

Hello,

I am writing to express my outrage at the manner in which LAFHA reforms for 457 visa holders have been communicated, or perhaps more fittingly, miscommunicated. It is still not entirely clear to me whether or not 457 visa holders will have their LAFHA arrangements severed on 1 July, but that is my assumption after hearing from a number of colleagues about telephone conversations held today with Rebecca Fanning.

It is all well and good for your department to argue that reforms were made clear in November, but that is simply not the case. At this stage, even big-four auditing firms such as KPMG have been wrong-footed by your contradictory and byzantine pronouncements.

Here is the now-infamous extract from Budget Paper no. 2:

"The reforms will apply from 1 July 2012 for arrangements entered into after 7.30pm (AEST) on 8 May 2012, and from 1 July 2014 for arrangements entered into prior to that time."

So, reforms will be entered into only from 1 July 2014 for arrangements entered into prior to the budget speech. Today, however, I am being told by those who have spoken to Rebecca Fanning that "existing arrangements" refers only to those arrangements that were not impacted by the MYEFO proposal. As if 457 LAFHAs are not still "existing arrangements"! Perhaps instead we are meant to decrypt the word "reforms" in order to discover the passage's true meaning. Who knows for sure, other than the people working behind the Treasury's closed doors?

The term *kafkaesque* is pretentious and normally best avoided, but it describes something that is unnecessarily, almost menacingly complex. Assuming that the accounts from people having spoken with Ms Fanning are true, then I cannot think of a more apt description. You cannot fail to understand the stress and confusion which you have inflicted upon LAFHA recipients on 457 visas; stress and confusion which could easily have been addressed with clear and unambiguous guidance, which you appear deliberately to have avoided. It is almost as though you are choosing to toy with people's lives in such a cavalier fashion.

All I can say in reaction to the above is that I hope the people who wrote the MYEFO and the budget paper are not also responsible for drafting actual legislation.

As for the LAFHA on its merits, by now you must have heard many of the arguments against ending it for 457 visa holders without any transitional arrangements, but they bear repeating because they are so serious. This government claims to recognise a skills shortage. It claims to recognise the benefit of bringing skilled foreign workers into Australia to contribute to its economic development. Until recently, it also recognised the fact that, if it is not going to offer any of the social benefits or privileges of permanent residence in Australia, then it should not make people pay for them.

The LAFHA was a reasonable bargain between people who have the skills Australia needs and a government which understood that it is manifestly unfair to make people contribute long-term investments to a society that has no intention of ever integrating them. Imagine a club that asks people to pay dues but does not grant membership. This is the proposition being put forward by the Australian government. No social security. No Medicare. No access to free public education for one's children. No indefinite right to remain. The deal was

simple: we do not intend for you to stay long term, so we will not tax you as though you will be a long term burden on the state. That is fair.

Making people pay full dues and then treating them as outcasts, on the other hand, is quite obviously unfair.

The clear message from the Treasury is that it feels that LAFHA recipients on 457 visas are somehow sponging or roting the system. It astounds me that such ignorance can exist at the very heart of government. Australia has some of the very highest living costs in the world. I can tell you from personal experience that trying to make ends meet in Sydney is tougher than it is in London, or almost any other European, American or Asian capital. The high-salary packages that are touted here are in fact quite meagre once one considers astronomical costs of living, plus specific burdens on 457 holders such as compulsory medical insurance or sky-high tuition fees that residents take for granted.

How could anyone in government be so out of touch as to consider the lifestyle most LAFHA holders on 457 visas actually live, as opposed to your squalid political straw-man, as being a rort? I would wager there are far more LAFHA recipients struggling to make ends meet in crumbling strata units than are living the high life in Vaucluse or Mosman mansions.

If you want these skilled foreign workers to look seriously at a life in Australia, then you have made a profound mistake. Doors are open to these people all around the world, so what reason are you giving them to consider this country? Perhaps you have convinced yourselves that Australia's lifestyle is so wonderful that people will put up with your insulting accusations of rorts or the fact they will almost universally be worse off financially, without LAFHA, than they would be in their home countries. It is a laughable proposition.

457 visa holders, by definition, are people who have been asked to come to Australia to perform a job for which nobody in Australia is qualified. They are not taking anyone's jobs. They are not in any way a burden on the state. Once their four years are done, they either leave (or become permanent residents, surrendering LAFHA in either case). Life in Australia is not a viable proposition without LAFHA, unless private business raises salary packages significantly, which you will soon learn is not possible. Rather than hiking salary packages, firms will simply offshore their remaining Australian operations to regional centres in Asia. As for those already here on 457 visas, the withdrawal of LAFHA with no transitional arrangements will make the rest of their time in this country punishing and difficult for, realistically, very little fiscal purchase. This may win your Treasurer and his colleagues some cheap votes but it will damage Australia's development in the long run, with a great deal of collateral damage to people who, once again, were invited to come here on the basis of LAFHA.

I implore you to reconsider with withdrawal of LAFHA, or at the very least to give clear guidance that transitional arrangements will be extended to all LAFHA arrangements in place prior to 8 May, including those for 457 visa holders.

Yours sincerely,

James Smithies
Neutral Bay, NSW