

Submission to the Productivity Commission Inquiry into

MIGRANT INTAKE INTO AUSTRALIA

Dear Minister Hockey,

Thank you for the opportunity to make a submission to the Productivity Commission inquiry into *“the greater use of charges relative to quotas, and qualitative criteria to determine the intake of temporary and permanent entrants into Australia”*.

Introduction. This a very serious and important subject and I am pleased that you have made a decision to do this inquiry. I compliment you on doing so. **This work is urgent and overdue.**

I am a private citizen, and I am a completely independent commentator on this matter, with no vested interests whatsoever, and no political affiliations.

I believe to some extent my viewpoint, as a private Citizen, will be in a minority, and this submission will take a different approach from many others. I anticipate many other participants, will be a part of, or have vested interests in, the “Immigration Industry”.

There is some concern that the inquiry is predetermined to deliver a preferred outcome through the terms of reference, namely: *“..to maintain the current levels of the migrant intake or to maximise the benefits for Australian citizens.”*

It is to be hoped that this is not the case, for if it is then one might reasonably ask - “What are the goals of the inquiry?” Is it just an excuse to increase population without examination? (Note: Extracts from the Scope of the Inquiry are included on page 8, for ease of reference).

This also begs the question, what if the cost benefit is negative? Surely common sense suggests that this would require a thoroughgoing investigation of costs and immigration levels generally, followed by an examination of a procedure to achieve this. Perhaps there are considerable non financial benefits of immigration that render as insignificant any negative benefits. If so, then it is desirable to examine these, but first the intentions of the inquiry need to be made clear. This submission assumes the common sense scenario is the correct one, and responds accordingly.

This submission does not attempt to assess the value of the human lives involved (either in intrinsic or in economic terms), either of immigrants or of the current inhabitants involved and affected by the migration process. Large numbers of people and their progeny are involved. Clearly this has relevance to an inquiry like this one, but the difficulties of such an assessment are also apparent. It is obvious that the intrinsic value of a human life must be central to any final conclusion on migrant charges.

A good argument can be put forward for a comprehensive study, by the Minister, of the possible outcomes (human, economic, environmental and social etc.) of current projections for increasing the total population by about 50% in a period of about 30 years, (or about 100% in 50 years). This need is especially important in, what looks to be, a period covering the greatest imaginable environmental and economic challenges and disruption.

About 40 or 50 million or so people, and their progeny, are now and in the future going to be significantly affected by this Government decision; so it is to be hoped that the reasons are not for short term economic or political goals. Such a study should also be an essential basis for an examination of migrant charges.

There seems to be an anomaly in Government and Ministerial approaches to these large scale population changes and this inquiry.

On one hand, there is not any Government Policy on this large population growth. It appears to be considered to be as a natural phenomena, over which there can be no Government involvement or control. On the other hand, the Minister has approached the Productivity Commission with a view to an examination of Migrant charges (A tax on migration) on an apparently non-existent Government Policy.

If the Government had planned or completed and made public its basic Policy assessments, together with the necessary risk assessments then this would facilitate, an in context examination of migrant charges. Perhaps the Minister and the Commissioners will bear this in mind in their deliberations?

There could be more confidence in the ultimate goals and value of this inquiry if Government Policy were clear on the various issues.

The following comments are intended as essential considerations prior to any decision on migrant and population numbers, and on the possible migrant payment charge system.

Preamble

This submission is made and assumes that a responsible and diligent inquiry is being proposed.

Key points,

- It is obvious, but mostly ignored, that immigration is permanent; it is forever. That is absolutely forever.
Immigration is not something that happens to an individual only on the day. It places permanent obligations and costs upon the host Nation for all of the future. This is a great responsibility, involving responsibilities to migrants and their progeny and to all future generations of Australians.
- Current migration rules and practice encourage exponential growth in immigrant numbers, involving exponential cost increases. This exponential factor is derived mainly from progeny growth and migrant family reunions, relating to the new migrant intake (covered in “Immigration Industry” below).
- Migrant costs should be calculated on the basis of a continuing flow of migrants, year after year, (the actual situation), unless there is a deliberate policy set for a different rate of flow (e.g. a restriction on numbers).

The need to apply an exponential factor (referred to as multiplier) to costs of immigration, is most apparent in such cost areas as education, welfare, health and infrastructure, the latter having been covered objectively by Economist J. O'Sullivan in several papers and submissions, including [recently to the Productivity Commission](#).

This factor is best understood by a comparison of the relative numbers of new immigrants and progeny compared to the natural growth of the native population. For example, consider the relative child numbers under 6 years, and the demands resulting from, say, double the numbers compared to 5 years previously, and what effect this will have on school requirements (pre school places, classrooms, etc.). This is not just a short term phenomenon, (which might be easily

managed), but may typically increase, over many years to come.

The migrant flow approach requires that all of the lifetime expenditures of a new “vanguard” migrant are allocated to the year of arrival. (Since a flow is being considered and not an isolated event). This does not mean that all expenditures necessarily occur in that year, but they should be accounted for in that year, and provision made in that year for future expenditure requirements. This type of costing system is necessary, since if any part of these costs is carried over to the next year, then costs will accumulate excessively year on year.

The continuous flow type of modelling, with multiplier effects, may require different and better data and data analysis than is currently used, possibly using more powerful, computer modelling systems; but better results and policy outcomes will justify this.

The continuous flow type modelling may not to have been used in economic forecasting in past years; If so this may have resulted in distorted budgets, and poor economic outcomes, such as we have now.

If past forecasts had reflected realities, (and been done with sufficient cost benefit analysis and risk assessment) then the current budgetary problems might have been avoided. For example, new infrastructure is now dependent on the sale of existing infrastructure; and the goals have become work creation, and mitigation of unemployment. This situation might have been avoided with a clearer and better assessment. Unfortunately, “jobs” has become a crisis area of Government, a situation which might also have been avoided with better planning using valid assessments and methodologies. (and without a Blue Sky philosophy).

An absence of good risk assessment, has probably played a part in this particular problem, and therefore should be a key feature of planning and modelling in future.

This inquiry represents an opportunity to develop better methodologies based on realistic costs and benefits of immigration, and to realistically examine objectives given in the Scope of the inquiry, namely: “*The benefits and costs that the intake of permanent entrants can generate.*” A part of this process must be the development of the necessary prerequisites, namely, reliable data and methodologies based on valid assumptions.

Historical Perspective

A historical perspective is a useful guide to our situation now. In the past, 200, 100 and even 15 years ago, immigration could, arguably, be justified on many grounds. However current arguments for higher levels of immigration appear unchanged for 100 years. Current arguments are mostly of the type - “We are an immigrant Nation”, “a Nation built on immigration”, etc. which do nothing to advance the discussion, and yet appear to have been central to past decision making.

Times and justifications have changed. and there should be a recognition and learning that the past is not necessarily a guide to the future. Not only that, but now we have much better tools and knowledge bases to address the subject, than in the past.

Rarely do the Public, receive a quantitative, or qualitative, argument to justify decisions, and when this is done it is without credible supporting information and assumptions; this is then repeated in all subsequent analyses resulting in continuous high levels of immigration which may not be justified by the facts. This leads to bad outcomes, conclusions and policy. So we have bad policy

based on and guided by previous bad policy.

This inquiry is a chance to permanently improve decision making and Policy.

Today's issues

Previous policy decisions on population, are now leading to serious, and long term, (for ever and ever), budgetary problems.

If foreign nationals come into Australia as settlers, adding to the Natural population, then budgetary costs and consequences are not limited to one lifetime, but to more than one lifetime and also magnified after accounting for progeny factors.(The multiplier)). The result of this process is that the budgetary costs attributable to the original immigrants, increase exponentially. The main part of this increase is attributable to progeny and family reunion costs, which are not recognised in current modelling. Also economic benefits attributable to migrants, mostly from income tax payments, are constant or diminishing over time.

Also, past assessments may not have been rigorously subjected to risk assessments. This can also lead to problematic outcomes.

It seems very likely that incomplete and unreliable analyses in the past, are now a main factor in current budgetary problems. These problems will become worse, as the cost consequences of past migrant growth, work through the economy. However for the future, this process can be modified, by using policy decisions which are based on reliable and objective analysis.

The Prize (and the "Gift").

This term (Prize) is used since it best describes the incentives, "pull factors", for migrants to choose to migrate to this country; this prize is effectively the total value of Australia, proportionately given to all foreign permanent arrivals. It is also a major factor in the choice made by many "temporary" immigrants. The term also provides an understanding of the concept for most people.

The prize is based on and includes:

- Australia itself in its totality; including its history, Its Rule of Law, protection, Social systems (e.g. customs and official integrity), and land and resources.
- Lifetime welfare, Unemployment benefits, Healthcare, Education, etc.; with unrestricted availability and use.
- Built infrastructure and Social infrastructure. (road systems water supply, etc.).
- The natural environment and all environmental benefits.

It has to be acknowledged that not all components of the "Prize", can be quantified in dollar terms; nevertheless, these too should be identified and qualitatively examined. (See also the introduction).

There must also be an acknowledgement that every aspect of the Prize", has an equivalent and equal "Gift" component, including many less tangible costs (e.g. loss of space and amenity, housing scarcity, additional carbon restrictions, various opportunity costs, etc.) The funding of this gift is provided, albeit mostly indirectly, by the existing Australian Population to the new migrant. This funding is an "embedded cost"; it is not immediately visible, or obvious; but is nevertheless a real cost.

An essential first part of this inquiry should be to establish the value to an individual settler arrival of “The Prize”. This should be a necessary prerequisite to any migrant charge examination. Possibly even a basis for the charge.

Best estimates of the value of “the prize” should be developed to cover all classes of intending permanent residents (and including a proportion of current temporary residents). This information should be available to all citizens.

If such an assessment is not done, and recognised as a necessary part of a Government decision process, then any discussion on migrant charges will be, at best, lacking objectivity, and based on phony criteria, and probably unjustifiable.

Anecdotal and factual information suggests that much current migration, including the many visa schemes, and temporary migration, all stand to benefit from “the prize” and this is now perpetuating and promoting corruption in many areas of Public and Private life, including Government Departments, (Note a recent case of false document supply, organised by senior Employees of the Department. of Immigration).

The prize increases exponentially when large families and with large progenies and reunion families are factored in.

A value for financial components of “the prize” should be based on the **total lifetime benefit**. This is estimated at about \$500,000; for the initial, or an individual “vanguard”, migrant.

About \$200,000 to \$300,000 of the vanguard Prize, in this estimate, is made up of infrastructure (legacy and lifetime requirements), and the balance of the amount for estimated costs of the lifetime provision of welfare, education, healthcare and social services etc..

When including associated extended families and all associated progeny, the exponential factors, as mentioned above, may increase this to say \$7 to \$10 million for a “vanguard” migrant, There are, in addition, many intangible benefits which cannot be quantified financially.

Greater costs may be anticipated, where migrants selectively seek additional particular benefits for themselves or family members, which might not be available in their country of origin; e.g. healthcare, aged care, disability allowances or special education. For example, for those individuals who have lived in Countries with inadequate preventative healthcare systems, or who have invalid or disabled parents or children, and who seek specific migration benefits specifically for this.

The prize has an equivalent “gifting” cost to established Australians, and many additional costs which may not be quantified easily into dollar terms .The prize may also be considered as a gift from Australian citizens to the foreign arrivals. A gift largely unrecognised by its donors, and given away by Governments, without recognition, generally as an incentive for its short term objectives, or under lobby group pressures.

It is fortunate for Governments, that most Australians are unaware of the “prize”, even though it is they who ultimately meet its costs and consequences, (though some may benefit).

A comparison between the Australian “prize” and those for most other nations of the world, particularly undeveloped ones, would suggest that the Australian “prize” would be 1000's of times

greater than for any other Asian or Pacific Country. This makes it very obvious why migrants (including asylum seekers) choose Australia, above say Malaysia, Indonesia or India as a destination. It is a perfectly rational decision, but one which is, seemingly, ignored by successive Governments.

As an example consider a backpacker, employed picking fruit or vegetables in a rural area, on low pay and with substandard conditions. The lure of the \$10 or \$15 million Prize, (for an extended family) is such that an employee may work for several years on low pay and conditions, (though even these may be many times better than in their home country), to secure it. This prize may represent many lifetimes of unimaginable prosperity and health for many families, including extended families, or those with special needs.

The Immigration Industry

The term “Immigration Industry” (above), is used seriously. This results from the policies of successive Governments. It is, in brief, that: ***Immigration has become an Industry, in its own right, the main purposes of which appears to be the short term financial benefit of a relatively small number of Australians. and to provide a short term boost to economic activity, which may take political pressure off Governments.***

The basis of the Industry is the immigration prize, and the relatively large migration pathways. Indeed the terms of reference references this “... *noting that temporary migration is an established pathway to permanent migration.* ”

The embedded and unrecognised cost of this “Industry” is very high to the whole Australian Community, and to future generations. Short term economic goals and the encouragement of migration, seems to be the justifications for this policy. It may also encourage the setting up, at an indirect Public cost, short term unsustainable industries, based often on low wages and Government subsidies, and which are destined to fail in the longer term. This process distorts normal economic activity.

This “Industry” is now dependent on higher and higher levels of Immigration, all facilitated by Government. The Industry includes all types of immigration, and includes a myriad of specialised visa types e.g. 457, “Backpackers”, Overseas Students, and all other temporary migrants, (whose total number, currently, are about 0.5 to 1 Million). Many Industries e.g. Market Gardening, Farming, Rural Industries, including many abattoirs, Educational establishments (including many Universities), Agents and possibly Government Departments, are now dependent on these visa systems, and their recognised pathways to permanent residency. Widespread, and widely reported, corruption may be an outcome of this.

A large proportion of this temporary cohort, have permanent residency intentions or rights; so this group should be considered as an integral part of the migrant charge system, on some rational and quantitative basis, as an integral part of the overall permanent migration program.

This “Industry” is now starting to resemble a “Ponzi scheme”, which will fail eventually, as basic costs and funding to sustain it will, in time, become unaffordable. This will happen as Social losses and costs to established residents, including embedded costs, become ever more obvious, unaffordable, and unacceptable. This scheme is funded by the Public, whether they currently recognise this or not. The human outcomes of any such industry failure may be hard to manage.

This Specific Inquiry into Migrant Charges

This is an important idea for Government to consider. However it cannot be done sensibly until the costs and benefits of migration are reliably established; and a Public confidence that the current system is not open to abuse. The first priority should be to establish an accurate modelling system. This will enable an objective evaluation of all relevant costs including “the prize”, and will clarify the costs and benefits.

Necessary considerations and data requirements are:

- Transparency when it comes to actual numbers and selection criteria
- Objective publicly available data and costing calculations, including such things as:
- Immigrant's Country of Origin and English language proficiency.
- Family profiles (statistical averages) including the overseas family reunions and additional progeny. Eg Vanguard male + female + 3 progeny + 5 family (reunions) + 5 reunion progeny = Total 15 persons. This type of information is needed to establish the real cost/benefit to the National economy of an individual (Vanguard) migration.
- Lifetime employment statistical averages eg Periods of unemployment; Time in Aged care; demands on Education services and Healthcare.
- Full Disclosure of Methodology and basic data for calculating true costs. Eg Lifetime spans eg working life 40 years; retirement periods for people; and the useful life for built infrastructure and social infrastructure.
- Disability information (averages) for Demand costs on services.
- Educational standards averages and Qualification equivalents.
- Lifetime salaries and taxation paid.

The above is not intended as a full list of prerequisites; but it indicates the type of information which will be required and incorporated in modelling, in order to meet the objectives of the “Scope of inquiry” (*The benefits and costs*) This data is required for a realistic modelling of costs. There is no indication that these factors are currently obtained or used.

This type of information is not usually published, but doubtless is mostly available to Treasury Officials. If not then additional research may be required. Such publicly available cost information as there is, does not address these important requirements.

The list of costs mentioned in the “Scope” looks reasonable as basic data. Subject areas missing include:

1. Housing scarcity costs, (which is almost directly caused by the rapid growth in Immigration).
2. References to family sizes and reunions (the multiplier effect mentioned above).
3. Opportunity costs, especially related to unemployment and training.
4. Some of the items listed above under Necessary considerations.

Summary and Specific comments on User Charges

Ultimately, it is the assumptions, data and methodology used, that reliably and accurately establishes the costs of immigration. The time frame selected for calculations is especially important. It is reasonable to consider lifetime costs, corresponding with the anticipated life of infrastructure needs, (40 or 50 years; or longer) and modified for the average arrival ages, and also

for average multipliers (reunions and progeny), so that aged care and all lifetime costs are included in the calculation. It would not be realistic for cost benefits to be based only on the productive working years of a migrant.

The methodology must also take account of the continuous flow nature of migration. It is not a one-off event, and is likely to continue for many years (making it even more important that reunions and progeny (Multipliers) form part of the estimating process).

One approach is for all expenditures, and benefits, covering the lifetime of the vanguard migrant, to be discounted to a present day cost or benefit and totalled for all immigrants in the year of arrival. This accumulated lifetime cost should form the basis of annual budgetary provisions.

It is not valid to make annual calculations using only working life costs and benefits for one productive individual, which seems to be the current method. This approach is possibly causing many of the current budgetary problems.

The methodology and all data and assumptions, used for a cost and benefit calculation should be publicly disclosed and publicly available. There is no reason why this cannot be done, and it should be done.

Specific comments on User charges

It seems unreasonable to conduct: “*an examination of the use of charges as the primary basis for regulating the level and composition of this migration,*” ... if the actual costs of migration, and the methodology are not known or reported upon. These costs are absolutely relevant and essential to deliberations.

In addition, there cannot be any sensible public discussion of proposals unless there is a complete knowledge of the facts and confidence in the modelling and methodologies used. A further public inquiry, or a deferment of this one, may be necessary and desirable to examine migrant charges after migrant costs have been reliably established. (There are now several years of data for back testing available, making this a relatively easy task, and perhaps one that has already been completed by Treasury).

When the real costs are established, (based on factual data and according to an accepted methodology), then migrant charges should reflect this cost and perhaps full reimbursement of the costs should be sought. There should also be provision for the migrant charge to be adjusted to cover the additional costs of reunion families and progeny, both of which have a significant bearing on long term budgetary and National costs.

However, as indicated in the introduction, the first step should, ideally, be a Ministerial inquiry with a much broader and longer term scope. Otherwise migrant charging, if proceeded with, may look like an irrelevance in the overall long term picture.

Extracts from Scope of the Inquiry (For easy reference purposes)

In undertaking this inquiry, the Productivity Commission should use evidence from Australia and overseas to report on and make recommendations about the following:

- 1. The benefits and costs that the intake of permanent entrants can generate with respect to:
(a) the budgets and balance sheets of Australian governments, including from: (i) entry charges; (ii) government services used (including public health, education, housing, social and employment services) now and in the future; (iii) taxes paid now and in the future; (iv) the dilution of existing, government-held assets and liabilities across a larger population; and
(b) the income, wealth and living standards of Australian citizens, including with respect to:
iv TERMS OF REFERENCE (i) impacts on the salaries and employment of Australian citizens, knowledge and skill transfer, productivity, foreign investment, and linkages to global value chains; (ii) cultural, social and demographic impacts; and (iii) agglomeration, environmental, amenity and congestion effects.*
- 2. An examination of the scope to use alternative methods for determining intakes – including through payment – and the effects these would have. This should include examination of a specific scenario in which entry charges for migrants are the primary basis for selection of migrants, such that: (a) there would be no requirements relating to skills and family connections; (b) qualitative requirements relating to health, character and security would remain; (c) all entrants would have the right to work; (d) entrants would have limited access to social security or subsidised education, housing or healthcare; and (e) the charge could be waived for genuine confirmed refugees, whose entry would remain subject to current constraints. The scenario should examine the way in which the above charges could be set, and what they might be, to maintain the current levels of the migrant intake or to maximise the benefits for Australian citizens.*
- 3. The benefits and costs of temporary migration with an examination of the use of charges as the primary basis for regulating the level and composition of this migration, having regard to: (a) complementarity with the Australian workforce; and (b) achieving flexibility in responding to structural and cyclical adjustments in the Australian economy. 4. Mechanisms for achieving an optimal interaction between temporary and permanent migration noting that temporary migration is an established pathway to permanent migration.*
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