

Submission to the Productivity Commission
“Migrant Intake into Australia”
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This submission fully supports Australia adopting an immigration tariff as an alternative to the existing quota based approach to immigration. Basic health and security criteria should however continue to apply. And whilst immigrants paying for permanent residency in uncapped numbers is a good reform, citizenship should continue to be contingent on more than permanent residency.

The benefit of a tariff based mechanism is that it raise public funds for additional public infrastructure that immigration inevitably necessitates. It should also yield savings in terms of administrative costs. And it orientates the incentives of immigrants towards economic considerations.

The main purpose of this submission is to make recommendations with the following key issues:-

- How to set the price for an immigration tariff.
- How to transition to an immigration tariff.
- Where and when to provide a discount on the tariff.

How to set the price of for an immigration tariff.

One proposed means of setting the price of an immigration tariff entails closing off all alternate modes of immigration and using a comparable number of immigration places to conduct an auction and thus discover an appropriate price. This price then becomes the set tariff price going forward and no further auctions are required and no cap on numbers would be in place. In technical terms this could certainly work. However the problem with this approach is two fold. Firstly it assumes that the existing immigration quota is somehow objectively correct and then sets the price on that basis. And secondly it entails a “big bang” approach to reform that may imperil public confidence in the reform process.

A better approach is to set the price using a somewhat objective criteria such as the per capita value of existing public infrastructure in Australia. This can be justified as the equity dilution in public infrastructure that occurs when an immigrant arrives in Australia. In other words the price the immigrant pays would offset the dilution of equity in public infrastructure that current residents experience (probably in the form of increased congestion). This approach has the virtue of determining a price prior to any actual legislative or administrative change to the immigration system.

This dilution of equity does not occur with private infrastructure, such as housing, because private infrastructure is not owned collectively by all Australians. It is owned individually and privately. An immigrant that moves to Australia may get to use the same footpath that existing residents use but they don't get to use part of their private house.

The author made a back of the envelope calculation in 2011 which suggested a figure in the order of \$21000 but the Productivity Commission will be better placed to do such a calculation accurately. It is recommend that the Productivity Commission, as part of this inquiry, actually does the relevant analysis to determine what the price might be using this methodology. It is further recommended that the price calculated by the Productivity Commission is what any policy maker should adopt as the starting point for an immigration tariff.

How to transition to an immigration tariff.

Immigration policy has at times been a politically contentious issue in Australia. As such it is essential that any proposed reform should be implemented in a manner that maintains the trust and support of the Australian people. It is recommended that a “big bang” approach to reform that immediately abolishes all existing quota based immigration avenues and replaces it with a tariff be avoided. Even if this represents the ultimate end point objective.

A more orderly way to implement this reform would be in a phased approach with any unforeseen consequences from each phase used to guide the specifics of the next phase.

The first phase would be to introduce a new class of visa, called something such as the “paid migration visa”, which is available to an uncapped number of immigration applicants that satisfy the health and security criteria and pay the applicable tariff fee. The applicable fee having been determined via the objective criteria outlined in the previous section.

This new paid migration visa should operate in parallel with existing visa arrangements for a period of at least twelve months before moving to the second phase. This would give time for migration agents and other parties to adjust to the new paradigm but it would also allow time to assess the impact and the take up of the option. At the end of this phase it may be deemed appropriate to adjust the price level.

The second phase would entail systematically phasing out other forms of permanent migration visas with notable exceptions such as the refugee intake and possibly TPVs. Obviously some political consideration would need to be used to assign priority to phasing out each of these other classes of visa. As each of the legacy visa classes is abolished care should be taken to ensure savings are realised by reducing the associated administrative workforce.

Where and when to provide a discount to the tariff.

There are circumstances where immigrants should be granted a discount on the paid migration visa. An obvious one is a 100% discount for New Zealanders. However a similar discount should apply to the nationals of all nations that offer relatively unfettered, uncharged and uncapped access to residency for Australians. In fact the immigration minister in tandem with the foreign minister should actively negotiate for open immigration agreements, like the New Zealand agreement, with developed nations that share Australia’s liberal democratic institutions and traditions. Examples would include countries such as Singapore and Canada.

Conclusion

An immigration tariff represents a significant theoretical improvement over the current quota system however an objective price should be used rather than one that merely achieves the same amount of immigration as the current scheme. Also a phased approach to implementation should be used to maintain confidence in the system and in the reform process itself. And finally exemptions should be granted to nationals from selected countries where those countries agree to reciprocate in kind.