruiting from local universities in Australia. We have a very informal engineering development program. For example, there is a technology we are about to introduce to Australia which has been utilised most in Saudi Arabia. I have an engineering trainee there who will become one of the most competent people in the Asia-Pacific with this technology. We have also had very good success with Australians.

**CHAIR**—In conclusion, just to refresh me on this, what is the current size of your Australian workforce?

**Ms Sutherland**—It is 380.

**CHAIR**—How many of those are 457 visa holders?

**Ms Sutherland**—136.

**CHAIR**—Going forward, do you see your company growing and, if it does, what proportion of temporary skilled visa holders would you be looking for?

**Ms Sutherland**—It will probably remain around what it is now—30 per cent—but we are in a growth phase, as a lot of the industry is. The way we approach things is that we try and find people locally as a first step. If we cannot do that then we tend to look overseas, from our other operations, and they are brought in on 457s, especially for people who are wanting to become permanent residents of Australia as well.

**Senator PARRY**—Do you source locally primarily because it is cheaper for you as a company?

**Ms Sutherland**—Of course.

**Senator PARRY**—So that is your prime reason?

**Mr Bamborough**—From an operational point of view, having people based in Perth, or even Australia, gives you a lot quicker response time to do business.

**Senator PARRY**—It is the time factor and cost factor?

**Ms Sutherland**—But those are people who want to stay in Australia and are likely to want to remain here for their life, so it is the stability as well.

**Senator PARRY**—So there is no cost incentive for you to source overseas to start with; the cost incentive is to source locally?

**Mr Bamborough**—That is right.

**Ms Sutherland**—It is very expensive, yes.

**Mr Bamborough**—We would pay our overseas employees what we are paying Australians but then we have got flight costs, hotel costs.

**Ms Sutherland**—Taxes.

**CHAIR**—Just as an add-on, we might ask some others this: what would it cost you, for example, to bring a 457 visa holder from the Philippines to fill a particular skill set that you are after?

**Mr Bamborough**—If we are going to relocate the guy with maybe 10 years experience and he has got a family to come with him, there could be \$20,000 in relocation costs. There is a visa approval fee which I think is probably about \$600. Basically, by the time we have done the paperwork for his family and him and everything else, you are probably looking at about \$25,000.



**CHAIR**—Do you try and retrieve any of these costs from him when he is here?

**Mr Bamborough**—We try and sell the incentive to him to come to live in Perth. We have done it with a few of our employees—you come to Perth, you live here, you experience the lifestyle. A lot of the guys want to move here because the families will get better schooling and a better way of life. So we try and sell it as opposed to retrieving the costs, and further down the line—

**CHAIR**—Do you take anything out of his salary?

**Ms Sutherland**—No, and they obviously have to meet the minimum requirement for the ESL level. Often we find as well that a lot of people who have been educated in Australia have gone back and then wanted to come back and live here.

**CHAIR**—Thank you very much, and thank you for attending today's hearing. I would be grateful if you could send the secretariat any additional material that you have undertaken to provide as soon as possible.

**Senator EGGLESTON**—You might like to write a proposed amendment about what would suit your specific requirements.

[11.45 am]

**CARSTAIRS, Mrs Bev, General Manager, Rural Enterprises**

**CHAIR**—Welcome to this public hearing. We understand that you are appearing with the support of the Western Australian Farmers Federation.

**Mrs Carstairs**—Yes, I am the General Manager at Rural Enterprises, representing the Western Australian Farmers Federation and their clients.

**CHAIR**—Although the committee does not require you to give evidence under oath, I should advise you that the hearing is a legal proceeding of the parliament and warrants the same respect as the proceedings of the House itself. The giving of false and misleading evidence is a serious matter and may be regarded as a contempt of the parliament. The committee has received the submission from the Western Australian Farmers Federation, which we understand you will be talking to. It is the wish of the committee that the document submitted by the Western Australian Farmers Federation be accepted as a submission to the inquiry and authorised for publication? There being no objection, that is so ordered. I now invite you to make a brief opening statement, if you wish, before we proceed with questions.

**Mrs Carstairs**—Thank you and good morning all. Thank you for the opportunity to address the committee. I hope I am able to do the Western Australian Farmers Federation justice as I was given very short notice. The submission is a very succinct document and I feel that it is necessary for me to elaborate a little on our situation. I am here on the back of the submission by the Western Australian Farmers Federation in my capacity as General Manager at Rural Enterprises. Rural Enterprises is an employment agency that recruits and places employees into agriculture and agribusiness Australia wide. I have been working for the company since 1999. I am here to field questions related to the concerns outlined in the submission and, hopefully, to impart the current position of agricultural employers and the difficulties encountered with conditions of 457 visas in relation to agricultural employees specifically.

May I take this opportunity to congratulate the government on a couple of initiatives related to the 457 visa system that we feel have worked very well for our sector. One is the granting of the second working holiday visa to those who have worked in regional Australia in horticultural and agricultural positions for a minimum of three months of their first working holiday visa. This is beginning to have an impact in our industry. The extension of countries with reciprocal agreements for working holiday visas is also a tremendous help. Employees from countries such as Germany and France have previously had to enter under the 457 system to work in Australian agriculture through our labour agreement as the working holiday visa option was not available to them. We have employees from the Czech Republic and Canada currently on 457 visas for this very reason. They are highly qualified agricultural employees with experience in similarly large machinery operations.

Rural Enterprises' clients are farm owners and managers, predominantly in broadacre farming, sheep, cattle, dairy and viticulture, and related agribusiness companies incorporating ag mechanics and agronomists. Many are members of the Western Australian Farmers Federation,

and it is on their behalf that I speak to you today about the specific needs of our clients and the way we have already accessed and successfully administered a labour agreement for 457 temporary entry visas to enable us to bolster the ranks of agricultural workers in Australia.

From the perspective of someone who has worked in the system for many years, I am aware of the many pitfalls and obstacles specific to our industry. The arguments put forward and debated by other industries now finding a need to access the system highlight the onerous task before the committee. The abuse of the system by, I am convinced, a small number has been well publicised and it directly impacts the manner in which Rural Enterprises and others are dealt with in respect of applications for extension of labour agreements and for business sponsorship visas each monitoring and submission period. Our concern is that maybe the primary area needing to be addressed is the nuts and bolts of the system which we have been embroiled in for so long and which is now becoming so narrow that we may not be able to continue to use it. Our feeling is that the committee may be looking at the possibility for the 457 visa to be divided into industry-specific sectors and devised, where possible, to meet the proven need for each industry individually. Our feeling is that over the years the need for the system has maybe outgrown the current parameters and also the capacity to monitor the visa applicants in the system. I note with concern that many feel recruitment or labour hire companies should not be involved in the 457 process. I would like to briefly put forward our argument on this perspective.

Rural Enterprises is not a labour hire company per se. We inherited this statement with the labour agreement as we were deemed to be the employer. Our employees enter into Australia on a 457 visa and are placed into seasonal employment with host employers. Rural Enterprises ensures employees are suitably qualified and experienced in agriculture, inducted prior to arriving on farm, inducted on site, paid the correct salary, accommodated and fed free of charge and to a suitable standard and also are in a safe and secure work environment.

If one or all of these things are not in place, our employees first approach their host employer. If that is not successful, they will speak to us. We will resolve the issues or move our employees to another, more suitable employer. Should employees arrive directly sponsored by an employer, they feel restricted in their choices and obliged to stay and tolerate the conditions they find themselves in. Over the years, Rural Enterprises has also assisted many applicants fitting the criteria for our labour agreement visas to change from unsuitable business sponsored employment situations over to successful placement with one of our clients. We are the employees' advocate. Rural Enterprises performs this function as a service to both our employees and employers. I have a document outlining the costs to all parties as a supplementary submission if the committee would like that.

We are looking at a very complicated problem spread over many industries with differing needs and rules. I do of course think that our industry, agriculture, is a most deserving and worthy industry to be entitled to continue to use this system. It is proven that, without the 457 system, even fewer of our clients would have employees assisting with their cropping programs, and increased pressure would be brought to bear on them.

As a long-term user of the system, I am obviously here to support the ongoing nature of the 457 visa—and to outline some of the difficulties we encounter every time we are required to submit a new application for a labour agreement and the difficulties our clients perceive that they experience in attempting to encourage employees in a cost-restrictive 457 environment, as far as

they are concerned. Thank you for your time. We do appreciate the effort of the inquiry attempting to address concerns raised with the 457 visas. I will calm down now! My apologies.

**CHAIR**—Thank you very much, Mrs Carstairs. You certainly did—

**Mrs Carstairs**—You would think I did not know anything about it, wouldn't you!

**CHAIR**—No. As Senator Eggleston just said, you have covered just about everything.

**Mrs Carstairs**—Thank you.

**CHAIR**—Mrs Carstairs, can I just get my head around your business a little bit, if you do not mind.

**Mrs Carstairs**—Certainly.

**CHAIR**—You largely represent the broadacre dryland farming—is that correct?

**Mrs Carstairs**—That is correct, yes.

**CHAIR**—What sort of people would you bring on a 457 visa to those farms?

**Mrs Carstairs**—We deal predominantly in the mobile plant operator on the short-term visas for seasonal harvest and seeding periods, but we also bring in people with a view to permanent residency and permanent placement with employers. We do that through the same system, even though they have the higher qualification. They are brought in as the farmer-farm manager, but for a short term, and placed into positions on farm for seeding or harvest with a view to a trial period with a prospective long-term employer. That way, they are both able to have a look at one another and see whether or not they would like to progress to the permanent residency situation.

**CHAIR**—Forgive me, but I am sure your critics might suggest that, if you have brought somebody out as a farm manager—and I am just trying to find the number in this Western Australian industry classification—and you have them driving tractors and trucks, they might not actually be used for the purpose for which you brought them out.

**Mrs Carstairs**—They most certainly are. Our farm managers are still expected to operate the equipment, to direct the seasonal staff and to have all the skills that are required. So they need a broad knowledge of what is going on in the Australian industry, and really it is just a short-term training period to ensure that they are capable of operating the equipment, of doing the budgeting and the planning and of understanding the crop rotation systems and the fertiliser and chemical things that go on on farm. They are still in a farm manager capacity; they are just brought in for that short-term period to ensure that that is the life that they would like to look into.

**CHAIR**—So, with the regional concessions, what is the base salary for most of the people you bring out?

**Mrs Carstairs**—We do not use regional concessions.

**CHAIR**—You don't?

**Mrs Carstairs**—No. The minimum salary we bring anybody in on is the \$41,850, and it is very rare that they will be on that. We find that, with a seasonal employee, it cannot be expected that they can earn sufficient money to warrant them coming over if they are on the minimum salary. With the longer term employees, our clients understand that, with the competition they have around them, it is not viable for them to keep them or to attract them at a \$41,850 level.

**CHAIR**—Again—and I am not being in anyway accusatory in this—I would have thought that there was a higher level of unemployment in many parts of rural Australia and the bush. We know that some people are on programs where they essentially get Centrelink payments in lieu of the dole et cetera to work on farms. And yet you are saying you need to bring in people on this class of visa to satisfy a workforce shortage. Is that correct?

**Mrs Carstairs**—That is absolutely correct. I am not sure where your figures come from, but recently when I did a monitoring report—and the figures came from DEWR—the highest level of unemployment in the rural towns that we service was 2.3 per cent and the lowest was 0.3 per cent. So I am not sure how we come to have high unemployment!

**CHAIR**—In terms of credibility: I do come from a rural background—I was brought up in Merredin—so I do know the bush a bit.

**Senator EGGLESTON**—Wheat farmer?

**CHAIR**—Wheat farmer, yes.

**Mrs Carstairs**—I do not doubt your credibility.

**CHAIR**—Okay. I will leave it at that and go to Senator Polley.

**Senator POLLEY**—Thank you for your submission, Mrs Carstairs. I would be interested if you could outline some of the cases of abuse of 457 visas that you know about indirectly or have been directly involved with.

**Mrs Carstairs**—Rural Enterprises has had occasion where employees have approached us who are on a 457 visa sponsored directly by an employer and they have been told that they will be earning a certain salary, they will be accommodated and they will have all these things provided for them and in fact, when it comes down to the nuts and bolts, they may earn the \$41,850 which was the minimum—or in some cases they may have applied for the concession—however, they are expected to work 70 or 80 hours a week to attain that and they are being charged for rental of properties and other things supposedly to be included in packages. It is not uncommon for employers to offer free SEC, fuel, tyres for cars—things that they are able to give to their employees that are not physically hand-in-pocket money given to them—and those things just do not eventuate. So, yes, we have been approached by people and have been able to change them from those situations and apply for a visa in our system and relocate them.

**Senator POLLEY**—We have had evidence to date in relation to the lack of monitoring of these visas because the department is underresourced. Would you say that that is a contributing factor in your cases?

**Mrs Carstairs**—I am sure it is. With our labour group we are monitored six-monthly. We have had salary monitoring, where I have produced all the pay slips for all our employees—and the placements and the employers and so on—and we do comply and we are above and beyond the minimum standards. I do understand, though, that there is a definite shortage of people able to go out and about and monitor business-sponsored 457 visas.

**Senator POLLEY**—We had the minerals council giving evidence this morning and we have had evidence from the eastern states in relation to the shortage of labour. Certainly contributing to that is the mining industry and the boom, so it is pretty hard to compete on a salary package basis, I would imagine, in your industry.

**Mrs Carstairs**—Indeed. I have first-hand knowledge of that. My husband is one of those statistics. We left Corrigin, our farming district, 12 years ago and he went into mining 10 years ago. He has been there ever since. He is now on long service leave and he would like to come back home. However, the money he earns while he is away we have learnt to spend. Also, it turns out now that with the new roster—he commenced work on four weeks away and one week at home and he is now on a roster that is two weeks away and one week at home, then one week away, one at home, one week away, one week at home—in a 12-month period he spends more time at home than he does working and he still earns twice the salary he could expect to earn in any position here in Perth with his qualifications. So it is impossible.

I would also like to point out that agriculture provides a wealth of opportunity for mining. Employees are very broadly experienced in heavy machinery operations. They have mechanical abilities. They are accustomed to living and working in remote environments. They are accustomed to working long shifts when required, seven days a week if need be. So my husband's first impression when he went mining was: 'Well, darl, here you go! We can retire on this because it's as little as I've had to do for far more money.' That is the attitude of all people, young and old, in agriculture.

**Senator POLLEY**—In relation to those people coming out on the 457 visas who have been subject to abuse, can you make any recommendations on how this committee can do anything to support those people coming forward and making their concerns known?

**Mrs Carstairs**—Sure. I was worrying about this today and I looked at our system for processing the nominations and the applications. That is another area where I would like to congratulate Immigration: they deal with us very expediently, and maybe that is because we have had many years doing the system with them and we have spoken with them on many occasions. They have an excellent system in place whereby they deal with our applications in a very expedient and very professional manner. However, the nomination approval comes to me as well as the application approval, because the applicant can sign that they wish to have me represent them, and the reason that is signed over to me is that if there is an issue such as a chest X-ray not turning up or something going astray I can deal with that on their behalf. So that is fine. But they are not given—unless I choose to, which I do—the approval letter which outlines the employer's responsibilities to them. So I wonder whether that may be an area where it is

falling down, that they do not have in black and white from Immigration: 'This is what your employer has to do on your behalf.' That could be happening because it is sent to the employer and it is their choice to pass it on or not, I think.

**Senator POLLEY**—That is a very valid point. In relation to English language skills, do you have any comments based on your experience? Do you think the level is sufficient for people to understand the terms and conditions of a 457 and the responsibility the employer has to them, and also from the health and safety point of view?

**Mrs Carstairs**—In our situation it is, because we have a language level written into our labour agreement. I cannot remember what it is called, but we have to prove their proficiency at literacy and language levels before they are entitled to proceed with the application.

**Senator POLLEY**—Would you suggest that that should be the minimum standard for everyone?

**Mrs Carstairs**—I think it should, and I do not think there is any reason why that should not happen. I know that a lot of people have said at some stage that a language barrier does not impact on occupational health and safety, but I beg to differ. If two people working alongside one another are from the same country and one is very literate and the other is not, then maybe it could pass. But in agriculture especially there has to be two-way communication because someone can be out on their own, miles from anybody, and they need to be understood on a two-way or to understand what to say to impress upon somebody what has happened.

**Senator POLLEY**—Especially with the chemicals they can be using, as well as working with machinery.

**Mrs Carstairs**—Yes.

**Dr LAWRENCE**—How long have you been involved with the 457 visas?

**Mrs Carstairs**—The previous owner took up a business sponsorship situation in about 1997. It changed to a labour agreement in 1999 and it has been ongoing since then.

**Dr LAWRENCE**—The reason I was interested in the time is that obviously you got the four years initially, then the possibility of an extension and then the possibility of developing permanent resident status.

**Mrs Carstairs**—Do you mean with our visas?

**Dr LAWRENCE**—Yes.

**Mrs Carstairs**—We have not actually utilised that.

**Dr LAWRENCE**—I was going to ask you to what extent you are forced to replace people as they decide to move on to other employment if they have that opportunity, if they become permanent residents, but you have not seen that follow-through?

**Mrs Carstairs**—No. What happens with us is that the people that come in on our visa and then head towards permanent residency with our clients go through the regional migration centres for permanent residency. I have followed up on those and I am very proud that, in the last two years, 58 of our candidates have become permanent residents under that system and only seven of them have left agriculture after their two-year sponsorship period was up.

**Dr LAWRENCE**—That is the test, isn't it? So you are not aware of a churn where you have to keep replacing them?

**Mrs Carstairs**—No.

**Dr LAWRENCE**—Unlike mining, agriculture is not growing in employment.

**Mrs Carstairs**—No, it is not, but we find that the families coming from the other countries come in predominantly for the lifestyle and the safety. They also appear to be gathering in communities where there are like people—there are South African and Zimbabweans, particularly, in one area, and so on. So they become a community within the community. They have friends and relations that they know from home and they tend to stay. They enjoy the lifestyle, the schooling facilities and things for their children. They appreciate the sporting access. We have found that they enjoy the rural lifestyle and they tend to stay.

**Dr LAWRENCE**—Is it South Africa and Zimbabwe that are the principal sources? What are the main sources?

**Mrs Carstairs**—Recently it has been, yes, in the last couple of years, but predominantly it was the UK prior to that.

**Dr LAWRENCE**—Do you think the 457 visa is suitable as a vehicle for addressing labour shortages in the agricultural sector?

**Mrs Carstairs**—Yes, I do. The 457 visa is fine for us because those involved in the mobile plant, in particular, are the ones who do not have the paper—written—qualification to come in. If we only need them for a 12-week period, that is the period we ask for the visa. We do not have to ask for a six-month visa. We can ask for the visa to be specifically for the time that the employee is required, so I cannot see that there is any need for any other visa for our specific needs.

**Senator PARRY**—Firstly, I would like to clarify the reason for the 457 visa holders coming in and working in rural Western Australia. Is it anything to do with succession planning, where maybe mother and father farmers have children on the farm who do not want to be farmers? Is that one reason? Secondly, has the drought affected this, other than people being drawn off the land, as in your husband's example?

**Mrs Carstairs**—Yes to both questions. A lot of the younger generation are the same as other normal human beings. They do not wish to stay in a situation where they earn less money than they can see their neighbours over the hill or their mates from school earning. So even a lot of the guys who have been through ag college and are ready to go back onto the farm are saying, 'No thanks, Dad, you can't pay me enough to stay here.' So they wander off. We hope they will



eventually come back, but in the interim, when they are younger, off and about and single, that is where they are going.

**Senator PARRY**—Can you attribute anecdotally—we certainly will not hold you to this unless you have hard data—a percentage of farms that would be in this situation?

**Mrs Carstairs**—Anecdotally, yes, I probably could. I can provide figures that we have from attending agriculture colleges, seminars and stuff that I have.

**Senator PARRY**—It would be good if you could provide that on notice.

**Mrs Carstairs**—We go along and speak to the children about career opportunities and things. We say, ‘Okay, guys, put up your hands if you intend to back to the farm.’ You get one or two.

**Senator PARRY**—Out of how many?

**Mrs Carstairs**—Twenty or 25. The others say: ‘Why would we? No, we’re going mining.’ We have those who go into mechanics, maybe, or butchery and some of the trades, but not very many. Mostly those students say, ‘No, we’re off to higher education,’ including agronomy and those types of fields, or they say, ‘We’ll go mining until such time as dad retires and then we’ll pop back on the farm and take it from there.’

**Senator PARRY**—In your submission, on the first page, one of the dot points under the section on labour agreement holders and rural enterprises says:

Difficulty in addition of Australian Standard Classification of Occupations to the Labour Agreement to encompass trades in new areas in Regional Australia where shortages have been identified.

We heard evidence this morning that that list does not include some farming occupations. Can you identify what they are?

**Mrs Carstairs**—Certainly. In our specific area we used to have agricultural and diesel mechanics as one of our codes. We did have boilermakers and welders in our labour agreement at one stage as well. However, having their trades recognised prior to bringing them out is prohibitive, time frame wise, for the purposes of our seasonality. Long term it would be fine, and the Motor Trades Association, the motor vehicle traders association and some of the machinery dealerships have sourced their own through other methods for the long term. But seasonally it is not viable to have their trades recognised in time to get them here.

**Senator EGGLESTON**—You made some comments about the exploitation of 457 visa holders. You said they were paid a putative wage and they find that they pay a lot for accommodation and various other things. Do you have any comments about monitoring and compliance under the 457 visa program and how these areas might be improved? Do we need tougher sanctions and penalties on employers?

**Mrs Carstairs**—I absolutely think that the penalties part of it needs to be enforced and that it can be as tough as you desire. I do not feel that there is any excuse for anybody misusing a process, especially when it involves people. There is no rationale for doing that.

Traditionally the salaries in agriculture are not very high. As for the marketplace, our clients feel they are not able to keep pace with the wages in mining; it is not feasible for them to do that. However, there is a reasonable wage set in place, being the \$41,850, if you take into consideration the fact that if the employer is doing the right thing the employee's accommodation needs are met on top of that. The package is substantial enough to prop up the minimum salary that they are earning. They are fortunate, particularly in country Western Australia, that there are minimal education fees. They can participate in a lot of sporting activities and do a lot of things in a regional area for very little cost compared to what they would have to pay to subscribe in the city, so they are fortunate in that manner.

I cannot tell you, as I am not privy to my clients' profits and losses, whether it is fact or fiction that they cannot afford to pay any more than what they do. I can tell you that it is very difficult for them to bring the wage up to the standard that employees are expecting in this environment when it is such a short period of time that they are now expected to work. It used to be 10 or 12 weeks on a farm. Now it is six or eight weeks, because of the size of the machinery and the amount of ground that they get over in a shorter period of time. Those are things that we need to educate our clients about. But I do feel there is not a strong enough penalty for somebody who is misusing the system and treating people badly.

**Senator EGGLESTON**—You said that right at the beginning, and I agree. What would you do about this? How would you prevent workers being exploited? Could the program be further improved in this regard? How do you police it?

**Mrs Carstairs**—It is so difficult—isn't it?—as regional Australia is so vast and people are spread out over a very big area. I am sorry but I do not know how you would find the resources to be able to do that. Perhaps you could hand it over to a regional migration business development corporation and things like that to monitor. I really am not sure. Paper monitoring is as good as anything for a start. It is a matter of writing a letter, and there are monitoring committees in the system who can write and ask that you present the payslips and you do all the things. Maybe incorporated into that should be a way by which they can interview the applicant and speak to them confidentially about whether or not the evidence put forward is true and correct. We need to be able to find a system with which the applicant is comfortable in saying what is happening, as opposed to the applicant feeling that they are going to lose their job and be sent home.

**Senator EGGLESTON**—Could we have something like a hotline or spot checks?

**Mrs Carstairs**—Absolutely.

**Senator EGGLESTON**—What about the different roles of Commonwealth and state bodies in monitoring employment rights and occupational health and safety standards? Do you think the various roles and responsibilities in this area of Commonwealth and state authorities are sufficiently defined?

**Mrs Carstairs**—I think that we need a standardised occupational health and safety system for employees in each of the states that I deal with, and this is not just a flow-on into workers compensation. I feel that payroll tax issues should be standardised between states. There is a very big difference between the expectations, and the difficulties lie especially with labour hire

companies like us who are not actually working on site. We have an onus to go and audit a site and do all we can that is practical to keep those people safe. It is another area where, because agriculture is so spread out over the country, it is not practicable in a lot of instances for those places to be audited and monitored on a regular basis. It is not viable financially for a labour hire company or even perhaps the government to have people in place to do that, so I do not know how you would get 100 per cent.

**Senator EGGLESTON**—Is there some auditing system in place at the moment? Has that happened?

**Mrs Carstairs**—Some states do. Western Australia audits farms, but I am not aware of whether a 457 employer site is audited.

**Senator PARRY**—That would just be by coincidence—if a 457 visa holder was at a farm that was audited.

**Mrs Carstairs**—I think so. I am not sure, though. I cannot quantify that.

**CHAIR**—From your position, are you aware of some employers whom you would not recommend 457 visa holders go back to?

**Mrs Carstairs**—Yes.

**CHAIR**—Have you had some instances where you would not send somebody back to them?

**Mrs Carstairs**—Absolutely.

**CHAIR**—Briefly, from your perspective, how many people would be on this visa in your particular industry?

**Mrs Carstairs**—Our industry or our specific business?

**CHAIR**—Let us try your specific business.

**Mrs Carstairs**—Once everybody lands in Australia—and I think the last of our employees arrived on 28 April—we will have 35 employees on 457 visas for the coming seeding season.

**CHAIR**—Is this widespread across Australia?

**Mrs Carstairs**—I am not sure how many business sponsors there are in agriculture. I am aware of the bad ones because they have the employees who approach us to change visas. But, as with most things, you do not hear much about the good ones.

**CHAIR**—When you said that sometimes they are required to work seven days a week, long hours, are these people being paid on an hourly rate after their 38 hours?

**Mrs Carstairs**—That is what is supposed to happen. Ours certainly do, yes, but I do know of instances with others where one of the big problems is that they are expected to work unlimited hours for the salary they are given. That would be a primary concern.

**CHAIR**—Are they eventually dealt with?

**Mrs Carstairs**—Absolutely. It is a very small community out there in regional Australia, and employees soon find out from the next-door neighbour or from a friend that what is being done is not right. It is word of mouth that gets them to us and it is word of mouth that helps them out.

**CHAIR**—Thank you for your evidence today and thank you for attending the hearing. I would be grateful if you could send the secretariat any additional material that you have undertaken to provide, as soon as possible.

**Proceedings suspended from 12.19 pm to 1.32 pm**

**BULL, Mr Geoffrey Edward, Solicitor, Australian Mines and Metals Association**

**CHAIR**—Good afternoon. Welcome to this public hearing. Although the committee does not require you to give evidence under oath, I should advise you that the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. The committee has received your submission and it has been authorised for publication. I invite you to make a brief opening statement if you wish to before we proceed to questions.

**Mr Bull**—Thank you for advising me that you are familiar with our submission. We think that it speaks for itself. We have a few minor things to bring to your attention, a couple of which we do not think we put in our submission. By way of clarification, we are a national employer association and have offices throughout Australia. Our members are engaged throughout Australia as employers. Our name is a little bit misleading in that we also represent the hydrocarbons industry. You will see on page 2 of our submission that we look after associated services, such as deep sea diving on oil platforms, general aviation and helicopters—we have members in the aviation industry—bulk handling of shipping cargo and so forth. We have a distinct association with the maritime industry, in addition to those in mining, hydrocarbons processing and the extraction of minerals. In respect of the terms of reference, we note that you are looking at eligibility requirements, and in particular the necessity for some competency in the English language, and the effectiveness of monitoring, enforcement and reporting for employees with 457 visas. In addition to that, you are looking at labour agreements and any areas in which you might make recommendations to improve the system. We noted with some interest that on Thursday the current Minister for Immigration and Citizenship, the Hon. Kevin Andrews, came out with a statement advising of some changes to the process for 457 visas. One of those changes is basically the bulk of our submission to this inquiry: making it easier for those employers who have an excellent record to utilise 457 visas.

**CHAIR**—I am not aware that he said how he is going to do it, though.

**Mr Bull**—No. Exactly how they fast-track people with such a record is the fine detail, I would imagine. But it is not unusual—you will note in our submission that there is a reference to the affirmative action for women, or equal opportunity act—for employers with a good track record to get exemptions from monitoring after a period of three years. Exactly how they are going to do it, I am not sure; we have not proposed exactly how they are going to do it, either. That, no doubt, will be a task for the various departments. We would support that. As I said, that was our prime submission: yes, there are difficulties with 457s; there will be some abuse and exploitation by some employers and that will happen no matter what rules you put in place. Our prime submission is that we should not be making it harder for employers who do the right thing. We note, for example, that the recommendations do not introduce a one-size-fits-all situation. There are going to be civil penalties and prohibitions on people who abuse the system. We think that is the best way to go, as opposed to bringing in new rules and regulations that affect everybody and, we would say, hamper a number of employers, particularly in our industry, in trying to bring in people in an efficient manner.

We also noted that the minister mentioned that he was going to make it mandatory. Again, the fine detail is not mentioned with respect to a requirement to have a 4.5 score for the IELTS test—the International English Language Testing system. Again, we do not have a difficulty with people having English language competency. Whether that is the appropriate method and how it is going to be implemented is yet to be seen. But our industry is concerned, particularly offshore and in mining companies, with safety. We already have rigorous requirements in respect of people's communications, particularly supervision, and we are unaware of the fact that bringing in 457s is causing any problem to date, where English language has not been at a level—for example, 4.5 or some other level—and I will touch on that a bit later without going into any great detail.

The submission we have put to the committee is that there is a skills shortage in our industry. I take you to the top of page 5 of our submission, where we quote some research—the summary of a report referred to on the previous page. I will go through the dot points to say why there is a skills shortage and retention issues in the resources sector. We have quoted a number of dot points:

- a concurrent boom in the construction, mineral and energy sectors resulting in direct competition for skilled labour;
- low unemployment rates;
- aging demographics;
- an earlier than average retirement age in the resources and construction sectors;
- operations in remote localities;
- a trend away from direct employment by major resources companies resulting in a reliance on contractors to source labour on a project basis; and
- a declining ratio of experienced to inexperienced employees.

They are the main reasons why there is a skills shortage and a retention issue in the resources sector. On that last point, we are finding that, because of the good remuneration and the good super that employees receive in the industry, people leave at a relatively early age, and we are having difficulty having experienced people in the industry. Even though employees may have the skills, they do not necessarily have the length of experience we require to be put in senior positions. We may simply have companies bringing in people from overseas purely because of the wealth of their experience and their ability to supervise, as opposed to whether they have qualifications that someone in Australia may not have. It is also difficult to put senior people into remote locations. Once people have earned a certain amount of income over their life, they may be a bit reluctant to work out in the desert, where a number of our members have operations.

You will also note on the bottom of that page that there is an extract from the Australian Bureau of Agriculture and Resource Economics Australian commodities survey 2006. It noted:

... as competition for skilled labour and materials and the attendant cost pressures continue it is likely that the feasibility of any less advanced projects may be re-examined. Some project developments may be deferred beyond their optimal start up dates.

We note that the trend now for all new projects is that the clients who are financing these projects, whether they be from within Australia or from outside Australia, are requiring all the tenderers to provide a labour availability plan. 'How are you going to resource this project? Why should we invest in Australia? Are you going to be able to finish the project on time? Where are you going to get the skilled construction workers, the skilled engineering staff, electricians and so forth?' We are in fact assisting our members to provide labour availability plans, and more often than not those plans will include, as a fallback position or maybe in the first instance when we know there is a dearth of experience and skills, that employers will rely upon 457s to demonstrate to the client that they can bring in labour. They may have a labour agreement or they may already be a business sponsor through the department. That is something that has happened in recent years; it is certainly not something that was part of the tendering process more than, say, five years ago.

We note that at the bottom of page 6—and I will not take you to any other parts of this submission—it refers to the Department of Education, Science and Training report *Staffing the supercycle*. You are probably aware of that. Again in relation to our industry, the first dot point refers to the fact that:

- Labour shortages are likely to be a major constraint on the growth of the Australian minerals sector over the next decade.

Then, over the page, the last dot point at the top of the page says:

- The shortfall of employees is so large that all alternative labour reservoirs need to be identified and targeted.

When we are doing our labour availability plans for our members, alternative labour reservoirs include the ability to bring in people on 457 visas.

So in putting this research to the committee in respect of the skills shortage in the resources sector we are saying: 'Look, it is well demonstrated, really in our submission beyond question, that there is a skills shortage in our industry. Despite the fact that our large member companies, whether they be BHP, Rio Tinto or Woodside, spend a lot of money on training and promote careers in the resource sector—we encourage interstate migration and encourage employees in other states who are without work to come to Western Australia—we are still experiencing a shortage of labour.' That has a risk. Indeed, we are already seeing it impact on future projects to such an extent that the risk extends to having work done offshore, which we do not necessarily encourage. We do not want it to be done offshore simply because we do not have the skills here in Australia. So we say that there is a necessity to access overseas skilled labour and, in some cases, semi-skilled labour. Some of the semi-skilled classifications in our industry are quite specialised, whether you be some form of operator or machine operator. While 457s are certainly not the entire solution, they are part of the solution and we need to have easy access to that solution.

We are saying that, yes, there are difficulties and they have been well-publicised in the media, particularly with respect to abuses of the system, but we do not want a one-size-fits-all. We do not want additional impediments and restrictions that are going to affect everybody unfairly. That is why we support the statement of the minister last week that if you have a good record—

how that is demonstrated is yet to be worked out—you should be waived of the requirements that slow down the processing of 457 visas.

We go one step further. In addition to the fast-tracking of 457 visas, we say that if you have a good record with respect to bringing people into Australia, paying them the right wages, giving them the proper conditions and putting them in the right classifications and so forth then the monitoring requirements can be a little excessive. The requirement to send off to the department a list of what you are paying and who they are, and other monitoring requirements, can be on some occasions a little excessive. You need to have a separate payroll and you need to identify who the overseas people are. Again, if you have a good record, if you can demonstrate that in the past you have complied with all the requirements, not only should you be fast-tracked in bringing people into Australia but also you should have the right to some relief or waiver from the monitoring requirements. We do not put forward to this committee how that is to be done, but it is not unique or unprecedented.

As I say, the prime submission that we have put forward has been somewhat usurped with the minister's announcement last week but there are a few other things that we did want to touch on which I think you may have heard from others. One was the fact that it appears that the 457 visa assumes wrongly, we say, that an employee is going to come into Australia on a temporary basis for more than three months. In our industry we do have specialist people who come into Australia on short-term engagements and it seems to us to be farcical to have a system where the processing of an employee to come to Australia on a 457 visa takes longer than the length of time that they are in Australia working. If you are going to come and work in Australia for one day, one week or three weeks it seems a little bit strange that you should have to go through a 457 application which is going to take up to three months, without going into the reasons that occurs.

There really does need to be some sort of a default system for employers who want to bring in employees on short notice for specialist projects. Now it quite often happens that someone might become ill—I am speaking from personal experience in that instance—where there is no-one in Australia to do a particular job which might only take a week. For example, you might have to go to an oil rig, into a seismic vessel or to a mining site. However, you have to go through the process of 457 application because you are not allowed to work in Australia under a 456 visa or a 977 electronic travel authority. There does seem to be a bit of a gap there and we think that the committee should recommend the establishment of a visa class that is less than three months. Otherwise, it just encourages not necessarily the abuse of but the tendency to apply for visas that are not appropriate.

With respect to English language, we say without any fear of contradiction from any of our members that there is a necessity for people to communicate clearly. In Western Australia, for example in the Mines Act there is a requirement for people to speak English in a comprehensive fashion. However, outside the mining industry, on a construction site for example, we do have people coming in from overseas who do not have a good grasp of English. On those occasions it may well be that the employer sponsors English language training after hours. You will have signs in other than the English language, in the workshops for example, which is not unusual whether they be in Korean or some other language. At the same time we always strive to have a safe workplace.



The difficulty we have with the 4.5 IELTS is in the administration of the test. It is an international test; we understand that to be the case but it is only another way of slowing the process down. You cannot simply decide overnight to walk into a university and sit the exam. It is a much longer process. It takes up to two weeks to get the results back from the testing. It may well be appropriate that you can do some testing in Australia. It may well be that you could be taught English in Australia. It may well be that, even though you cannot demonstrate academically that you can speak English well, if you have done your training with a company in which the prime language is English or if you have come from an English university or an English-speaking country, obviously there needs to be exceptions to the rule to demonstrate that you have this level of competency. While we say that the English language is necessary, there are probably other ways to demonstrate that people have competency as opposed to putting all your faith in one test, which is not something that is easily obtainable.

For example, I was working with a maritime company about two weeks ago and I had a Russian master on the ship. He was only in Australia for about four weeks and he had an interpreter. He had no intention of learning to speak English and no need to speak English. When he leaves Australian waters, he will go to work in another country and continue to speak Russian but have an interpreter, I would imagine. There just needs to be some flexibility. You certainly need to be able to comprehend instructions from people, you certainly need to be able to comprehend what you are getting paid, your contract of employment and so forth but I am not sure that extending that by having a standard test through an international examining body is the right answer.

In respect of the minimum salary level—there is a section on it in our submission on page 13 at 6.1—we do not have a difficulty with a minimum salary level. If people claim to be skilled employees, they should receive the skilled salary. And we certainly do not have any difficulty with that salary being indexed—if you are in Australia for four years, you should be entitled to some indexing of that wage or salary level. What we do say is that there should be some flexibility. A number of our companies are international or multinational companies that have set parameters in respect of what people get paid. If you are getting paid a salary in Indonesia of \$20,000 and you then come to Australia and all of a sudden your salary is \$41,850, that causes problems internally. We do not have a difficulty in meeting the threshold; it is a question of how you meet the threshold. If you get a permanent allocation of a living allowance, an international assignment allowance—which is what we have dot pointed on page 13—or tax equalisation make-ups, they should be considered to be part of the \$41,000. Where people are already getting these things, and they get the \$41,850 in addition to that, it causes some difficulties.

It is not as easy for an international company to say: ‘Well, this classification is entitled to this salary. When we go to Australia, we have to pay them more.’ They do not mind making the minimum salary threshold, but how they go about it should be taken into consideration. These are permanent allowances to people. People get up to \$250 a day to work in remote sites, but that is just ignored by the authority at this point in time. We say there simply needs to be a little bit more flexibility. We have explained at 6.1 why we believe that should be the case. And we are not talking about one-off payments or payments that might come and go every week; we are talking about permanent payments that people receive for the length of their assignments while they are in Australia.

In respect to monitoring and the compliance with which the committee is concerned, as I have already touched on, we believe that the annual reporting requirements can be a little bit of red tape and unnecessary, where you have a history of having complied with the requirements over a period of years. We do not believe there should be any tightening of those monitoring requirements for well-established records.

One thing that our members have mentioned to us on a number of occasions is that the system seems to put a great deal of credit on academic qualifications. Some of our industries—the drilling industry, for example—are basically not areas where one requires academic qualifications; you acquire learning through working on the job. A lot of our members have classifications where people have no qualifications but have an immense amount of experience—20 or 30 years of experience working in the oilfields or in the maritime industry all around the world—and they are well regarded and highly paid, and yet it is very difficult for recognition of that prior learning to be accepted by the department. We think that, if one relies on the ASCO codes and you do not find a classification in there that suits the person you are trying to bring in, there should again be some flexibility in the ability of the department to recognise that. We are not in the business of bringing in people who are not skilled. If there were a skilled person in Australia, obviously we would use them. It is much cheaper, far more effective and obviously in Australia's interest to utilise Australian employees. But where that cannot be done and we want to bring in people from overseas—and there will be occasions where they do not have the academic qualifications that fit in a particular slot and particular classification—we think that should be recognised.

We note that the committee said they were going to receive submissions on labour agreements. One of the advantages of labour agreements has previously been that, once you have a labour agreement approved, the department will fast track your application for a 457 visa. That advantage would be done away with if the minister's announcement were to be carried into place. However, it would also allow the ability for people to bring in semiskilled employees in certain circumstances. We believe that there are a number of semiskilled positions in our industry where there are certainly shortages and we need to look at bringing in people from overseas. Through the experience of our members, we have had some difficulty more recently in the approval of labour agreements. Our understanding is that labour agreements are where you do not fit into the normal 457 regime and you want to do something such as bringing in a semiskilled person who you cannot obtain from Australia. What we are now finding is that the department—whether it be DEWR or DIAC—is using a labour agreement to obtain concessions that you cannot be asked to give for a normal 457 visa, and we think that is a little bit unfair.

You will see in the department's standard template for a labour agreement that you have to give priority to or demonstrate that you have looked at employing refugees under some humanitarian program. That is not required under the 457 visa, but they are requiring it in templates. Some of those people obviously cannot speak English. They are not going to be appropriate for construction sites or in a normal gas processing plant—they do not have the experience and so forth—yet you will still find that in there. You will find that there are other things in the template that the government are moving towards, but they are trying to get it through labour agreements, which we think is a little bit unfair—for example, the inclusion that you cannot bring anyone in unless you have advertised in JobSearch for 28 days, and you cannot use anyone other than an Australian migration agent when you bring someone in who is licensed and so forth. They may all be laudable things, but it is bringing something in by stealth.

There is a lot of discretion in labour agreements. We think it is unfair to try to put in things that you want in the 457 regime that you cannot get or you have not got and then to force people to sign labour agreements that contain them, and it is not really what the labour agreement process was all about. As I say, some of the things are laudable, and maybe some employers are quite happy to do so. For example, requiring employers to meet all the travel costs and health costs of the primary visa holder's family and so forth is not required under the 457—it may be in the future, but it is not required now—but they are requiring that under a labour agreement. We think that is using the policy inappropriately.

One thing we do notice with some of these proposed changes is the potential to create additional entitlements for 457 visa holders over and above that of Australian employees or permanent residents. One of them in particular is the payment of medical insurance. No employee is entitled as a matter of right to have their private health insurance paid for by an employer. If you require—which is touted—that the employer pay someone's private health benefits, you are then creating an entitlement that the normal Australian permanent resident does not have. While he or she may be working side by side with another employee and receiving the same wage—and we certainly advocate that people who come in on 457s receive the same remuneration as the person that they work with, if they are doing the same work—we do not believe they should get additional benefits. The paying of private health insurance or some other form of health insurance is going to create a benefit over and above what the average Australian worker receives, particularly if that is extended to the primary visa holder's family and they are also going to receive the paid health benefits that ordinary Australian employees are not entitled to.

While we do not disagree that these visa holders should have health insurance, if the employer requires them to take it out themselves then so be it, and if they do not, obviously the employer is liable for it. But having a system where overseas employees are going to get benefits over and above that of our local and permanent workforce is something that we do not encourage and it can only lead to disputes in the workplace.

One other difficulty that has been raised with us through our multinational employer members is the proposal that employees be paid in Australian dollars and in Australia. If people are going to be in Australia for up to four years, we do not have any great difficulty with that, in one sense, but—

**CHAIR**—How about two years?

**Mr Bull**—Again, two years may not be a problem. I am actually thinking of between three months and 12 months. What happens is that if a person is employed in Singapore or employed in London their contract of employment normally says that they will get paid English pounds or American dollars and that will get paid into a bank account wherever it may be. To require the employer to pay in Australian dollars in Australia is going to cause problems with the payroll and so forth. They might be in Australia for three months and move to some other country and all of a sudden you might have to change how and where you pay them. One of the bigger problems that has been brought to our attention is that that an employee being paid in a foreign country in a foreign currency has a potential to impact on their superannuation. Exactly how that works I am not sure, but I am happy to find out if members of the committee are interested in that. We are told that that does impact on large multinational companies, where all of a sudden

they have to pay into an Australian bank account and into Australia. With the governments of whatever countries they come from it affects their superannuation and their pension. That is something that should be looked at.

Another issue that has been drawn to our attention is the fact that employers spend a lot of money and resources to bring in people from overseas, and they do so only because there is a need for it. What has happened is that there is nothing to prevent an employee who is sponsored to come to Australia by a particular employer to then go and work for another employer. That is no different from any other Australian employee. They are entitled to move from one employer to another if they are not happy, or they can get paid more, or whatever else. But you must bear in mind that ordinarily you have not had an airfare paid to bring you to Australia, you have not had your health assessment paid for by an Australian employer and you have not had your skills assessment paid for by an Australian employer.

Just by way of anecdotal evidence, we are advised that a particular construction company estimate that it costs them about \$15,000 to bring in a skilled tradesperson from overseas, whether it be from South Africa or the Philippines. Once the employee leaves the employer, those costs are not ordinarily recouped. The difficulty we have is that there should be at least a minimum period where the employee is required to work so that the employer can get some recompense if the employee decides to leave. We cannot say that an employee is going to be happy with the employer. They might have a personality difference, the work might not be what they thought it was going to be or whatever else, and they might be told to move on. But it seems a bit unfair that the new employer has not borne the cost of the airfares, the skills assessment, the health assessment or the English language testing, if that is required. There should be a minimum time period where the employee should serve with the employer.

Secondly, there is a difficulty where, if an employee goes and obtains another sponsor under the sponsorship arrangements, he or she is required to immediately work with that employer. You cannot have two sponsors. That means that the employee does not serve out their notice period, or the employee just disappears and the original employer has got no idea where the employee is. He might be 100 miles away or he might be down the road working at another workshop. They are not informed. We just think that, instead of having to send out search parties or look at local hospitals to see where the employee is, it would be appropriate for DIAC to advise the sponsor that that employee now has another sponsor. That is the least that we think should happen. We do not know whether to notify the department, whether the person is sick, whether they have gone back to where they came from or anything. That is not an endemic problem, but it is a problem that has surfaced for a number of employer members.

Hopefully, our submission speaks for itself. We do not see 457s as a substitute for having a skilled Australian workforce. It is only a temporary measure. How long it is going to be used to this extent we do not know. There is a current boom in our industry, and the skills shortage is well documented. We applaud any efforts to remove exploitation or abuse of 457 visa holders, but the remedies that are taken should be directed against those people who abuse the system. We say in our submission that responsible employers—which the majority of our members are—do not need further restrictions on this process. We do not want a situation where large resource projects here in Australia are delayed, are not even considered or are sent offshore simply because they cannot get the labour here in Australia. If the project is going to be built, we would prefer it to be built here in Australia by our members. If there is going to be a shortage of labour

then 457s may well be the answer to that. Therefore we do not, with respect, believe that restrictions should be imposed upon those employees who do the right thing. With those brief comments, I am happy to attempt to answer any questions.

**CHAIR**—Thank you very much, Mr Bull. Your written submission was very comprehensive, and you spoke comprehensively to your submission, and we appreciate it because you have brought a lot of new material into this inquiry. We found it very interesting because it is highly relevant. I will ask a couple of brief questions and then go to my colleagues, because we have got only a short period of time. It is pretty obvious that you are very supportive of this program, with a few suggestions and caveats. In saying that, there are some things that we probably should ask. For example, you talk about the alternate labour reservoirs, and then you talk about dependence on the visas as being potentially an encumbrance—because you have to pay up for them one way or another—wouldn't you see them as a potential for some of the semiskilled workforce as part of that labour reservoir?

**Mr Bull**—It is not my understanding that we would see the primary visa holder's family as a potential source of employment into the semiskilled areas, not in the industries that we represent. If they do not already have the training that is required, we would rather spend the money required to train someone from overseas on an Australian permanent resident. It may well be appropriate in other semiskilled industries, but not in the resource sector. I have not seen any evidence of that. In fact, in our industry the primary visa holder mainly comes over on their own. They do not bring their families, either because of the remote locations or because they might have the ability to go back to their home country a little more frequently than in other industries.

**CHAIR**—Would you see this visa program ideally resulting in permanent status and eventually a migration outcome for the 457 visa holder which would then give you a permanent workforce?

**Mr Bull**—We would not have any difficulty with that. I think at the moment about 20 per cent of 457 people go on to become permanent residents. At this point in time we are bringing them in on a temporary basis, but, if employees want to become permanent and they want to use the employer as a vehicle to become permanent, we do not have any difficulty with that. We would see that to be quite a valuable situation for the Australian workforce. But at this point in time, at least, employers do not have a grand plan to bring in people on a permanent basis initially through a 457 visa.

**CHAIR**—No, but ideally that certainly could help with our shortage of skilled labour. You have not put a figure on your prediction regarding the shortage of skilled labour, but other people giving evidence today have put a guesstimate on how long they think this boom is going to run and, as a result, the shortage of skilled labour.

**Mr Bull**—I do not disagree with that at all.

**CHAIR**—One proposition that you raised, which is quite interesting, is that basically, in layman's terms, if we are doing well and we have a good track record then we should be left alone and helped to fast-track things a bit. You suspect that that is what the minister is going to be doing in his new announcements so, as an aside, I might say that the minister has obviously been listening to the evidence coming to this inquiry and might have got in before we report. It

demonstrates that he is getting good feedback. The thing that you are suggesting is similar to a star rating given to employment providers—that, if you get a certain star rating as an employer, in this case, you would be given far more latitude. Is that what you are alluding to?

**Mr Bull**—Yes. We have stated in our submission how it works under a particular federal act. As to whether it be the star system that you have mentioned or some other system, we do not have any particular views one way or the other—until we see it, I suppose—but we certainly endorse the concept and we are pleased to hear that it has come up at this committee.

**CHAIR**—That was very helpful.

**Senator POLLEY**—Thank you for your submission and for your comments this afternoon. There are so many areas that we are not going to have time to investigate all of them. Some of the people who have come before us have had concerns in their areas that the department is not monitoring the 457 visas adequately, and some of your comments related to the salaries and the packaging. Obviously my belief is that everyone coming in should be paid the same amount of money, regardless of whether they are an Australian or a migrant. Do you believe the health bill for those coming in on 457 visas should be left for the employee to pay, or should the taxpayer pick it up?

**Mr Bull**—We are simply saying that it should stay as it is, and that is that there is a requirement for the employee to take out health insurance. Whether the employer pays it is a decision for them. If the employer requires the employee to pay it then so be it. But if a company has a policy where everyone's health insurance gets paid then that is fine. We do not necessarily say that it should be paid by the employer or the employee but rather that it should not be directed that it be the employer who pays it.

**Senator POLLEY**—This afternoon you also mentioned that English language skills was not an issue for your industry and the professional areas, but in the semi-skilled area it is obviously still of concern to other people that have given evidence. Do you have anything further to add?

**Mr Bull**—We have semiskilled people in our industries, like anyone else. At this time we are not bringing in people from overseas in great numbers in semiskilled areas that I am aware of. The only way to do so is through a labour agreement. But, as I say, we have our own inherent safety requirements that we must meet. If an accident is caused because someone cannot communicate with someone, that is going to be a problem. I am simply saying that we do not think that requiring a 4.5 score in the international English language testing system is necessarily the appropriate way to go about it. If you are a master on a boat, as opposed to a mining manager and so forth, you have some pretty significant responsibilities. Whether you are semiskilled or professional, whether you are operating a Haulpak or an underground mine, you still need to be able to comprehend the person next to you. At the moment we already have systems in place that cater for that. To our understanding there have been no demonstrated difficulties caused by the fact that people cannot speak English.

**Senator POLLEY**—There certainly has been in other industries.

**Mr Bull**—The senator mentioned that everyone should be paid the same. We do not have a difficulty with that. Our premise is that employees working side by side, doing the same duties,

whether they come from the Philippines or Australia, should be paid the same. However, if they are being paid the same and in addition to that the person from the Philippines is getting an international assignment of money, or a daily allowance of \$250, that should be taken into consideration; otherwise they are getting paid more than the Australian. We just say there should be a bit more flexibility in how one assesses that salary.

**CHAIR**—I am happy to be corrected here but from personal experience I understand that the employer is obliged to put an arrangement for medical insurance in place and quite often pays for that in the short term. Employees are then required to continue their own private insurance.

**Mr Bull**—That is correct.

**CHAIR**—So the employer is not required to pick up the tab.

**Mr Bull**—No, but I think COAG has a discussion paper out that suggests that the employer should pay for the health insurance.

**CHAIR**—But it is not in place now?

**Mr Bull**—No, it is not in place now. I am just pre-empting it, maybe unfairly.

**CHAIR**—You would have to see that as part of a new set of arrangements.

**Mr Bull**—I did not mean to say that it was already in place.

**Dr LAWRENCE**—As a preliminary question, what is the relationship between yourselves and the Chamber of Minerals and Energy in terms of your coverage of the industry?

**Mr Bull**—We have a similar coverage. We have dual members. Most of our members are also members of the Chamber of Minerals and Energy, but we specialise in employment relations. They are more of a policy organisation for economics of the mineral industry and resource sector whereas we get more into labour relations. We deal on a one-on-one basis in negotiations with unions on equal opportunity complaints or bringing people from overseas on 457 visas, for example. We are more human resources orientated.

**Dr LAWRENCE**—Then you are probably in a good position to answer the next question, which is: do you have a feel for whether people who come here on 457 visas actually stay in the industry once they are given an opportunity to move on?

**Mr Bull**—That is a good question, and I do not have an answer. Research has not been conducted in that particular industry or sector. It should be; it is interesting.

**Dr LAWRENCE**—If there is a churn factor, that is obviously a problem for policy makers.

**Mr Bull**—I think it is fair to say that highly professional people, whether they come from Holland, Switzerland or wherever, and from engineering or electrical or whatever, tend to go back to where they came from. But, hopefully, while they have been here, they have passed on their skills and experience to the Australian workforce. That is the ideal outcome.

**Dr LAWRENCE**—You hinted in your submission to us just then that there is quite a lot of—I do not know how much—movement between employers and employer sponsorship changes. Do you have a feel for what sort of numbers you are talking about there?

**Mr Bull**—No. I am sorry. I would not want to have a guess; I would mislead you. It has come to our attention that some companies have been highly embarrassed by bringing in people and all of a sudden a week later they are working for someone else.

**Dr LAWRENCE**—Do you think they are being poached?

**Mr Bull**—Yes. And they may be paid a little bit extra. I am sure we can understand an employee wanting to get as much money as they can while they are in Australia.

**Dr LAWRENCE**—Would it be reasonable, therefore, rather than the sort of bonded labour that I think you were suggesting, to just move the costs of the recruitment and transport onto the new employer and require them to pay proportionally what should have been paid in the first place?

**Mr Bull**—I had not thought of that option. We would not have a difficulty with that.

**Senator EGGLESTON**—You have discussed the fact that it is difficult to get visas for short-term employees who are required at short notice. This morning we had a witness who put forward the idea of an intermediary visa between 456 and 457, where people who were required for a specific purpose on short notice could be brought into the country. As the discussion went on, they thought it would also be a good idea to permit that visa to be extended for up to six months if required. Would your body support that sort of concept?

**Mr Bull**—Yes, we would. That is another good suggestion to try to alleviate the difficulty that we highlighted with this gap between the two visas. So we would not have any difficulty with that. The processing of that visa would obviously have to be much quicker than a 457.

**Senator EGGLESTON**—It would have to be expedited, yes.

**Mr Bull**—Yes, otherwise there would be no point in having it. Yes, we would support that.

**Senator EGGLESTON**—I note that you comment in your submission about the money the Western Australian government is putting into technical training. There is a group of people—in the age group from 20 to 40, I believe—who are currently excluded from TAFE training. Is that correct? So I heard on Saturday, anyway. Would you support providing subsidised training to people in that age group so that we work towards meeting our own skills shortages from within the Australian population, and seeing the federal government also support enhancement of technical training in the states?

**Mr Bull**—We certainly would support that. Our organisation was unaware that there was some age discrimination in terms of the money that was handed out by the state government. But if that is the case we cannot see why people between 20 and 40 should not have access to those sorts of resources.



**Senator EGGLESTON**—I was unaware of it also. But at another meeting I was at on Saturday someone suggested that in that age bracket there was a restriction on subsidising technical education. I wondered whether you were able to confirm that.

**Mr Bull**—If that is the case, we do not think that is appropriate. There are a number of people who become redundant or want to change their career and who are still quite capable of being productive in the workplace. There is no reason why someone aged 35 or 40 should not be able to access training for a new career.

**Senator EGGLESTON**—Exactly.

**CHAIR**—I have a few follow-up questions. Evidence was given earlier today that there is somewhere between \$80 billion and \$100 billion worth of projects in the pipeline in the next four years and that to achieve this in Western Australia we are going to need something like 40-odd thousand employees. Given the fact that you have talked about the labour availability plans that some companies are having to put up, if this cannot be satisfied internally—in other words, within Australia—what is your prediction about these projects being completed in that time frame?

**Mr Bull**—They simply will not be. I think you are referring to the *Staffing the supercycle* report, which identified another 70,000 employees across Australia with 40,000 here in Western Australia. I think that report concluded that you will need to rely on bringing in people from overseas. Some projects simply have to be built in Australia. You cannot build a Perth to Mandurah railway in Singapore. But other projects can be done offshore—in workshops in Korea or the Philippines. We do not want to see that happening simply because we do not have the workforce.

**CHAIR**—How useful has the experience of the immigration outreach officer from the department been?

**Mr Bull**—Very useful; very helpful. That is working well.

**CHAIR**—Is it under-resourced?

**Mr Bull**—My understanding is that it is sufficiently resourced. We have one that works in conjunction with our office and the Chamber of Minerals and Energy and a number of other organisations.

**CHAIR**—What about the compliance audit given to us today? It says that section of the department is very under-resourced in terms of checking on visa holders in the workplace.

**Mr Bull**—I do not have any personal experience with that, but I can say that employers do have an obligation to provide reports. If they are inaccurate or missing some details I will have to check whether the department is under-resourced. I do not know. One way of relieving that would be, as we suggested, to relieve the duties on those employers who consistently and regularly comply with the reporting requirements year in year out, to give them some waiver or some exemption or some lesser reporting requirement so they can free up the officers of the department to concentrate on areas where they might need more assistance.

**CHAIR**—Three of the categories of English competency are oral, comprehension and written. You are suggesting that it is a bit too much of a blanket sort of coverage to say they have just got to pass an arbitrary test. Should they be able to work up to it, or while they are here get tuition to get there?

**Mr Bull**—There are a number of ways of doing it. If you have got a workforce which is probably a bit unusual, which entirely speaks French or entirely Russian, the necessity to speak comprehensive English is probably a little bit removed. However, in some workshops—

**CHAIR**—Depending on the industry—

**Mr Bull**—yes, depending on the industry, maybe it is efficient to simply have exit signs or emergency procedures in a different language. In other cases it may not be so easy, so the employer should be able to satisfy and be satisfied that the English language and skills of the people they are bringing over are sufficient to not cause health and safety problems, either to that person or to other people.

**CHAIR**—Are you aware of the interstate migration pilot program, which offered \$5,000 to bring people from high unemployment levels in the eastern states over here?

**Mr Bull**—Yes.

**CHAIR**—Has that worked at all?

**Mr Bull**—I am not aware of it having been successful, no. It is very hard to get people to move from their place of residence to a different state—to leave their family and take up a new career somewhere else. That may be one reason. Five thousand dollars may not be sufficient, or no matter how much money you give it may not be sufficient.

**CHAIR**—Finally, because I asked this question earlier today, in the *Australian Financial Review* today—I notice you cover transport—it was said by the transport union that bringing in semiskilled people on visas to drive trucks would be a danger. How do you respond to that?

**Mr Bull**—I cannot see why it would be a danger. If they are competent to drive a truck it does not matter what country they come from.

**CHAIR**—The other allegation is that this is a form of cheap labour which is designed to drive down Australian wages and conditions.

**Mr Bull**—We simply do not accept that; certainly not in our industry. As I said on a number of occasions, we do not support the proposition that 457 visa holders be paid any less than the industry standard, whether it be \$41,000 or some industry award or whatever. They should be paid the same.

**CHAIR**—So if somebody works 38 hours then they have got to be paid the hourly rate they are on, and should they do more hours et cetera. That is part of the agreement?

**Mr Bull**—Yes. The other, converse argument is to say that any prohibition on bringing in people from overseas will put pressure on increasing wages. We do not argue that and we do not argue that it is about bringing wages down. It is simply to try and supplement the workforce in Australia, because the demands just cannot be met by the existing workforce.

**CHAIR**—There being no other questions, thank you very much for attending the hearing today. I would grateful if you could send the secretariat any additional material that you have undertaken to provide as soon as possible.

[2.25 pm]

**DEVEREUX, Mrs Linda, Executive Manager, Human Resources, Austal Ships**

**MURDOCH, Mr Stephen, Chief Operating Office, Austal Ships**

**CHAIR**—I would like to welcome representatives from Austal Ships to this public hearing. Although the committee does not require you to give evidence under oath, I should advise you that the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. The committee has received your submission and it has been authorised for publication. I invite you to make a brief opening statement, if you wish to do so, before we proceed to questions.

**Mr Murdoch**—Thank you. How we intend to approach this is that I will give a brief overview of our operation and how we manage 457 visas and the impact that they have had on our operation. Then I will invite Linda Devereux to talk in a bit more detail about our submission. She has a much more technical appreciation of the issues. The Australian operations of Austal employ around 1,350 employees across four shipyards in Australia. We have another 1,000 employees in the US. Out of that 1,350, we currently have 235 employees employed on 457 visas. We are in an environment in which we are growing our business and our operation and it is absolutely fundamental for our ongoing success to be able to access skilled labour. It is our preference as an Australian publicly listed company to employ Australians and to grow and develop Australians. We are very proud of the fact that we have this opportunity. We primarily export, with some domestic defence work.

Over the couple of years that we have employed 457 visa holders, we have increased our work force by around 35 per cent, so they have contributed to the increase in our work force but they have not been our prime source. We currently have 262 apprentices undergoing full-time training. We intend to grow that by the end of the calendar year up to 300. We are very proud of the fact that we have a long history of identifying and training Australians. They are full-time. Just from January to the present day, 562 of our Australian employees have undergone some form of training. It is absolutely essential that we have the right skills for our niche industry.

The contribution that we have been able to put into the Australian economy over the period in which we have picked up the 457 visa holders has given us a lot of certainty and the ability to go out into the international marketplace and pursue contracts. Our Australian operations—and these are rough numbers—in financial year 2006 turned over or sold \$230 million worth of vessels. We look like being able to increase that to \$370 million, which is a year on year increase of 60 per cent or around \$150 million. As I said, we have increased our employment by 35 per cent. By the end of the calendar year, we will pursue another 150. About 40 of those will be full-time apprentices. Having the certainty in the skills base that we have been able to rely on through the 457 visa program has allowed us to take our forward order book from \$250 million 12 months ago to currently \$650 million and growing.

The assistance that this program has given us has been absolutely fundamental to our growth. I reinforce that it is our first priority and our first wish to employ, train and develop Australians, but, given the current environment, the competition from the resource industry and our desire to continue to export, it is absolutely essential that we be given access to the particular skills that we require from the global pool. That is basically where we are in the total business. We are very positive about the program. I would like to hand over to Linda to talk in more detail in response to the questions from the inquiry and close by saying that we do not have a large number of issues with the program—we are now fairly proficient in this process, having put a couple of hundred people through—but we would like to contribute to a positive and improved program.

**CHAIR**—Thank you for that.

**Mrs Devereux**—Following on from what Steve was talking about, the training that we provide, we currently spend an average of \$100,000 per month in training our Australian workforce. The 457 people are included in that, but we have only had them for just over a year. Our first lot have been here for just over 12 months. So they would fall into that, but not as much as the Australians. We are currently spending an average of \$30,000 per month on local advertising. We have had very little success over in the eastern states. We have come to the point now where print media is just not working for us. We are trying everything within our power to try and advertise and get people but it is just not working, so we do not have much choice here.

I will look at some of the points in the paper presented by us that the committee raised. Proficiency in English language is not a real issue for us. We are heavily involved in the recruitment process of all of our 457 workers. We actually send a team of Australian managers and skilled people over to interview and test every one of the workers that we bring in. Those interviews are conducted in English and the testing is in English, so it is not a huge issue for us. It is my understanding that as a permanent resident you have some form of access to English language training. We make a four-year commitment to these guys. They come over here for four years, and either we pay for their English lessons or they pay for their English lessons. I ask that that be considered and that the system that is available for permanent residents is looked at for these guys too, if they are over on a four-year term or something.

The guys that we bring in, whilst they do not have any—

**CHAIR**—Do you bring any girls in?

**Mrs Devereux**—They are all guys at the moment. Actually, we have one girl; we have a designer.

**Mr Murdoch**—A Russian naval architect.

**Mrs Devereux**—That is not because we have anything against girls; it is just about who applies. They are not certified; they are not qualified through trade certificates. They just have many years of experience in their particular industry. We have found that these guys have been able to come in and hit the ground running and have been very successful in picking up top-up skills on top of what they currently have. However, we would like the committee to review the current ASCO list, which details who we can and who we cannot bring in, and perhaps expand it or revisit the different types of trades or skills that are on there. I had a quick look at the list the

other day and—no disrespect to these positions—historians, dance teachers, sculptors and singers are on the 457 list. We are in a boom in construction here, whether it be marine, housing or whatever, and yet we cannot get a scaffolder or someone to put insulation into a place. They are on a different list but not on the list of occupations we are allowed to bring in. So we are bringing in people with higher skills sets and rotating them through the lower trades to try and fill those positions. We have advertised heavily for these positions and we have had no success in that area. So we would ask that that be reviewed if at all possible.

I turn now to the monitoring and enforcement of the subclass 457 visas. The gentleman prior to us spoke on this, and I would have to agree that it is cumbersome to our day-to-day procedures. When we bring in people on 457 visas we do not flag them in our payroll system as anyone different to any other Australian. We pride ourselves on ensuring that they are brought in on a par with Australians. We do not want anybody to point at us and say that we are doing anything different, and we make sure that we do not. However to pull out the information that is required for the monitoring is a manual process. So we have to go through and manually pull out 235 people out of a payroll of 1,300. We have to pick their individual pay slips out of a pile of printing that is done and send off that information. It is just really over the top in some senses. We appreciate that that has to be done, and we do not have a problem with that, but the level of detail and the frequency of reporting required is probably a little cumbersome for us.

We have a very good working relationship with the Perth office of the department of immigration. We work very closely with them. The number of 457 visas that have gone through that office in the last 12 months has probably knocked most people over. It is huge. I think that office is probably underresourced in terms of staffing. As a result we are getting contradictory information at times. Some information was sent to Sydney when it should have been sent here. I am not saying the department is at fault; I just think there is a lack of experience and a lack of resources within that department. They probably do need a little bit of help there. I think there also need to be some clear guidelines established as far as reporting back on situations or any questions that they may have. We have the monitoring department, and we will answer their questions or respond to them if they ask something of us. However, somebody else may turn around later on and say that there is a different requirement or that what we have to give is different. There seems to be a little bit of contradictory information there. I think we need clear guidelines on who we go to if this system is not working. We do not seem to have that at the moment.

Finally, I want to make one last point on the total remuneration package. We have the same issue with the \$41,850 that the speaker before us talked about. We do not go out there to intentionally pay these guys any less than our Australian workers. However the minimum pay requirements for Australian workers are quite a bit lower than what they are for the subclass 457 workers. There is a fair difference between the two of those. All of our employees are on AWAs. We have additional set benefits in there—profit share bonus, work safe bonus, annual leave loading and overtime penalty rates—that are over and above what we have to pay. None of those, other than the overtime, is taken into consideration by DIAC. It is just a base level of pay. So we actually have some of the guys who we have recruited from the Philippines, at the end of the day, on more than the equivalent Australians. We just have to hope that in some areas that is kept quiet. I would hate to think what might happen if it got out there. We pay on performance. It is all performance managed at Austal Ships. These guys are no different, but we do have some guys who are on more than the Australians due to the extras that we give.

**CHAIR**—Thank you very much. We appreciate the evidence given by you and Stephen. As a highly successful Western Australian company with a high proportion of your workforce on these visas, your evidence has been very much welcomed. You say you send your managers overseas to recruit—and that is interesting. Do you use the department’s immigration outreach officers?

**Mrs Devereux**—No.

**CHAIR**—You don’t liaise with them from that point of view?

**Mrs Devereux**—We use an agent. We use a couple of recruitment agencies to find these workers and then we go over there and interview and skills test people and then we come back through that agent. We do go through the department of immigration—a case officer there—but we do not use—

**CHAIR**—Following your opportunity to send your managers over to recruit and to examine and to competency test, what has been the failure rate?

**Mr Murdoch**—In broad terms, out of the 235 we have an enormous pool to start from. Unashamedly, we target competitors. We are a very small industry in the world and so we understand who the other shipbuilders are and what our markets are. We have to build our vessels to quite stringent international standards and these are well known and well understood. To be able to build to those standards means that, quid pro quo, your workforce, is very skilled as well. We go to the areas around the world where our competitors are and we advertise that we are in town. We get a flood of applicants but we very specifically target, in the first instance, the primes and the contractors associated with that business. Then we sit down and make sure that they have a language and skills proficiency and an attitude and work ethic, and we would do this probably in excess of an Australian application. We then decide whether we are going to accept their employment.

**CHAIR**—You were here when the previous witness gave evidence. It was suggested that there could be an opportunity to do what a Job Network provider does in terms of star ratings and if you get a certain rating you are given more latitude and less scrutiny—though that is possibly the wrong word—so that you do not have as much interference and you are given an opportunity to fast-track. Would you agree with that?

**Mr Murdoch**—I believe that you have to demonstrate a proven track record; you have to earn those stars.

**Mrs Devereux**—If you were talking about here in Australia, as far as the success rate for all of the guys we have brought over, out of the whole lot we have had one guy whom we would not pass in our induction because his lack of English comprehension at that point in time meant that he could not understand our safety requirements. So we sent him back. We have got another guy who, after 12 months, is just so homesick that he is going home. And we have had one guy pass away. Other than those instances, we have got no complaints.

**CHAIR**—Thank you for that. We have heard a few different figures today. What does it cost you to bring a 457 visa holder here?

**Mr Murdoch**—If we include our overhead costs and all our recruitment—and I was just thinking about that when I heard the previous number—it would probably cost about \$10,000.

**CHAIR**—That is three different figures we have had today.

**Mr Murdoch**—It depends on the arrangement that you have with your agent. It costs us \$5,750 per person. That covers recruitment, airfares and clothing, but when you look at your overhead costs and you drill down, we have one full-time HR officer involved in this process, and Linda spends an enormous amount of time. When we go to recruit we send two of our high-level managers, skills testers and so forth. So just on that basis, it was doubling our up-front cost by the time we got through all the administration and overhead.

**CHAIR**—One of the requirements of the visa is to initially find suitable accommodation. Can you respond to that? Some of criticism of this visa is that there have been some rip-offs in the industry where employers provided accommodation in a pretty ordinary state and then slug people an enormous fee to use it. Can you tell us your experience?

**Mr Murdoch**—We are extremely cognisant that in all parts of the world there are rogue employers and employees. Primarily, these guys, if they are coming out of, say, Asian countries, have no wealth. They come here and we have to give them money just to start living. We have sourced a local businessman for accommodation and another local businessman for transport. On an arm's-length basis these guys go out into the market and get commercial arrangements, which we offer to our employees as a way of getting out into the community and finding their feet. They are under no obligation. It is no different from if they were a tenant in Australia. We use our general counsel to vet all the agreements that these guys are entering into to ensure that there are checks and balances in place. With that approach—using our commercial people in the organisation to ensure that they are dealing with people of high integrity and successful businessmen—they have been able to get much better deals than an Australian would be able to get in finding accommodation and transport. We have been able to use that bulk-buying power. As our employee, they are under no obligation to do it, but we assist them in getting into our culture and our community.

**CHAIR**—You heard a previous question about private medical insurance. What is your arrangement?

**Mrs Devereux**—When the migrants first arrive, we pay the first two weeks of their medical insurance. Thereafter, we organise it but they pay for it. We do dock it out of their pay as a pay deduction with their authorisation.

**Dr LAWRENCE**—Given that most of those health funds have a 12-month waiting list, what do they do in the meantime?

**Mrs Devereux**—The health fund that we go with waives that. It is particularly for people coming in from overseas.

**Dr LAWRENCE**—We have had people who have been caught with those arrangements because they are not entitled to Medicare and they are not covered by their private health insurance.



**Mrs Devereux**—These people are covered straightaway. We have a really good package. We have had absolutely no problems with it. They have paid on every claim. They are covered from day one.

**Dr LAWRENCE**—You mentioned that, because of the existing enterprise agreement that I presume you have in your—

**Mr Murdoch**—Australian workplace agreements.

**Dr LAWRENCE**—I forgot that you are one of those places that have those as a preference—some of your people will be paid less than people coming into Australia. Have you ever tested what would happen if you offered the same rate to Australian workers? Do you think you would get more of them turning up at your gate?

**Mr Murdoch**—The rate that we are paying is the market rate. It is not a safety net award. If you went to source a scaffolder on the open market, to pay that, that is what you would get. Because the interpretation of salary against \$41,850 does not take into account our whole package, we have to skew the base rate to satisfy that. That means there is a differentiation between an Australian and, say, a person on a 457 visa from an Asian country. Our request is that we look at being a little bit more sophisticated in assessing what \$41,850 means in terms of a common-law agreement or an AWA. The simple fact of the matter is that, no matter what you pay in some of these segments, you just do not have the skills base in Australia. They are just not there. As we have said, we have not given up. We spend an enormous amount of time at trade fairs, career fairs and advertising. We do pick up the odd one but, quite frankly, in our case the way the salary is interpreted means you do not take in the full benefit.

**Dr LAWRENCE**—You mentioned you have been operating these visas for only 12 months. Is that what you said?

**Mrs Devereux**—The first lot of guys that we brought in were here for 12 months. Between January and March they were scattered, so—

**Dr LAWRENCE**—So you are not in a position to say how many of them are staying in the industry?

**Mr Murdoch**—All of ours are staying in the industry.

**Dr LAWRENCE**—They are at the moment, after 12 months—you would hope so. And they are staying with you as the employer?

**Mrs Devereux**—They are staying with us.

**Dr LAWRENCE**—The other issue that I think is relevant—and we have not tested this much today—is the question of what opportunities there are for people on 457 visas to possibly raise complaints about you, or any employer for that matter, and also to be aware of their entitlements under the law. Do you specifically provide them with the opportunity to make complaints and do you keep them informed of their entitlements and responsibilities under the law?

**Mr Murdoch**—Sure. This is fundamental to our business. Whether you are a 457 visa holder or a young Australian coming in on an apprenticeship, there is no differentiation in our workplace. 457 visa holders are on the exact same Australian workplace agreement that the Australians have and all the processes that we provide for our Australian employees we provide for a 457 visa holder. An example of this is that we have a whistleblower program which, in the first instance, is managed by the executive manager and comes back to me. There is a safety net around our whole organisation. If you feel that a situation is not being handled with proper integrity, you can come and talk off the record in our process. We have a rigorous communication protocol in place within the organisation and we have a very high supervisor to employee ratio. There is basically one supervisor to every 10 or 12 employees and they meet with their crew daily. The superintendent of the organisation meets with the crews every two weeks and with the manager every four weeks. We have a very rigorous and intense communication process.

The other area that we have in our AWA is on managing performance on a one-on-one basis, so we get to sit down formally and go through any problems that the employees are having. There is a set of expectations which are documented and there is also an opportunity for the employee to say, 'I'm not really happy with this, so what can we do about?' Structurally, throughout the whole organisation, we make sure that there are opportunities for people to voice their opinions without fear or favour and to be dealt with in a fair and credible way.

**Dr LAWRENCE**—I also asked a specific question about you informing them, because they are in a unique position, about their entitlements and responsibilities under the visa.

**Mrs Devereux**—We are probably lucky that our HR officer who looks after these guys is here on a 457 visa herself. She is constantly on the lookout for different issues. We have regular meetings with the groups to inform them of various things. The latest one was that we were able to get them a better deal for their medical insurance over Medibank, who they were with. We were able to bring them in and update them on the rules. We had an issue, as I said earlier on, where one of our guys passed away and these guys were not taking up what they could with their medical insurance. They were just paying the money and not doing anything about it, so we brought them all in and had a communication session with them to let them know what their rights were and what they were allowed. We are constantly having these sorts of meetings with them. Some things come back again. They will have complaint against us and we will address it.

**Dr LAWRENCE**—You said you have a significant number of apprentices. I know that you have always had apprentices, but is that number a fairly recent phenomenon? Secondly, do you have some assessment of the relative costs of taking someone all the way through from apprenticeship to the skills necessary for them to be fully fledged employees in your organisation as opposed to the cost of bringing in already skilled labour?

**Mr Murdoch**—To answer the first part of the question, it is fundamental to the way that we run our business that we not only train young people into apprentices but also have a fast track mature age apprenticeship program. Just for your information, of that 262, there would be 44 on the mature age fast track whom we have put in place in the last 18 months and we are growing that at a rate of around 20 a year. We are looking at that part of the labour pool which is not skilled but has the right attitude or ambition in life. We bring them in as labourers and then we assess their ability to move into a trade and we put them on the fast track. The rest are

conventional apprentices. About two years ago we probably had 185. We have grown that to 260. We would like to be at 300 right now, but it is going to take us another eight to 10 months to get there.

In terms of relative cost, we have not worked that out, because for us it is not a cost versus benefit equation. When we employ someone in an apprenticeship, it is part of our fundamental growth going forward. We understand that, to be able to grow the business the way we want, we need to increase not only our productivity but the number of people that we have engaged in these operations. So we probably would not want to go and assess the cost, because we might think a little bit differently. But for us it is a philosophical approach rather than an economic approach. We need these people.

In the other area, we have not driven that, because we are absolutely, fundamentally committed to our workforce. We have an internal rate of promotion of around 95 per cent, I would say. We believe that some of our best engineers and managers came off the floor as tradesmen, so we also see it as a way to continue to grow the depth of the organisation, so we have not done the numbers.

**Senator POLLEY**—Just to follow on with that, I am impressed with the number of apprentices that you have. Can I be so bold as to ask: do you have any young women apprentices?

**Mrs Devereux**—We have got a few.

**Mr Murdoch**—We have got a few.

**Mrs Devereux**—We push it as much as we possibly can, but we do not get a lot of them applying for apprenticeships. We have a couple of different programs. We are involved heavily in the KIEP and also the SAL program. We are getting a few girls coming through there, so we are hoping that we might get some applications for apprenticeships.

**Senator POLLEY**—In relation to what you were saying about housing and transport for those coming out on 457 visas, you also alluded to the way you help integrate these visa holders into the community. Can you elaborate any further as to what your company does on housing and transport?

**Mr Murdoch**—Sure. The 457 employees are very well accepted within our organisation. A lot of our supervisors, even up to manager level—because they have been overseas and recruited these guys and they have formed a relationship with them very early in their career at Austal—take a personal interest in them, coming round to their houses, having barbecues and so forth. Just in our organisation culturally they are very well accepted. Because a lot of our guys do work overseas as well—we have service jobs all over the world, and we have operations in the US—most of the guys who are in those senior roles know what it feels like to be away from home and family, so there is a real alignment there to help the guys out.

One of our service providers or agents provides ongoing support, and they are very good, not only in terms of skills training and testing. Again, to add on to the question we have there, they communicate pretty heavily with the 457 visa holders and seem to be an independent source.

One of these organisations has a connection to the local pastor. Some of the cultures that we bring in are very religious, and we make sure that there is the ability to connect with the local community. So, wherever we can assist, without being totally involved in their life, we do promote integration into local basketball teams and so forth. So there are some really quite interesting relationships being built up between the Australians and the 457s.

A lot of that is to do with the high quality of the people coming in. We are growing our business and we are working really hard on it, and our Australian workforce is actually quite relieved that we have this resource there. They come in, they are very skilled and very competent at what they do, and within minutes they are adding value. So I suppose it is a vote of confidence in our process and our procedures that the guys want to form a social relationship with them.

**Senator POLLEY**—What would be the turnover rate generally within the company, in terms of people leaving?

**Mr Murdoch**—Around mid-20—24 per cent or something like that. It has improved. We have improved it from probably 50 per cent down to 24 or 25 per cent over the last couple of years.

**Senator POLLEY**—You have commented, as a previous witness before the hearing, about monitoring and earning some stars. How often does your work site have site visits from the department? What sort of documentation is expected? Do you get phone calls in relation to those out here on visas? In terms of trying to establish how you would then assess whether a company is actually earning its gold stars or not, what is your current experience?

**Mrs Devereux**—In the last 12 months I have had three or four meetings with Michael on site. In March they did a walk around and interviewed quite a few of our 457 people.

**CHAIR**—Do they all get visited?

**Mrs Devereux**—Each worker individually?

**CHAIR**—Yes.

**Mrs Devereux**—No.

**Senator POLLEY**—How many of those visa holders have been interviewed in the last 12 months?

**Mrs Devereux**—They were interviewed in March, when they came down, but not everybody was interviewed.

**Senator POLLEY**—How many were interviewed?

**Mrs Devereux**—About 20. They took out so many from every department. We gave them all the names and they randomly went through and said they wanted to speak to this guy, that guy or whatever.

**Senator POLLEY**—Obviously, because you are a unique industry—and I might add that we have a very good ship-building industry in Tasmania—

**Mrs Devereux**—So have we.

**Mr Murdoch**—We have just bought a shipyard and started there, so we are Tasmanian as well.

**Senator POLLEY**—I welcome you officially! You have a unique workforce so, in terms of people on visas and recouping the cost of bringing them out, perhaps you do not have them poached so often. But we have heard that people who come out on visas and are ripped off in terms of salary, work conditions et cetera, particularly in the hospitality industry, have to leave if they do not find a new sponsor in 28 days. We are looking for a resolution to that. Do you have any comments or suggestions we can take on board?

**Mr Murdoch**—We have not had any experience in that area.

**CHAIR**—So you have had none leave?

**Mrs Devereux**—No. We have had a few from other places knock on our door to take them over.

**Mr Murdoch**—We have had a number come to us.

**CHAIR**—Have you done that?

**Mr Murdoch**—No, they have not had the appropriate skills. They were steelworkers, and they never learn anything.

**Mrs Devereux**—Or after reference checks. Because we are pretty strict on our recruitment process in the first place, to take somebody else on we want to put them through the same process here. Generally it is either a call to the department of immigration or the previous employer to find out what the story was. Most of the times that we have rung, it has been a performance issue.

**Mr Murdoch**—It may be that if the department has a list of all those people who currently have 457 visas, and their organisations, and they are looking for a home for that individual, that would be the first point of contact I would go through.

**Senator EGGLESTON**—Do you think coordination and information exchange between DIAC and DEWR and state government agencies with regard to 457 visas is working as well as it might do? If not, how might this be improved? Although you are a specialised industry, I would like a general comment because we are conducting a general inquiry into the way these visas work.

**Mrs Devereux**—We do not have a lot of interaction. We have a case officer within the department of immigration who we deal with all the time. My only comment would be that, many times, the department is restricted because of the rigid rules that are in place for 457 visas.

Flexibility is almost non-existent, probably through no fault of theirs because obviously they are just being guided by someone else. That flexibility needs to be put in place. I can understand that, when this was brought out initially, probably a lot of work was done to put it in there, but I think some areas might just have been covered by blanket rules.

**Mr Murdoch**—That is in relation to DIAC, but we have very little interaction with DEWR.

**Mrs Devereux**—On the issue of a support visa between the 456 and the 457, we would like to see that as well. We have the same issue, in that we have to bring people in for short-term projects and go through the 457 process.

**Senator EGGLESTON**—That is very interesting; it sounds like it is something that is really needed.

**Mrs Devereux**—Yes.

**Senator POLLEY**—Do you produce an introductory package for visa holders when they come out? Do you have any documentation that you present to them about the community, about your responsibilities and about their responsibilities? If you do, could you send us a copy of it?

**Mrs Devereux**—Yes, we can send you one. We actually give them quite a lot of information over in the country that we test them in—small things like information on bus services and medical matters. We have a Perth book that outlines living in Perth, a sample AWA, information about medical insurance.

**Mr Murdoch**—The commercial agreement for their accommodation if they wish to participate.

**Senator POLLEY**—I would be interested in that.

**CHAIR**—If it is not too commercially confidential.

**Mr Murdoch**—No; that is okay. The other one is that, because we take ownership of the recruitment process in country, there is so much more relevance in the information when the guys are going through the interview. So that relationship starts months in advance of their arrival in the country.

**CHAIR**—We have taken note of your comment about the ASCO skills list being out of date. That has come through in other areas of evidence as well. I am sure that, as these things get back through to the minister and his department, that will get back as well. I did find it interesting that you said you found it a bit cumbersome having to retrieve details on individual 457 visa holders. As somebody who operates a database through my office, I would have thought they are quite easy to tag and draw down.

**Mrs Devereux**—They are in our payroll system just as normal AWA workers. Our payroll identifies whether you are a salaried worker, an AWA worker or on an apprenticeship. It would mean that we would have to raise another code to input these guys under. We are pushing constantly out there that we are treating these guys exactly the same as Australian workers. We

could get around a lot of our problems by putting these people on a salaried agreement, putting them on in a totally separate way. That is not what we want to do. We want to be able to stand up in front of anybody and say, 'These people are treated exactly the same.' To do that, we would have to flag them as different. We cannot flag them as 457 workers in the payroll system that we have got.

**CHAIR**—You must have an antiquated payroll system, because I am sure I could do it.

**Mrs Devereux**—Maybe!

**Dr LAWRENCE**—That was my observation too, Mr Chair. It seems very straightforward.

**CHAIR**—Do you employ any Indigenous young people?

**Mr Murdoch**—Yes, we do.

**CHAIR**—How many?

**Mrs Devereux**—I do not know. I do not have the figures.

**Mr Murdoch**—Again, we do not do a lot of analysis of our workforce based on—

**CHAIR**—And do you provide industry scholarships, for example, to local high schools and TAFEs?

**Mr Murdoch**—We have a pretty rigorous program in terms of engaging the local schools and TAFEs. We have an extensive work experience program for the local schools. We support heavily our Challenger TAFE. I am actually on the governing council. We provide our own employees to assist, because they have a skills shortage as well. We have actually provided all the trainers for TAFE recently. For professional university graduates, we have graduate programs and vacation work. If there is someone in the community who has a penchant or a bent to come and have a look and work for us, we will provide them with work experience into a job. As I said before, we bring some people in as labourers and we assess them over a period of time and then move them into a trade skill. We have to make sure that we have got all avenues available to capture whatever part of the population wishes to become part of our organisation.

**CHAIR**—I suppose I should not be cheeky at the end of the hearing, but one of my constituents, an apprentice of yours, told me that they are having to continually go back and fix up the welds of some of these overseas visa holders. That would not be true, obviously.

**Mr Murdoch**—I can give you the statistics. When we started this, our X-ray non-destructive testing failure rate was somewhere around 60 per cent and we are now down to four per cent. So I think he might be having a lend of you.

**Dr LAWRENCE**—What are your observations, given that you have a significant number of 457 visa holders, about the ease with which their families are settling in? I know many of them do not bring their families initially, but in time they do. My experience is that some of them have difficulty because, while the primary visa holder can speak English, the spouse cannot and the

children often have difficulty initially finding appropriate English-language support. Do you have any comments on that?

**Mrs Devereux**—We have only a very small number of workers who have brought their families over. We do have a few of the Filipino workers who are looking at it. We are trying to encourage it, because we do not want them to go home because they miss their family; we want them to stay here. We have not had much feedback about the experience and problems of the few we do have. They were mainly from Croatia.

**Mr Murdoch**—Over a large period of time there has been a lot of immigration into the area where our operation is situated. There are a lot of national community clubs and so forth, so the integration into our local area has been quite seamless.

**Dr LAWRENCE**—It would be okay for Croatians. It might be less so for Filipinos and Koreans.

**Mr Murdoch**—No, there are a lot of Filipinos in that area. The pastor is a Filipino, and a lot of those things.

**Mrs Devereux**—It would be interesting down the track. As I said, we want them to bring their families, and it will be interesting to see how many of them actually come over and apply for permanent residency. I think some may struggle.

**Mr Murdoch**—An Australian in their mid to late 20s or early 30s in the Western Australian economy has had quite a number of years to create wealth and get something behind them. They would have enough money for a deposit on a house, have a car and have support from their family. A lot of the 457 visa holders have nothing. To come into an economy such as we have today without that time for wealth generation is, we think, a hurdle to them being able to bring their family out and starting again. That is a shame, but I think that is the reality of the economy we are in.

**CHAIR**—With regard to the conflicting and confusing information you said you got through the department, how do you see that as being best resolved? Do you need a one-stop-shop or one person? Do you have an answer?

**Mr Murdoch**—I think that clarity in the guidelines would be the best thing so that there is transparency in what the guidelines are saying. If you are in a situation where you have a different opinion on something, you need to know where it is. I do not think it is a major issue. We have had one or two, but 98 per cent of those are in the normal course of business. They are negotiated or clarified between Linda and her team and the local department.

**CHAIR**—I am sure you can see your local member if she cannot go through the department.

**Mr Murdoch**—We have not had any problems.

**CHAIR**—We appreciate the information. As I said, you are not only a highly successful Western Australian company but also a big user of the 457 visa program, so we appreciate your



attendance here. I would be grateful if you could send the secretariat any additional material you have undertaken to provide as soon as soon as possible. Thank you very much.

Resolved (on motion by **Dr Lawrence**):

That this committee authorises publication of the transcript of the evidence given before it at public hearing this day.

**Committee adjourned at 3.13 pm**