

# Submission to the Productivity Commission Inquiry into Migrant Intake into Australia

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## Population Policy

- I agree with the BCA's policy position that Australia should have a long term population policy and that maximising Australian Gross Domestic Product would be an important objective of such a policy. However, I also believe that an Australian population policy should aim to give Australia the strategic strength for long term survival in the absence of a major ally such as the United States. I believe that we have been very lucky in the short history of this country, to have always had a powerful benefactor to protect us. However, I also don't believe that we can always count on another country to have the power or will to do so.
- In saying this I am reminded of the following quote by former Labor Party Opposition leader, Kim Beazley.

"From the day I went into politics or earlier than that, I've always thought that you've got to look at the logic of history, and that it is not kind to nations like Australia, occupying large areas with small populations, culturally different from the regions around them. I've always thought survival for Australia is going to be a close-run thing."

<http://www.smh.com.au/news/national/a-man-for-all-seasons-nearly/2006/12/04/1165080877932.html?page=fullpage>

- I believe that Mr Beazley's quote demonstrates why we owe it to future generations to ensure that the migration debate considers how much we need to grow our population in years to come in order to make Australia strategically viable in its own right.
- I understand that many Australians are concerned about the impact of mass migration on our culture and way of life. However, my observation is that if mass migration is ultimately inevitable, due to the dramatically different population densities between Australia and the rest of our region, surely it is better to bring people here on our terms while we can? That means proactively encouraging enough migrants from a diverse range of countries and cultures to come to Australia to share our way of life, so that they and their descendants value it enough to want to protect it with us should the need arise.
- Similarly I am aware of many people's concerns about the impact of mass migration on natural resources, in particular water, in this country. While it is beyond the scope of this submission to discuss this matter in detail, I have the sense that the issue is overstated, not taking into account the potential for migrants and foreign investment to help build and pay for better water and other infrastructure to make more productive use of our vast tracts of land. I believe that this is an important matter for future inquiry by the Commission.
- Moreover the strategic implications of migrant intake seem to have been overlooked by the PC in its draft report. Specifically draft finding 4.1 describes Australian Government decisions

about immigration levels as “They involve balancing a complex set of economic, social and environmental policy objectives”, completely ignoring the need for strategic policy objectives to be considered. The associated discussion seems to focus exclusively on how the immigration system can promote the domestic wellbeing of Australians and migrants, and where necessary manage any trade-offs between the two, again ignoring strategic matters.

I would implore the PC to consider the strategic implications of migration policy, or if that is not possible as part of this inquiry to highlight the need for these to be considered going forward.

### **Free Immigration Agreements**

- I strongly support the Liberal Democratic Party proposal, outlined in their submission, for Free Immigration Agreements with developed countries that share similar economic, legal and political characteristics with Australia. This would facilitate the free flow of labour to efficiently match labour with jobs between partner countries to the agreement. Free immigration agreements effectively exist between Australia and New Zealand, and European Union also has a similar arrangement which successfully operates on a far grander scale.
- A recent report on the EU arrangements by Ernst and Young (see link below), has indicated that with prudent management of social and cultural impacts, free moving EU citizens make a positive contribution to local economies in host countries. There is no reason why Australia should not benefit equally from agreements with countries such as Singapore, Canada and Japan, where wage differentials are sufficiently similar that flows of labour are likely to be limited to addressing specific skills shortages.

[http://ec.europa.eu/justice/citizen/files/dg\\_just\\_eva\\_free\\_mov\\_final\\_report\\_27.01.14.pdf](http://ec.europa.eu/justice/citizen/files/dg_just_eva_free_mov_final_report_27.01.14.pdf)

- Furthermore I believe that Free Immigration Agreements could form the basis for selecting appropriate permanent migrants to Australia, to help address the above stated need for a dramatic increase in Australia’s population. This might entail making the right to free travel with partner countries temporary to begin with (say ten years), but with the opportunity for a pathway to permanent residency and ultimately citizenship after a significant period of time living and working in Australia. This would benefit Australia by providing a good pool of permanent migrants who are well integrated and able to contribute to the Australian economy and Australia as a society. Importantly, Australia enough time to determine whether a potential permanent immigrant is an appropriate person on character grounds, while ensuring the social security of long term, foreign-born Australian residents who have made a significant investment in their lives in Australia.

## Migration Fees

- At first glance the Becker proposal on immigration tariffs is persuasive to somebody who believes that free markets are better than governments at allocating resources, in this case immigrant labour. However, upon reviewing the submission by the Business Council of Australia (BCA) and the draft report by the Productivity Commission (PC), I have come to see that Becker's analysis is flawed, at least in the Australian context. Below I have made a short contribution which I believe may provide some clarity for those dwelling what is a complex set of concepts.
- As BCA points out in its submission, the Becker proposal relies on the premise that the nation is supplying a commodity to the migrant, an immigration spot, for which it has the right to charge a fee for the benefit of incumbent citizens. This may be true in the American context, where very large numbers of people from poorer nations have traditionally immigrated to the US for a materially far better life. However, in the modern Australian context a large part of our immigration program is targeted at individuals who contribute to Australian businesses as vital employees, or who establish their own businesses to serve Australian customers. Many of these migrants are skilled but we should not forget that unskilled migrants also provide an important source of labour to Australia, for example the many migrant workers in the horticultural sector. Therefore the migration decision in the Australian context is not a customer/supplier relationship. Rather it is the result a reciprocal agreement between the migrant and employer, or customers in the case of a business migrant, in the host country.
- The implication of charging a migration fee in this environment is that Australian businesses would have to compensate in demand migrants up to the value of the fee in order to attract them. This fee would effectively become an input tax on Australian businesses which need to employ skilled migrants.
- This migration tax could theoretically be set to impose a cost equal or lower to the costs imposed by the current immigration system, to prevent the tax imposing an extra cost on business. However, by linking migration to the need to raise revenue as well as the current objective of split incentive for the Australian Government. On one hand the Government has a pivotal role in facilitating immigration as required by Australian business. However, the link to revenue would tempt governments to set the migration tax at a level which maximises government revenue to address short-term fiscal problems. This risks increasing the cost to Australian business to employ migrants in a manner that is detrimental to those businesses and the Australian economy.
- The risk of misuse of a migration tax to raise inappropriate amounts of revenue to the detriment of Australian business, is likely to be amplified by the fact that a tax ostensibly targeting "foreigners" would undoubtedly be politically palatable to large sections of the Australian voting public. The fact that the current government was able to impose differential tax rates on working holiday visa holders in the 2015 budget, without any

significant protest from Australians, is evidence of the political palatability of similar measures – even when they are detrimental to Australian business.

- An additional issue which needs to be considered is that many skilled migrants to Australia obtain their skills at Australian educational institutions while on student visas, paying high international student fees. Consideration needs to be given to the potential impact on the export education sector of charging a migration tax over and above what those students have already paid in fees. It seems likely that the addition of a migration fee on top of education fees would price many foreign students out of the Australian education market, with a negative impact on our export education sector.