



**Australian Government**  
**Productivity Commission**

# Migrant Intake into Australia

Productivity Commission  
Issues Paper

May 2015

## The Issues Paper

The Commission has released this issues paper to assist individuals and organisations to prepare submissions to the inquiry. It contains and outlines:

- the scope of the inquiry
- the Commission's procedures
- matters about which the Commission is seeking comment and information
- how to make a submission.

Participants should not feel that they are restricted to comment only on matters raised in the issues paper. The Commission wishes to receive information and comment on issues which participants consider relevant to the inquiry's terms of reference.

## Key inquiry dates

Receipt of terms of reference	20 March 2015
Due date for initial submissions	12 June 2015
Technical workshop	October 2015
Release of draft report	mid November 2015
Draft report public hearings	early December 2015
Due date for submissions on draft report	mid December 2015
Final report to Government	mid March 2016

## Submissions can be made

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## The Productivity Commission

The Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.

The Commission's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

Further information on the Productivity Commission can be obtained from the Commission's website ([www.pc.gov.au](http://www.pc.gov.au)).

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## Terms of reference

### MIGRANT INTAKE INTO AUSTRALIA

#### *Productivity Commission Act 1998*

I, Joseph Benedict Hockey, Treasurer, pursuant to Parts 2 and 3 of the *Productivity Commission Act 1998*, hereby request that the Productivity Commission undertake an inquiry into the greater use of charges relative to quotas and qualitative criteria to determine the intake of temporary and permanent entrants into Australia.

## Background

The intake of temporary and permanent entrants is currently regulated through a mix of qualitative requirements (e.g. skills, family connections, refugee-status, health, character and security), quotas (e.g. the size of the Migration and Humanitarian Programmes, and of components within these Programmes) and imposts (including the cost of investing under the Significant Investor Visa).

The Australian Government's objectives in commissioning this inquiry are to examine and identify future options for the intake of temporary and permanent entrants that improve the income, wealth and living standards of Australian citizens, improve the budgets and balance sheets of Australian governments, minimise administration and compliance costs associated with immigration, and provide pathways both for Australian citizens to be altruistic towards foreigners including refugees, and for Australia's international responsibilities and obligations to foreign residents to be met.

## Scope of the inquiry

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:

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- (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. The scenario should also examine the impacts of such charges – based on assessment of the factors listed in (1) above and also taking account of:
- (f) opportunities for Australian citizens to be altruistic towards foreigners including refugees;
  - (g) the administration and compliance costs associated with immigration, including costs associated with criminal behaviour and the use of migration agents; and
  - (h) interactions with citizenship criteria and existing and potential bilateral agreements.
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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## **Process**

The Commission is to undertake an appropriate public consultation process including holding hearings and roundtables (where appropriate), and releasing a draft report to the public.

The final report should be provided within 12 months of receipt of these terms of reference.

J. B. HOCKEY

Treasurer

[Received 20 March 2015]

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## Contents

Terms of reference	iii
1 What this inquiry is about	1
2 Overview of Australia's immigration arrangements	4
3 Immigration — impacts and policy issues	17
4 The links between temporary and permanent immigration	25
5 Alternative methods for determining immigrant intakes	27
References	37
Attachment A	40

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# 1 What this inquiry is about

## What has the Commission been asked to do?

The Australian Government has requested that the Productivity Commission undertake an inquiry into the greater use of charges (relative to quotas and qualitative criteria) to determine the intake of temporary and permanent immigrants into Australia.

The Commission is to report by March 2016 on the benefits and costs of temporary and permanent immigration with regard to:

- the budgets and balance sheets of Australian governments, including from:
  - entry charges
  - government services used now and in the future
  - taxes paid now and in the future
  - the dilution of existing, government-held assets and liabilities across a larger population
- the income, wealth and living standards of Australian citizens, including with respect to:
  - impacts on the salaries and employment of Australian citizens, knowledge and skill transfer, productivity, foreign investment, and linkages to global value chains
  - cultural, social and demographic impacts
  - agglomeration, environmental, amenity and congestion effects.

Specifically, the terms of reference request the Commission to conduct an examination of the scope to use alternative methods for determining immigrant intakes — including through charges — and the effects these would have. The terms of reference direct the Commission to examine at least one specific scenario in which entry charges for immigrants are the primary basis for entering Australia, such that:

- there would be no requirements relating to skills and family connections
- qualitative requirements relating to health, character and security would remain
- all entrants would have the right to work
- entrants would have limited access to social security or subsidised education, housing or healthcare
- the charge could be waived for genuine confirmed refugees, whose entry would remain subject to current constraints.

The Commission is also requested to consider the interaction between temporary and permanent immigration, noting that temporary migration is an established pathway to permanent immigration. The full terms of reference are set out at the front of this issues paper.

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## The Commission's approach

The approach to the inquiry is guided by the *Productivity Commission Act 1998* (Cwlth), which requires the Commission to have regard to the need to achieve higher living standards for all members of the Australian community.

In undertaking this task, the Commission will draw on available information from Australia and overseas. This will involve a critical analysis of the existing literature, consultation with key stakeholders, and analysis of the relevant available data. The Commission also intends to conduct modelling to examine the impacts of Australia's immigration program and the policy scenario that involves charging as the primary basis of immigrant selection.

There are several reviews currently being undertaken by other Australian Government bodies and departments, such as the:

- *Joint Review of Border Fees, Charges and Taxes* currently being undertaken by the Australian Customs and Border Protection Service, the Department of Immigration and Border Protection (DIBP) and the Department of Agriculture (DIBP 2015d)
- *Review of Skilled Migration and Temporary Activity Visa Programmes* conducted by DIBP. A discussion paper was released for the review in September 2014 (DIBP 2015f)
- Senate Inquiry into the impact of Australia's temporary work visa programs on the Australian labour market and on the temporary work visa holders (due to report in June 2015) (Australian Senate 2015).

The Commission will draw on information from these reviews as appropriate.

## Scope

The terms of reference are broad, and request the Commission to examine the costs and benefits of immigration, look at mechanisms for determining immigrant intakes and their impacts with a focus on a particular charging option, and analyse the balance between temporary and permanent immigration. These three areas will be the primary focus of the inquiry. However, the inquiry may also examine other related issues, to inform its policy recommendations.

Policies relating to services provision — including infrastructure, social security, education, health care, housing and so on — and domestic policies relating to other impacts of immigration, such as on the environment and social cohesion — will also be of relevance to this inquiry.



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## A note on terminology

Migration encompasses the movement of people to and from Australia and between regions such as states. Immigration is the movement of people into Australia from overseas. Emigration is the movement of people from Australia to overseas.

## What the Commission cannot do

The role of the Commission is to examine the benefits and costs of immigration and to examine alternative means of selecting potential migrants. The Commission cannot mediate or make rulings about past or current actions, nor can it resolve disputes about individuals or groups. However, your evidence may assist the Commission to understand the impacts of the current system. If you wish to share the details of your experience, we request that you do not name individuals that have been involved — such detail is generally unnecessary for the Commission’s deliberations. The Commission will seek clarification or further information from you, if required.

## How you can contribute to this inquiry

### By making a brief comment

The Commission welcomes brief comments from people who want to share their experiences or views on any topic covered by the inquiry, but do not wish to make a public, formal submission.

**Brief comments will only be published if the submitter gives the Commission express permission to do so.** The Commission may publish comments on its website and/or within the inquiry report.

### By lodging a submission

The Commission encourages submissions from all interested parties on any issues relevant to the terms of reference. As a guide to participants in preparing submissions, this issues paper provides background material and information on relevant issues that the Commission has identified. It is certainly not a requirement that participants restrict their submissions to the questions identified, nor that submissions be presented in a question and answer format.

Attachment A provides further information on how to make a submission.

## 2 Overview of Australia's immigration arrangements

Australia is often described as a nation of immigrants. The most recent Census data show that around a quarter of Australia's population was born overseas (table 1), with 43 per cent of the population having at least one parent born overseas (ABS 2012). In 2013, 2.8 per cent of the world's immigrants lived in Australia, while only 0.3 per cent of the world's population lived in Australia (UNDESA 2013).

**Table 1 Proportion of the population born overseas, selected countries<sup>a</sup>**

	<i>Number of people born overseas</i>	<i>Population size</i>	<i>Proportion of population born overseas</i>
	million	million	per cent
<b>Australia</b>			
1990	3.9	17.1	22.7
2013	6.5	22.3	27.7
<b>Canada</b>			
1990	4.5	27.7	16.3
2013	7.3	35.2	20.7
<b>New Zealand</b>			
1990	0.5	3.4	15.4
2013	1.1	4.5	25.1
<b>United Kingdom</b>			
1990	3.6	57.2	6.4
2013	7.8	63.1	12.4
<b>United States</b>			
1990	23.3	254.5	9.1
2013	45.8	320.1	14.3
<b>World</b>			
1990	154.2	5 320.8	2.9
2013	231.5	7 162.1	3.2

<sup>a</sup> Data are estimates derived from national population censuses, and refer to July 1 of the reference year.

Source: UNDESA (2013).

Australian governments have a long history of policies to influence immigration flows, and those policies have evolved substantially over time, noting that, in the past, Australia has had explicit policies to attract immigrants to Australia.

From the Federation of Australia in 1901, a 'White Australia' policy was adopted, the origins of which can be traced back to the 1850s. There was a significant increase in immigration to Australia following the Second World War, with the intake growing rapidly from 1949 as major infrastructure such as the Snowy Mountains Hydro-Electric Scheme was being constructed — between 1949 and 1974 over 100 000 people from more than 30 countries worked on the Scheme, about 70 per cent of whom were immigrants (NAA 2015).

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The ‘White Australia’ policy was dismantled over 25 years, starting in 1949 (DIBP 2015c). Changes to immigration policy in 1958 (the abolition of the European language dictation test) further eroded the policy, until in 1966 (under the Holt Government) it was effectively dismantled and a rapid growth in the arrival of non-European immigrants followed. The policy was formally abolished in 1973 under the Whitlam Government (DIMA 2001).

By the mid-1990s, Australia’s immigration system was predominantly focused on family reunion (Betts 2003, Larsen 2013a). Following the election of the Howard Government in 1996, and ongoing changes since then, Australia’s policy has progressively targeted skilled immigration (Miranti, Nepal and McNamara 2010). Currently, Australia’s immigration system retains this focus, and is also increasingly characterised by temporary immigration.

## **Elements of Australia’s immigration intake**

Australia’s immigration intake consists of three broad categories which provide different levels of rights and responsibilities:

- permanent immigration — comprising the Migration Program (which includes skilled, family, and special eligibility categories) and the Humanitarian Programs
- temporary immigration — including those on Student visas, Temporary Work (Skilled) (subclass 457) visas, and Working Holiday Makers.
- other movements — immigration of New Zealand citizens, returning and emigrating Australian citizens, and other visas not classified under permanent or temporary migration (DIBP 2014b).

Effectively the system defines a potential pathway to Australian citizenship, which can be acquired by eligible permanent residents or by descent (discussed below).

### **Permanent immigration**

Australia’s permanent immigration framework comprises two main components:

1. the Migration Program, which issues permanent residency visas to three ‘streams’ of migrants — skilled (which includes the Business Innovation and Investment program), family (comprising partner, child, parent, and other family immigration), and special eligibility (which covers the resettlement of former Australian citizens who meet certain criteria, and particular groups who have been permitted to remain in Australia as long-term temporary residents for humanitarian purposes) (DIBP 2014b)
2. the Humanitarian Program, which issues permanent residency visas to refugees and others in humanitarian need, in line with Australia’s international obligations (box 1).

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### Box 1      **Australia's multilateral immigration obligations**

Australia is party to several international treaties designed to protect human rights of asylum seekers and refugees (AHRC nd). An asylum seeker is someone who believes they are a refugee, although their claim has not been definitively assessed. These are the:

- 1951 Convention Relating to the Status of Refugees and its 1967 Protocol (Refugees Convention)
- International Covenant on Civil and Political Rights (ICCPR)
- International Covenant on Economic, Social and Cultural Rights (ICESCR)
- Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT)
- Convention on the Rights of the Child (CRC).

Together, these treaties codify the human rights obligations for all signatory countries. Australia undertakes its obligations through both onshore and offshore Programs. Australia grants Protection visas under subclass 866, in addition to five other permanent refugee and humanitarian visas.

## Temporary immigration

Australia has four primary categories of temporary resident visas.

1. Students — for international students studying full-time in registered courses in Australia.
2. Skilled temporary residents — people who enter Australia as temporary skilled migrants for a period of up to four years using the Temporary Work (Skilled) (subclass 457) visa (DIBP 2014g).
3. Working Holiday Makers — people on extended holiday in Australia with short-term work and study rights. Australia currently has working holiday visa arrangements with 31 countries (DIBP 2015i).
4. Other temporary residents — mainly relates to a range of Temporary Work visas, covering travel to Australia for such purposes as highly specialised short-stay work and training and research purposes (DIBP 2014b).

In December 2014, the Australian Government reintroduced Temporary Protection visas, which are valid for up to three years. Holders of Temporary Protection visas are not eligible to apply for permanent protection visas (DIBP 2015h).

## Other movements

The Trans-Tasman Travel Arrangement, implemented in 1973, allows almost unrestricted travel between Australia and New Zealand for each country's citizens (DIBP 2015a; DFAT 2014). Movements of New Zealand citizens are not counted as part of Australia's

annual immigration program and account for most arrivals in the ‘other movements’ category. Also included in this category are returning and emigrating Australian citizens and permanent residents. In terms of net overseas migration (NOM) (see below), in 2012-13, there were more than 176 000 arrivals and about 153 000 departures under the other movements category (DIBP 2014b).

## Current immigration controls

Australia’s Migration Program and Humanitarian Program have restrictions on the number of entrants allowed under these programs each year (table 2).

**Table 2 Migration streams**

<i>Migration stream</i>	<i>Control</i>	<i>Planning level for 2014-15</i>
<b>Migration Program</b>	Capped. An annual planning level is set and monthly monitoring ensures visa grants are consistent with planning levels.	190 000
Skill	Capped at the aggregate level.	128 550
Business Innovation and Investment Program (subset of Skill stream)	Planned number of places at the aggregate level.	7 260
Family	Capped at the aggregate level.	60 885
Special eligibility	Capped.	565
<b>Humanitarian Program</b>	Planned number of places at the aggregate level.	13 750
<b>Temporary entry</b>	Uncapped at the aggregate level.	na
International students	Uncapped.	na
Skilled temporary residents	Uncapped. Driven by employer demand for skilled workers, where an appropriately skilled Australian cannot be found.	na
Working Holiday Makers	Includes visa subclasses 417 and 462; an annual limit applies to the number of subclass 462 visas issued to each country. <sup>a</sup>	na
Other	Uncapped.	na
<b>New Zealand citizens</b>	Uncapped. Under the Trans-Tasman Travel Arrangement, New Zealand citizens are able to enter Australia freely and live in Australia on an indefinite basis.	na

<sup>a</sup> Annual limits apply to the number of 462 visas that can be issued to applicants from all current countries with which Australia has reciprocal arrangements, with the exception of the United States of America. The annual limits vary by country.

Sources: DIBP (2014b;2014e; 2014g; 2015d); Larsen (2013b); Morrison (2014).

Australia’s intake of permanent and temporary entrants is also currently regulated through qualitative requirements (table 3).

**Table 3 Selected migration stream policy controls<sup>a</sup>**

<i>Migration Stream</i>	<i>Education/ Skills</i>	<i>Age</i>	<i>Other</i>
<b>Migration Program</b>			
Points Tested Skilled Migration	✓	✓	<ul style="list-style-type: none"> <li>• Invitation from a resident; competent English skills; points for age, level of English competency, qualifications, overseas and Australian skilled employment in nominated occupation.</li> </ul>
Business Innovation and Investment		✓ <sup>b</sup>	<ul style="list-style-type: none"> <li>• Local investment requirements</li> </ul>
Permanent Employer Sponsored	✓ <sup>c</sup>	✓ <sup>c</sup>	<ul style="list-style-type: none"> <li>• Genuine vacancy in the employer's business; competent English skills</li> </ul>
Family			<ul style="list-style-type: none"> <li>• Australian family connections corresponding to visa type</li> </ul>
<b>Humanitarian Program</b>			
			<ul style="list-style-type: none"> <li>• Offshore resettlement — generally for those identified by the UN as persons fleeing form persecution and in need of resettlement, or applicants for the Special Humanitarian Program (for those subject to a gross violation of human rights in their home country).</li> <li>• Onshore protection — asylum claims assessed in Australia for those meeting the UN definition of refugee, or those entitled to protection under other international human rights treaties/conventions.</li> </ul>
<b>Temporary entry</b>			
International students			<ul style="list-style-type: none"> <li>• Course attendance/ progress requirements; restrictions on work while course is in session.</li> </ul>
Skilled temporary residents		✓	<ul style="list-style-type: none"> <li>• Labour shortage experienced by the employer, which cannot be filled by an appropriately skilled Australian.</li> <li>• Demonstrated minimum English ability</li> </ul>
Working Holiday Makers	✓ <sup>d</sup>	✓	<ul style="list-style-type: none"> <li>• Demonstrating financial self-sufficiency on entry, no entry for those with a dependent child.</li> </ul>

<sup>a</sup> Visa applicants are also generally required to undergo health checks, meet character requirements, and not have any debts payable to the Australian Government. <sup>b</sup> No age restrictions apply for the Significant Investor Stream. <sup>c</sup> Exemptions from age, skill and English language requirements are available in some instances. <sup>d</sup> Educational requirements apply for visa subclass 462.

Sources: DIBP (2014b (DIBP 2014e), (DIBP 2014g), 2015d); Larsen (2013b).

## Visa fees and charges

In addition to the above controls, applicants for a given visa will also generally be required to pay a fee. Visa fees vary depending on the particular visa an applicant applies for, and the number and age of additional visa applicants (table 4). In addition, those aged 18 and over may be required to pay additional charges for certain visas if they are assessed as not having functional English capabilities (DIBP 2015d). A number of changes to Australia's visa fee regime came into force in July 2013, including the introduction of an additional applicant charge (paid on the basis of each additional applicant included in, or added to, a

combined visa application), and the establishment of a subsequent temporary application charge (for applications lodged in Australia for certain temporary visas) (DIAC 2013).

**Table 4 Selected visa subclasses, current fees and charges<sup>a</sup>**

<i>Visa subclass</i>	<i>Subclass number</i>	<i>Base application charge (\$)</i>	<i>Second instalment (\$)</i>	<i>Other financial obligations and imposts</i>
Business Innovation and Investment (Provisional)	188	4 675	0 9 795 or 4 890 <sup>a</sup>	Investor stream — a designated investment of at least \$1.5 million in an Australian state or territory and maintaining business and investment activity in Australia. Significant investor stream — investing at least \$5 million in complying investments in Australia and maintaining business and investment activity in Australia.
Business Talent	132	6 830	0 9 795 or 4 890 <sup>a</sup>	
Skilled — Independent	189	3 520	0 or 4 885 <sup>c</sup>	
Temporary Work (Skilled)	457	1 035	na	
Child	101	2 370	na	
Aged Parent (Residence)	804	3 520	2 065	
Contributory Parent, Contributory Aged Parent <sup>b</sup>	143 173 864	Up to 3 520	Up to 43 600	
Prospective Marriage	300	4 630	na	
Higher Education Sector	573	535	na	

<sup>a</sup> A second instalment is payable for applicants who have turned 18 at the time of the application and who are assessed as not having functional English. \$9795 is payable for main applicants, and \$4890 for secondary applicants. <sup>b</sup> Numerous visa subclasses exist for contributory parents depending on their age and other conditions. Application charges vary by class. <sup>c</sup> Applicants aged 18 or over at the time of application and who are assessed as not having functional English are required to pay the second instalment of \$4885.

Sources: Austrade (2012); DIBP (2015d).

Visa fees and charges are not currently set on a cost recovery basis (DIBP 2014c). In 2013-14, the total revenue received by the Department of Immigration and Border Protection in the form of fees and fines equalled more than \$1.7 billion. Over the same period, expenses relating to economic migration, family migration, resident return and former resident visas, students, temporary residents and visitors and working holiday makers amounted to over \$600 million (DIBP 2015e).

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## QUESTIONS

*What criteria determine the current levels of visa fees? For which visa classes do the fees reflect the costs of administration and processing? For which visa classes do the fees differ from those costs, and how?*

### Rights and obligations of immigrants — differences across residency status

Each type of visa confers a bundle of rights and obligations on the holder. These vary across visa classes and within immigration streams. However, generally, the rights and entitlements of the holder increase — and the constraints on their activity in Australia decline — as the residency status changes from temporary, to permanent, to citizen.

Temporary visas allow the holder (and their family members where eligible) to stay in Australia and visit, work and/or study for the duration of the visa. Visa holders are restricted to undertaking work and study activities as specified by their visa. For instance, international students in Australia cannot work more than 40 hours per fortnight while their course is in session, and cannot undertake work until they have commenced their course in Australia. They must also maintain satisfactory course attendance and course progress whilst in Australia and are not eligible for Higher Education Loan Program or VET-FEE-HELP loans, and are required to pay the overseas student fees specified by their education provider (DIBP 2015g).

By contrast, permanent residency visas allow the holder and their family to stay in Australia indefinitely. The holder and their family are also allowed to:

- work and study in Australia
- register for and receive Medicare
- receive social security payments
- apply for Australian citizenship if eligible
- sponsor eligible relatives for permanent residency
- travel to and from Australia for five years from the date the visa is granted (after that time, the visa holder needs a resident return visa or another visa to return to Australia) (DHS 2013, DIBP 2014b, DSS 2014).

Those who have recently arrived in Australia as residents however, generally are not granted immediate access to social security payments or concession cards. The Newly Arrived Resident's Waiting Period applies for 104 weeks, after which most payments and benefits can be accessed. The waiting period does not currently limit access to some types of benefits (such as family assistance payments). The Age Pension and Disability Support Pension have a 10-year qualifying residence requirement however, which must include a period of at least five years of continuous residence in Australia (DSS 2014). Certain visa



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subclasses (for example, refugees) are also exempt from the waiting period for some or all types of benefits and concessions (DHS 2015).

Australian citizenship provides greater rights than permanent residency. Additional rights include the ability to apply for an Australian passport and re-enter Australia freely, the right to apply to work in the Australian Public Service or Australian Defence Force, the right to vote and seek election to parliament, receive help from an Australian official while overseas, and an entitlement to register children born overseas as Australian by descent (DIBP 2014h). There are also some additional responsibilities, such as serving on a jury if called to do so, as well as voting in elections and referenda.

A separate bundle of rights and responsibilities applies to New Zealand citizens entering Australia (box 2).

**Box 2      Immigration and entitlement arrangements for New Zealand citizens**

Under the Trans-Tasman Travel Arrangement, upon arrival in Australia, New Zealand citizens entering Australia are automatically granted a Special Category Visa (SCV) subclass 444. The visa has no time limit, giving them the ability to live, work and study in Australia on an indefinite basis, provided they remain a New Zealand citizen.

While the SCV permits more flexible travel arrangements than those for Australian permanent residents, both SCV holders and Australian permanent residents are generally not permitted to vote in Australian elections, access student loans, join the Australian Defence Force, or obtain ongoing work from the Australian Government.

Most SCV holders who arrived in Australia after 26 February 2001 are not able to access the full range of social security payments, including Newstart Allowance, Sickness Allowance, and Youth Allowance. Those residents may be eligible to receive these entitlements on a once-off basis for up to six months, but only after 10 years of residence in Australia. However, New Zealand citizens living in Australia can claim payments such as the Family Tax Benefit, Child Care Benefit and Parental Leave Pay provided that they meet relevant eligibility criteria.

As at 30 June 2014, nearly 650 000 SCV holders were estimated to be in Australia.

New Zealand citizens who enter Australia under the SCV are eligible to apply for a permanent resident visa and, subject to criteria, obtain Australian citizenship.

*Sources:* DIBP (2015a, 2014f); DHS (2014).

## Immigration pathways — temporary, permanent and Australian citizenship

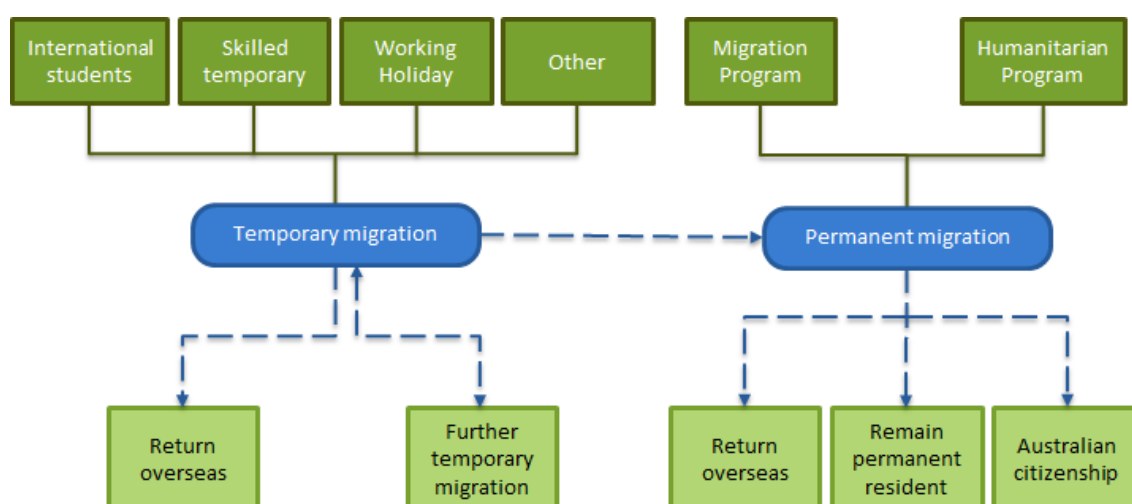
The temporary and permanent immigration streams operate as standalone entry points into Australia and can be accessed separately by prospective migrants. However, for many immigrants, temporary immigration might serve as a pathway for permanent immigration and even Australian citizenship (figure 1). Former temporary immigrants constitute a significant proportion of Australia's permanent immigrant intake. For example, in 2012-13

more than 20 per cent of permanent visa grants were to people who had previously held a temporary skilled (subclass 457) visa.

Some visas facilitate the movement from temporary to permanent immigration. For example, holders of the Skilled Regional Provisional visa (subclass 489) who have lived in a specified regional area of Australia for at least two years, and worked full time in such an area for at least one year, are eligible to apply for the Skilled Regional visa (subclass 887). The latter visa enables the holder and any family members who have also been granted the visa permanent residency in Australia (DIBP 2014d).

Finally, Australian citizenship is conditional on an immigrant having lived in Australia on a valid Australian visa for four years (including the last year as a permanent resident) (DIBP 2014a).

Figure 1 **Migration pathways**



## Trends in net overseas migration

There are a number of ways in which migration may be defined and measured, but the main metric used in Australia is ‘net overseas migration’ (NOM), which is a measure of the difference between immigration and emigration (box 3). This is a ‘flow’ measure, as it records changes in migration over time (for example, over a month or financial year).

In some cases ‘stock’ measures, which provide a snapshot at a particular point in time, can complement the analysis of migration flows. Examples of important stock measures include the number of visas on issue at any point in time, the data describing the number and proportion of overseas born people within the Australian population, and ultimately the size of the Australian population itself.

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**Box 3            Defining and calculating net overseas migration**

Net overseas migration (NOM) is defined as the difference between immigration and emigration.

For the purposes of estimating NOM, a person is regarded as a usual resident if they have been (or expect to be) residing in Australia for a period of 12 months or more over a 16 month period. The 12 month period of stay does not have to be continuous. NOM is the difference between the number of incoming travellers who stay in Australia for 12 months or more and are added to the population (NOM arrivals) and the number of outgoing travellers who leave Australia for 12 months or more and are subtracted from the population (NOM departures).

As such, NOM estimates include all people, regardless of nationality, citizenship or legal status, who usually live in Australia, with the exception of foreign diplomatic personnel and their families.

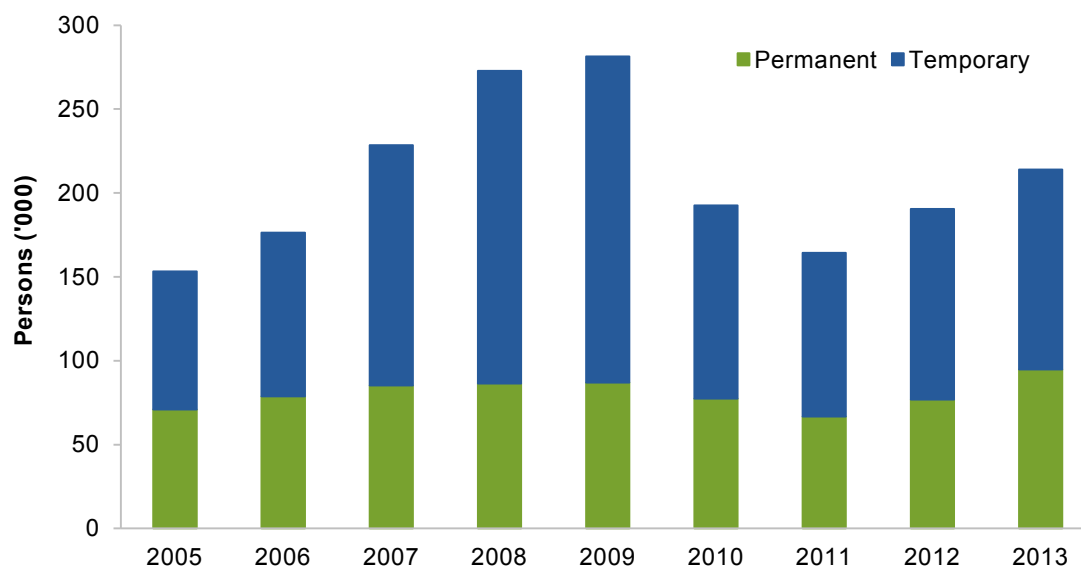
*Source:* ABS (2015b).

NOM has fluctuated over the years, due to changes in factors affecting demand (immigrants' desire to come to Australia) and supply (rules and restrictions governing entry to Australia, both temporary and permanent). Over the past decade, temporary immigration has overtaken permanent immigrant intake as the main contributor to NOM (figure 2).

Net overseas migration tends to follow the current population distribution, and has accordingly remained concentrated in Australia's more populous states. In 2014, New South Wales, Victoria, Queensland and Western Australia accounted for approximately 90 per cent of total NOM (ABS 2015a).

Analysed from a stock perspective, data from the 2011 census indicate that just under half of all migrants (defined as people who reported their country of birth as a nation other than Australia) lived in either Sydney or Melbourne, with those cities accommodating 1.4 million and 1.2 million migrant residents respectively. In 2011, nearly 40 per cent of residents in Sydney and Perth and around 35 per cent of Melbourne residents were immigrants (ABS 2014a).

**Figure 2 Components of net overseas migration**  
Permanent and temporary visa holders, years ended June<sup>a</sup>



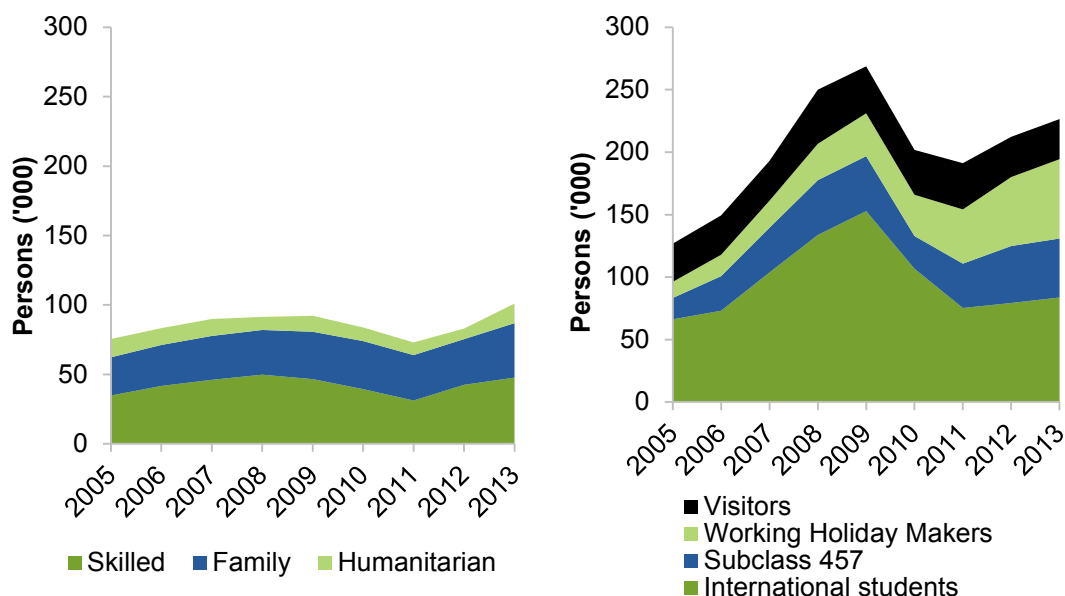
<sup>a</sup> For simplicity, data for the period 2005 to 2013 show only net overseas migration of permanent and temporary visa holders, and do not show the 'other' category reported by DIBP, which includes departing Australian citizens and New Zealanders.

Source: (DIBP 2014b).

## Immigration outcomes and characteristics of immigrants

The Skilled and Family streams of Australia's permanent migration program constitute the bulk of the permanent component of Australia's NOM arrivals, reflecting the lower cap applied to the Humanitarian Program. Prior to 2009, overseas students were a key factor driving growth in NOM, but their numbers declined between 2009 to 2011, before beginning a recent recovery (figure 3). In 2014, there were more than 450 000 student visa holders in Australia, compared with about 411 000 in 2013 (DET 2015). (See also the recent Productivity Commission research report on International Education Services (PC 2015).)

**Figure 3 Categories of NOM arrivals<sup>a</sup>**  
Years ended June, 2005–2013



<sup>a</sup> Data refer to the number of incoming travellers who stay in Australia for a period of 12 months or more over a 16 month period, disaggregated by visa category. Note that NOM data are recorded with reference to the number of persons, which is not equivalent to visa grants (due to differences between the timing of visa grants and the impact on NOM) and hence, the data are not comparable.

Source: (DIBP 2014b).

The main source of Australia's immigrants contributing to NOM in 2010-11 was New Zealand, followed by the United Kingdom and China. On average, overseas arrivals contributing to NOM in 2010-11 were aged in their late twenties (table 5).

**Table 5 Characteristics of NOM by citizenship**  
2010-11

<i>Citizenship</i>	<i>NOM</i>	<i>Share of NOM (per cent)</i>	<i>Average age of arrivals</i>
New Zealand	37 147	20.6	27.9
United Kingdom	24 200	13.4	30.2
China	17 804	9.9	27.8
Total	180 372	100.0	28.5

Source: (DIBP 2014b).

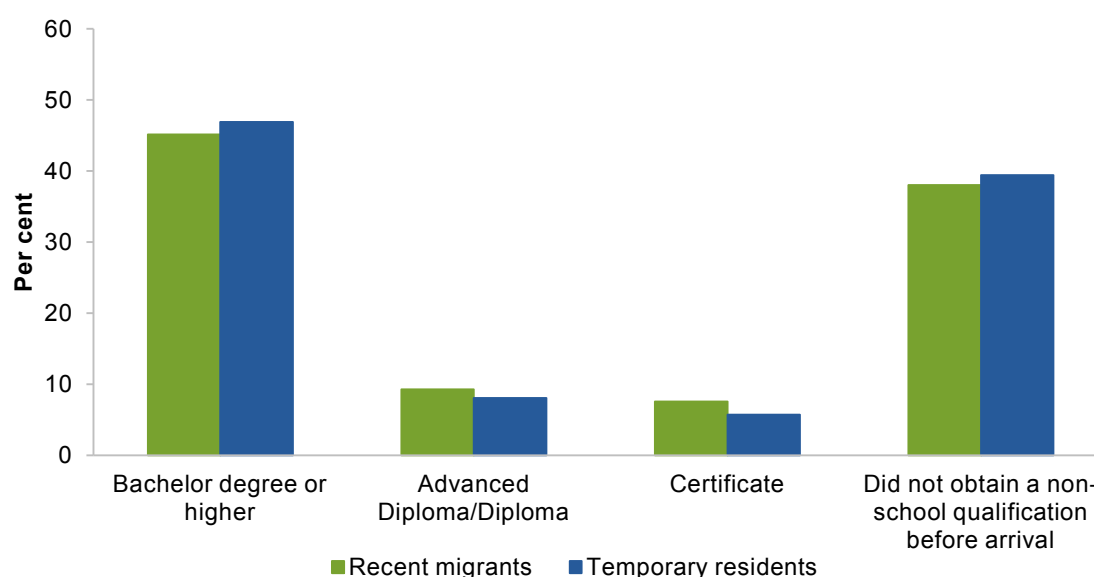
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At November 2013, the permanent immigrants and temporary residents who arrived in Australia over the previous decade, generally did so between the ages of 20 and 34. Temporary residents tended to be younger: roughly 80 per cent were aged between 15 and 34 years on arrival, compared to about two-thirds of recent permanent immigrants (ABS 2014b).

Almost half of recent permanent immigrants and temporary residents had obtained a bachelor's degree or higher qualification prior to arrival in Australia (figure 4). A substantial proportion — about 30 per cent of recent permanent immigrants and 25 per cent of temporary residents at November 2013 — had obtained a certificate, diploma or higher qualification after arrival (ABS 2014b).

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**Figure 4**      **Recent permanent immigrants and temporary residents, level of highest non-school qualification obtained before arrival<sup>a</sup>**  
As at November 2013



<sup>a</sup> **Recent migrants** are those who arrived in Australia after 2003, were aged 15 years or over on arrival and hold a permanent visa (excludes Australian and New Zealand citizens). **Temporary residents** are those who arrived in Australia after 2003, were aged 15 years or over on arrival and hold a temporary visa.

Source: ABS (2014b).

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### **3 Immigration — impacts and policy issues**

#### **Objectives of immigration policy**

What determines the level and composition of the immigrant intake?

The level and composition of immigration to Australia is influenced by Australian immigration policy settings, the willingness of individuals to leave their own countries and the relative attractiveness of Australia as a place to live (in turn influenced by the immigration policy settings of comparable foreign countries).

Economic opportunity — the capacity to earn a higher income in Australia — is an important motivating factor for prospective immigrants. There is a substantial international literature on the economic benefits captured by migrants through the act of migration. However, higher incomes are not the only determinant of living standards — other factors, such as cost of living, access to education and health services and lifestyle and cultural considerations, can also play a role both in the decision on whether to immigrate to Australia and on where to settle within Australia.

Family reunion is another important factor affecting the desire of individuals to migrate and Australia has a migration stream that reflects this.

Political and social instability in the home country can also be an important reason to migrate. War or persecution are key drivers of global people movement and displacement, and Australia through its humanitarian program has accepted large numbers of refugees from various countries.

Australia is one of many potential destinations for prospective migrants. As other OECD countries also have large immigration programs, Australia may be ‘competing’ for particular types of migrants against comparable economies, and those migrants may be sensitive to policy changes in any of those countries given the availability of alternative destinations. For example, the Commission has recently found that competition for the provision of international education services is intensifying globally. Many of the key traditional players such as the United States, Canada and the United Kingdom are extending their international reach through the delivery of courses offshore, while other countries, such as Malaysia and Singapore are seeking to position themselves as regional educational hubs (PC 2015).

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#### QUESTIONS

*What are the main factors influencing the demand for immigration to Australia now and into the future? Is international competition for prospective immigrants a material consideration for Australia's immigration policy?*

*Which countries are Australia's competitors in terms of potential migrants' destinations?*

*What factors are likely to change the relative attractiveness of Australia as an immigration destination?*

*What are useful examples of immigration policy settings in comparable overseas countries?*

What should be the objectives of Australia's immigration policy?

The primary responsibility of the Australian Government is to its constituents, and a high level objective of any policy, including immigration, typically involves maximising the wellbeing of the Australian community over the life of the policy. This approach would encompass future generations of Australians including all immigrants *after* they settle in Australia. However, it would not explicitly account for the economic benefit to prospective immigrants from the act of immigrating to Australia.

Humanitarian and altruistic considerations are also important. The wellbeing of prospective immigrants can be a consideration for the family reunion stream of immigrants, and, even more directly, for Australia's humanitarian intake. In some cases, immigration may perform the role of foreign aid. For example, the Seasonal Worker Program is aimed at providing benefits to participating Pacific Island and East Timor communities in addition to any benefits to the Australian population (Department of Employment 2015).

#### QUESTIONS

*What are the current objectives of Australia's immigration policy? What should be the objectives of Australia's immigration policy? What do these objectives mean for the composition of Australia's immigrant intake? Is the current immigration policy in Australia broadly aligned with the objective of improving the wellbeing of the Australian community? Are humanitarian and altruistic considerations adequately reflected?*

*For immigration undertaken for economic reasons, what is the case for incorporating the benefits to prospective immigrants from immigrating into Australia into the objectives of the policy? What trade-offs could such an approach generate for the wellbeing of the existing Australian community?*



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## Impacts of immigration

There has been extensive research on the impacts of immigration, both in Australia and overseas. Potential impacts are both financial, such as the implications for local incomes and fiscal balances, and the less tangible non-financial outcomes, such as the effects on the urban and environmental amenity of local residents and overall social cohesion.

### Aggregate and distributional considerations

Some immigration policies could have pronounced impacts in particular locations, or on particular sectors or groups. Distributional considerations are important both for equity and efficiency. A policy that imposes significant costs on a particular group in the community may also reduce social cohesion and lead to political resistance. The Commission is seeking feedback on both aggregate and distributional impacts of the policies under investigation.

#### QUESTIONS

*What are the key distributional considerations from the present immigration policy? How could these be improved? How does the Australian immigration system compare to those overseas in its ability to provide net benefits to the Australian community?*

### Impacts on wages and other income

Some of the most talked about and researched impacts of immigration are the effects it has on the wages and other incomes of the existing population. A common concern within recipient countries is that by adding to the supply of labour, immigrants can reduce the wages of incumbent workers. However, there may also be circumstances where immigrants do not place downward pressure on wages. For example, if the immigrants addressed a skills shortage due to their professional attributes, they could complement the existing workforce and may increase the productivity, and hence wages, of the local population.

The labour market effects of immigration could be influenced by both the immigration policy and domestic policies that affect the integration of immigrants into the labour market, such as occupational licensing. In part, the employment effects, especially the opportunity for immigrants to secure employment, are also determined by the nature of the labour market and its flexibility (note the Commission is presently undertaking an inquiry into workplace relations) — unemployment is determined both by policy and economic conditions.

Wages are only part of the incomes earned by Australians. The increase in the supply of labour arising from immigration makes it more abundant relative to the existing stock of

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capital and land, which could raise the returns from those factors of production. This could increase the incomes of Australians that own capital and land.

Some immigrants may also contribute to other factors of production within Australia. For example, immigrants entering on investment visas are required to make substantial investments in Australia. To the extent that such investments result in an increase in the capital stock in Australia (rather than just transferring assets to new ownership) they could reduce returns to capital, but have positive effects on the wages of local workers.

Immigration may also enable greater economies of scale or density. For example, the per capita cost of providing some government services may fall as the population increases. Economies of density may also arise from reduced transaction costs, greater specialisation in production, and information spillovers for firms and workers located in close proximity to each other; there is significant research showing the increased returns from urbanisation.

Conversely, there may be diseconomies of scale from increasing the immigrant intake. For example, some of the existing infrastructure may not be sufficient to cope with a growing population, and costlier construction options may be necessary; in part this is influenced by the rate of immigration and the capacity to build new infrastructure or improve existing infrastructure.

The impacts of a particular cohort of immigrants on the incomes of the Australian community may vary over time. For example, growth in labour supply could encourage increased investment in capital, and this could raise the productivity of labour and mitigate any initial adverse effects on wages. For permanent immigration, an even longer term perspective would involve examining the impacts generated by the children of the first generation immigrants, which could differ from that of their parents.

#### QUESTIONS

*What is the relevant timeframe for measuring the impacts of immigration on the per person incomes of the Australian community?*

*What have been the effects of immigration on the incomes of Australians so far? Which migration streams have resulted in the greatest benefits? To what extent have the effects in Australia been different to those in comparable countries with large migration programs?*

*How can the existing migration programs be improved to facilitate greater growth in incomes of the Australian community? What are the domestic policy impediments preventing a more positive contribution of immigrants to the incomes of Australians?*

*Is the focus on skilled migration optimal? What are the benefits and costs of skilled versus unskilled migration? What are the advantages and disadvantages of the investment visa classes (investor and significant investor streams)? Should Australia consider alternative pathways for low-skilled migration for low-skilled workers from pacific island communities?*

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## Impact on government budgets and balance sheets

Immigrants can be both contributors to government budgets and recipients of government services and benefits. Whether an immigrant is a net contributor or beneficiary over the period of his or her stay in Australia could be influenced by many factors, including, for example, age on arrival, taxable income in Australia and the extent to which the immigrant is entitled to (and uses) government services and benefits. The impact on government budgets can also be influenced by the size of the visa fees payable by the immigrant, and whether those fees are reflective of the cost of administering the visa.

### QUESTIONS

*What evidence should the Commission use to assess the impact of immigration on government budgets and balance sheets?*

*What has been the impact of Australia's immigration intake on government budgets and balance sheets to date? Which streams are likely to have been net contributors, and which have been net beneficiaries?*

*Are the current entitlements to government services and payments appropriate across Australia's immigration streams? Where and how could these be improved?*

## Administrative and compliance costs associated with immigration

To the extent that the administrative costs of Australia's immigration regime are not recovered from the immigrants, they constitute a separate cost for the Australian community. As noted, the annual departmental expenses incurred by the Department of Immigration and Border Protection in relation to the non-humanitarian permanent and temporary immigrant visas amounted to over \$600 million (out of a total budget of around \$6 billion) in 2013-14 (DIBP 2015e). While some of those costs may be unavoidable (for example, they may be influenced by global factors), it is important to ensure that Australia's immigration system is operating efficiently and effectively.

The compliance costs imposed on prospective immigrants as part of the entry process, including visa fees and the less transparent non-financial costs, are another important consideration. For example, a high visa fee may already ration demand for places, similarly to the hypothetical policy that involves charging for entry, discussed below.

Where the compliance costs exceed the minimum necessary to achieve the policy objective, they can constitute a barrier to entry to particular immigrants that may otherwise deliver a net benefit to the Australian community.

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#### QUESTIONS

*What are the key factors influencing the administrative costs of Australia's immigration system? Is there scope to reduce the administrative costs without compromising the effectiveness of the regime in achieving its objectives? If so, how?*

*What are the key sources of compliance costs for prospective immigrants? What hidden costs do immigrants face under the current scheme?*

*How would the demand for particular visa classes change if all fees were set at a level that recovered the processing and administration costs to the Australian Government?*

*In which immigration streams or visa classes are the compliance costs greater than necessary for achieving the current policy objectives and what is the scope for reducing those costs without compromising the integrity of the immigration system?*

#### Impacts on the urban amenity of existing residents

Immigration contributes to population growth, most of which is currently occurring in Australia's largest cities. The growth in the demand for infrastructure, housing and essential services and products such as water can have implications for the urban amenity of existing residents through higher prices and reduced availability or quality of some infrastructure and services.

Overseas migration may not be the exclusive contributor to some of those issues. For example, internal migration also plays a role. There may also be domestic policies that reduce the flexibility of the supply of infrastructure, products or services to respond to changes in population in particular locations. Furthermore, there could be existing problems on managing the demand side for some products or services. For example, if the prices charged for consumption of some natural resources or infrastructure services are below the true cost, immigrants would contribute to the over-consumption, but the source of the problem may not lie with immigration.

Indeed, the ability to select and build new infrastructure, and improve existing infrastructure, may be a constraint on the rate of immigration to particular cities and regions. The Commission's public infrastructure inquiry report (PC 2014) provides guidance on the policies that would enable the efficient deployment of infrastructure. A transparent and efficient project selection system with user charges that reflect resource usage as proposed by the Commission could support a higher immigration rate.

Nevertheless, there may also be some physical constraints in the factors that contribute to the liveability of Australian cities, and irrespective of how well the existing policies function within Australia, immigration could still reduce the amenity of existing residents.

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Furthermore, even where the supply side can adjust to population growth, rapid changes in population could create temporary loss of amenity for residents. One of the relevant factors is the variability and predictability of population growth in particular locations over time.

#### QUESTIONS

*What are the key urban amenity impacts of overseas immigration? Which of those impacts could be most directly addressed through immigration policy? How could the existing migration policies be improved to reduce the adverse effects, and increase the positive effects, on the amenity of existing residents?*

### Environmental impacts

Population growth, including through immigration, increases production and consumption within Australia, which can have implications for the natural environment. There may be concerns about:

- unsustainable use of natural resources, many of which are finite and are either non-renewable or slow to regenerate
- increased air and water pollution and greenhouse gas emissions
- loss of biodiversity.

While immigration can reduce the quality of the natural environment, it can also lead to a greater demand and higher capacity to pay for positive environmental outcomes, as the number of beneficiaries of such outcomes increases.

Furthermore, some of the environmental concerns (for example, greenhouse gas emissions) may be global in nature, and the effects of Australia's immigrant intake need to be viewed in a global context, given that immigration does not directly change the size of the world's population. For more localised impacts, such as air and water pollution and loss of biodiversity, the issue is whether the relationship between immigration policy and environmental outcomes is direct and exclusive. For example, in some cases environmental regulation or correct pricing of natural resources and negative externalities can address the environmental concerns more directly.

#### QUESTIONS

*What has been the impact of Australia's immigration programs on the environment? How direct is the relationship between immigration policy and domestic environmental outcomes and how can the latter be improved through immigration policy?*

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## Social and cultural impacts

Immigration can lead to a range of social and cultural implications for the Australian community, both positive and negative. Some of these have an economic genesis, arising from the effect immigration has on the distribution of incomes and urban amenity. Others may stem from the changing cultural makeup of the Australian population, but could still affect both incomes and the less tangible elements of community wellbeing.

Ethnic and cultural diversity can lead to expanded consumer choices, implications for the ability to trade and interact with other countries, and social enrichment from living among people from other cultures. There may also be benefits to those Australians who are themselves recent immigrants from the preservation and growth of their ethnic community.

On the other hand, there may also be risks where the immigrants fail to integrate into the host society. Potential adverse outcomes can range from simple negative attitudes to immigrants from the incumbent population and vice versa, to declining overall social cohesion (sometimes measured through composite ‘social capital’ indicators), and — at the extreme — an increase in antisocial behaviour and crime.

There are various policy levers for improving the social outcomes for the Australian community. These can include: controlling the rate and composition of the immigrant intake; policies to facilitate or remove the obstacles to the integration of the immigrants (including through settlement assistance); and policies that facilitate the adaptation of the existing Australian residents to the changing social and cultural make-up of the Australian community.

### QUESTIONS

*What is the relevant timeframe for measuring the social and cultural impacts of immigration and what are the best indicators of those impacts? What are the most direct and effective policy mechanisms for influencing the social outcomes of immigration?*

*How important is social cohesion and integration to the wellbeing of immigrants and to the Australian community?*

*How effective is Australia’s immigration system in promoting social cohesion? How positive has Australia’s experience been to date with respect to the cultural and social effects of immigration? How important is the acquisition of English-language skills to social cohesion and how effective are current programs to improve language skills? How has it differed from the experience of other countries with large immigration programs? How can the current policy settings be improved?*

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## 4 The links between temporary and permanent immigration

Most immigrants enter Australia on a temporary visa. This may be a reflection of the broad economic factors — such as global economic integration and declining costs of movement between countries — as well as the policy settings within Australia. It may also be reflective of the desire for potential permanent immigrants to experience living and working in Australia before deciding to seek permanent immigrant status.

The distinction between temporary and permanent immigration is not always clear. Many temporary immigrants stay for prolonged periods and a large proportion proceed to permanent residency. Conversely, some permanent immigrants leave the country — a substantial proportion of Australian emigrants are former immigrants (both temporary and permanent). Many of the broad impacts discussed above are common to temporary and permanent immigrants. However, the relative magnitudes, duration and distribution of the impacts may differ.

For example, temporary immigration may offer a more flexible and direct means of addressing temporary issues in parts of the Australian economy, such as skill shortages arising from rapid structural change. On the other hand, if temporary immigration flows increase the variability of population growth in particular locations, this can create policy challenges for urban planning and infrastructure provision.

To the extent that the motivations for, and impacts of, temporary and permanent immigration differ, this may need to be reflected in the policy settings.

### QUESTIONS

*What are the key factors behind the shift from permanent to temporary immigration in Australia? What, if any, policy issues does this create?*

*What are the respective roles of temporary and permanent immigration within the Australian economy? How do the impacts of permanent and temporary immigration streams differ?*

*What is the case for retaining the differential policy treatment of permanent and temporary intakes, such as the use of quotas for permanent immigrant streams, while leaving the temporary immigration uncapped?*

## Interaction between temporary and permanent intakes

The terms of reference require the Commission to examine mechanisms for achieving an optimal interaction between temporary and permanent migration.



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One issue relates to whether the size and composition of permanent and temporary streams should be jointly calibrated given the common nature of some of the impacts, such as the fact that both add to population growth and tend to increase the size of the local workforce.

Another issue is the role of the temporary immigration as a pathway to permanent immigration. As discussed, many of the permanent immigrants are former temporary residents. Using temporary residence as a stepping stone to permanent immigration may offer benefits to both the immigrant and the Australian community through the opportunity to ‘try before you buy’. It could provide some information to the Australian Government about the likely economic and social prospects and impacts of the immigrant that could not be readily ascertained from a visa application. It could also improve the self-selection of immigrants.

#### QUESTIONS

*What are the factors that the Commission should consider in assessing the interaction between temporary and permanent immigration?*

*Is it likely that, under present policy settings, the number of temporary immigrants will grow more rapidly than permanent immigrants? Should the level and composition of the two streams be jointly calibrated? Do current outcomes strike the right balance in terms of the relative size and composition of temporary and permanent immigration?*

*What are the benefits and costs to Australians of allowing temporary immigration to serve as a pathway to permanent residency? Are there any unnecessary impediments to the immigrants for their transition from temporary to permanent residency?*

*Are there any lessons (both positive and negative) from other countries on the interaction between temporary and permanent immigration that the Commission can draw on?*



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## 5 Alternative methods for determining immigrant intakes

The terms of reference request the Commission to examine the scope for alternative methods for determining immigrant intakes, including a policy scenario that involves entry charges as the primary basis for determining migrant entry into Australia.

### QUESTION

*What is the evidence that a substantial change to the current immigration regime, such as the adoption of new methods for determining immigrant intakes, is warranted?*

### Entry charges

The Commission is seeking input on both the design of the ‘entry charges’ policy scenario and the potential impacts that such a scenario may have, relative to the current system.

Moving to a price-based immigration system has been discussed by several economists (see for example, Barry Chiswick 1982 and Mark Harrison 1989) and more recently by Gary Becker (box 5). Becker’s central proposal was that rather than having governments determine the quantity and composition of immigrants, price (or a set of prices) should be the main determining factor, and that immigrant self-selection coupled with payment for entry would deliver greater benefits to the immigrants and the host community.

#### Box 5 Introducing a pricing mechanism into migration policy

Gary Becker discussed the merits of introducing a pricing regime for immigration in 2010. The mechanism involves moving from a bureaucratically determined immigration system, to a system based on immigrants’ willingness to pay to enter the country:

The proposal is that governments should sell the right to immigrate. The government should set a price each year and anyone would be accepted, aside from obvious cases such as potential terrorists, criminals and people who are very sick and who would be immediately a big burden to the health system. But aside from these cases, you would allow anybody to immigrate who could make the payments. No country has ever adopted such a policy. (Becker 2011, p. 27)

Becker argued that charging an ‘immigration fee’ could yield mutual benefits for both immigrants and the host country. The principal benefit to immigrants is that they can access (typically) higher wages in the host country. The main benefits to the host country are that the fee:

- could represent a significant potential revenue stream, allowing governments to either improve the provision of services, decrease its citizens’ taxes, or a combination of both
- would ensure that economically active immigrants who had a real commitment to the country were most attracted
- might provide an incentive for some immigrants who attempt to arrive illegally, to do so legally and undermine people smuggling businesses.

Source: Becker (2011).

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## How would the policy work within the existing system?

There are some threshold issues in specifying a hypothetical policy. The question of whether the proposed policy would complement or replace the existing arrangements could have a major bearing on the outcomes.

A further consideration is whether introducing a charging regime as the primary method of determining immigrant intakes would conflict with the high level objectives of Australia's immigration regime, or any existing international obligations of the Australian Government.

For example, Australia's immigration system has a stronger focus on skilled immigrants, than the immigration regimes in other countries (such as the United States) and this could affect the design of a charging system if the intention was to keep the focus on skilled immigration. The growing prominence of temporary immigration in Australia's immigrant mix is a further consideration. Implicit in the literature that discusses a charging arrangement for immigrants is that the policy would apply to permanent immigrants, although in principle there could be differential arrangements for temporary and permanent entry.

Charging for entry may also conflict with equity or fairness objectives. For example, under a charging regime, the family reunion intake would be determined by the willingness and capacity of the immigrant (or their family in Australia) to pay the charge, rather than the period of separation or other individual circumstances of the potential immigrant.

### QUESTIONS

*Would an immigration charge as a primary basis for determining the intake of immigrants be consistent with Australia's current migration objectives? Are existing Australian residents likely to accept the scheme, and would the scheme assist in building public support for immigration?*

*To what extent is it appropriate to consider an immigration fee for the immigration streams currently in place in Australia? Are any of the streams more suited to this policy?*

*Are there material differences in the applicability of the policy to permanent and temporary immigrants, and what are they?*

*Are there any non-economic objectives in the current regime, particularly with respect to the humanitarian and family reunion streams, that could be compromised by a move to charging for entry? How could these non-economic objectives be preserved under a charging regime?*

*What exemptions would be required to comply with Australia's current international obligations? What is the likely international reaction to Australia introducing such a charging regime?*

*Should the Commission examine the policy scenario as a replacement or as an addition to the existing arrangements?*

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## If an immigration fee was to be introduced, how might it be done?

Should the Government control the price of entry or the size and composition of the immigrant intake?

Depending on how it is implemented, a charging regime could influence the degree of control the Australian Government has over the size of its immigrant intake. At a high level, there are two options. The first involves administratively setting a price and allowing the *size of the intake* to be determined largely on the basis of demand from prospective immigrants at that price. Alternatively, the Australian Government can set a cap on the size of the intake and allow the *price* paid by the immigrants to be determined on the basis of the demand for entry into Australia.

There are also ‘middle ground’ options, where both the price and size of intake are controlled to some degree. For example, a capped number of places can be allocated via a tender, subject to meeting a particular reserve price.

To the extent that a charging regime replaces some existing qualitative requirements, there may be some loss of government control over the composition of the immigrant intake. Some of this control could be retained through the design of the charging mechanism. For example, rather than having a uniform charging regime across immigration streams, the charging arrangements could differ according to the visa category. A charging model could potentially incorporate qualitative requirements, both as a means of controlling the size and composition of the immigrant intake.

### QUESTIONS

*In a system that primarily relies on charging for immigrant entry, how much control should the government retain over the size and composition of the immigrant intake? How can this be reflected in the design of the policy?*

*Should the charging arrangements differ across immigrant streams? Should the charge apply on a per immigrant basis or should there be differential charging for those with a spouse and/or children?*

*Should the investment visa classes (significant investor and premium investor) continue under a charging regime?*

What are the rights and obligations being purchased?

Current Australian visas typically confer more than a mere right of entry into the country and can also impose some requirements on the immigrant. There is an issue of what rights should attach to visas issued under a charging regime.

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The terms of reference require the Commission to examine a policy where immigrants have a right to work and have limited access to social security, subsidised education, housing or healthcare. The ability of immigrants to access social security and various government services varies across current visa classes, and there is a range of potential options for visas issued under a charging regime. There could also be differing arrangements for particular immigration streams and/or a set of options offered to all prospective immigrants, with the entrant electing the bundle of entitlements that they wish to purchase.

Particular obligations may also be attached to the visas. For example, there may be Australian residency or employment requirements.

A further issue is how the pathways between temporary residency, permanent residency and Australian citizenship are managed. As noted earlier, temporary residency can provide information to governments about the immigrant's prospects of economic and social integration. This information may be especially valuable if the Australian Government chooses to put less (or no) emphasis on qualitative requirements as a means of controlling the composition of intake. For example, one option could involve the use of 'probation' mechanisms, such as a provisional visa arrangements, where the immigrant purchases a right to temporary residency that would convert to a permanent residency right after a period, subject to the fulfilment of particular requirements.

In most markets, the capacity to engage in secondary trade improves the price signals about the value of the product or service being traded and facilitates the allocation of resources to those that value them most. However the 'market' for immigrant places may have some distinguishing characteristics. For example, the identity of the purchasers of immigration permits is relevant, whereas in traditional markets the sellers are typically indifferent about this.

#### QUESTIONS

*What should be the key rights and obligations conferred by the visas issued under a charging regime?*

*What should be the extent and duration of any limits on access to social security and government services? Should those limits vary across visa streams or residency status? Are there any examples within the existing system, for example, the rights of New Zealand citizens residing in Australia, that could be used under a charging regime?*

*What should be the key elements of a policy on the transition between temporary residency, permanent residency and Australian citizenship under a charging regime? What would be the costs, benefits and practical issues in allowing secondary trade in immigration permits?*

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## How could the charge be set and applied?

There are many operational issues in implementing a charging regime.

If the level of entry fees were to be set administratively, there are questions over what criteria and evidence should guide the level of the charge. If the prices are determined by the market, there are issues in the design of the market mechanism. For example, if the places are tendered, there may be various design considerations, such as, for example: the frequency and duration of tenders; the administrative requirements for participating; and the design of the bidding process.

A further issue is how the charging system would operate in practice, including which parties are involved in financing the charge, the timing of the payments and, the enforcement of the system.

For example, the capacity of some prospective immigrants to pay the charge upfront may be limited. In principle, this could be resolved with the help of capital markets that allowed an immigrant to borrow against future expected earnings. There is an issue of whether there are impediments that could prevent the capital markets from providing this product directly to prospective immigrants.

An alternative option could be an Australian Government loan to prospective immigrants, operating similarly to Australia's Higher Education Loan Program (HELP). There may be a number of design issues with such an approach. These could include, for example, whether the loan is provided on a concessional basis, the duration of the loan, enforcement of repayments and whether there are any exemptions to repayment, such as the minimum income thresholds that apply under the HELP scheme.

Another option could be to allow parties other than the immigrant to purchase permits on behalf of the immigrants, subject to the immigrant meeting specific requirements. This could include, for example, labour hire firms, or prospective employers.

A related issue relates to the role of migration agents in the charging system, including whether migration agents could be involved in assisting their clients to obtain finance, or in purchasing permits on their behalf.

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## QUESTIONS

*If the level of the charge is determined administratively, what criteria and evidence might be relevant in setting the fee? How should the price be set, and how frequently should it be revised?*

*If the price is determined within the market, what should be the key elements of the mechanism for allocating permits?*

*Which parties should have the right to purchase an immigration permit? What would be the practical challenges and other implications in allowing non-immigrants to purchase the permits?*

*How effective have migration agents been in assisting potential immigrants? What should be the role of migration agents under a charging regime? What are the benefits and risks vesting migration agents with the right to assist their clients in obtaining finance for the entry charge or in purchasing permits on behalf of their clients?*

*What would be the challenges or impediments for Australia's capital markets in providing loans to finance immigration permits? Would there be distortions due to differences in access to capital markets for immigrants from different countries?*

*Should the charge be payable by instalment?*

*Under what circumstances should the charge be refunded?*

*What are the costs, benefits and practical challenges in providing a government loan facility for immigration permits? What could be the key characteristics of such a facility? How could such a loan scheme be enforced?*

*Are there any other relevant considerations relating to how an immigration fee could be implemented in Australia?*

## Impacts of a charging regime

There are two channels through which a charging regime could affect the outcomes for the Australian community. The first relates to the revenue raised from charging for entry — a potential transfer to the Australian Government of the gains from immigration that otherwise would have accrued to the immigrants. The second channel is the economic, environmental, amenity and social impacts from the immigrant intake that results from the policy.

### The revenue from the charge — what determines the impacts?

Several factors could influence the size of the revenue from immigration charges and whether this revenue constitutes a net benefit to the Australian community. One key determinant is the demand for the right to immigrate to Australia, which as discussed earlier is influenced both by the benefits and costs of immigrating to Australia, and the availability, costs and benefits of alternative migration destinations. For example, the

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willingness of immigrants to pay for entry may be influenced by the social security and other government services available to them. It would also be affected by the compliance costs of participating in the scheme, including the cost of engaging intermediaries, such as migration agents.

Another consideration is how the new regime would increase the net revenue to the government, compared to existing arrangements. As noted earlier, some of the current visa fees and local investment requirements for some visa classes may already amount to a charging regime for entry.

A further issue is whether the revenue from the charge amounts to a net benefit to the Australian community or a mere transfer of funds from another part of the economy. In some cases, if the immigration charge is financed within the Australian community (for example, to sponsor a family reunion application), the revenue would be a transfer from some members of the community to the Australian Government. There may be a similar issue if the revenue from the immigration permit would have otherwise been spent by the immigrant on goods and services produced in Australia.

The administrative costs of the regime are another relevant consideration, and these could be influenced by the complexity of the charging arrangements as well as by the extent of government involvement in the financing of immigration permits.

#### QUESTIONS

*How could the demand for immigration into Australia be measured? What is the evidence in Australia and comparable overseas economies on the willingness of immigrants to pay for immigration permits?*

*To what extent do the current administrative arrangements constitute an indirect charge for entry?*

*Under what circumstances would the revenue from the immigration charge not constitute a net benefit to the Australian economy and how prominent are those factors likely to be?*

*What factors could influence the administrative costs of the regime? How might the likely costs compare to current administrative costs?*

### Impacts from changes in the immigrant intake

The impacts for the Australian community from an immigration program based primarily on charging would differ from current outcomes if the new policy leads to a change in the size and composition of the immigrant intake.

The issue is whether the self-selection of immigrants on the basis of the net benefit they expect to obtain from migrating is consistent with maximising the net benefit to the

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Australian community, or at a minimum, would improve on the outcomes under the current system. One consideration is the costs and benefits of the qualitative requirements that would be removed.

For example, some of the current qualitative requirements might create spillover social or economic benefits for the Australian community that might not be accounted for under a charging regime. They might assist in selecting immigrants that would be more likely to participate in the Australian economy, be net contributors to government budgets and integrate into the Australian society. Conversely, some of the current requirements might create an arbitrary and inefficient barrier to entry for some immigrants, who would otherwise generate a benefit for the community, both through their activities post-immigration and through the revenue from the immigration charge.

One potential consequence of moving to a self-selection regime and seeking to capture some of the benefits from the immigrants, while limiting their access to social security and government services, is that this might force prospective immigrants to bear more of the risk from their decision to immigrate. This could have implications for the composition of the immigrant intake and the incentives of those that arrive.

#### QUESTIONS

*What might happen to the composition of the immigrant intake if an immigration charge replaced the current requirements for skills and family connections? What kind of immigrants would this potentially attract, and what immigrants may be deterred? Would all prospective immigrants face a level playing field in their capacity to participate in the scheme? If not, who would this policy favour and who be disadvantaged and how?*

*Do any of the outcomes under Australia's existing migration streams provide useful evidence on the demand for a charging system among prospective immigrants, and the implications such a move would have on the composition of the immigrant intake? Can any lessons be drawn from the outcomes under the Business Investment stream?*

*What are the implications of the potential change in the immigrant composition for Australia's labour and capital markets?*

*What are the possible consequences for urban amenity and social outcomes for the Australian community?*



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## Potential unintended consequences of moving to a charging regime

A significant change to the existing arrangements may give rise to some unintended consequences, not all of which might be predictable at the outset.

These could relate to the capacity of prospective immigrants to circumvent the new arrangements or to exploit any loopholes, particularly in the early stages of the policy. For example, moving to a charging regime for some types of visas could increase demand for alternative ways of obtaining residency in Australia, such as by obtaining New Zealand citizenship.

There could also be implications for the immigration intermediary sector. One potential consequence could be the rise of an informal market for securing and financing immigrant places.

There may also be equity and social cohesion concerns from creating a large cohort of residents with a lower level of rights than the existing Australian population.

Aside from the threshold question of whether the uncertainty and the potential risks outweigh the potential benefits of the policy, there is an issue of how the uncertainty should be managed. Examples of risk management in implementing a new policy regime include pilot schemes and staged or incremental introduction of the policy.

### QUESTIONS

*What are the key areas of uncertainty from introducing a charging regime for immigration and how significant are the risks?*

*If such a policy were to be implemented, what transitional arrangements should be considered in order to minimise the risks? Would it be helpful to implement a pilot scheme to test the robustness of the proposal? How should such a pilot scheme be designed?*

## Other alternatives

The Commission was asked to consider other alternative mechanisms for determining immigrant intakes. At a high level, governments can control the size and composition of the intake through quotas, qualitative requirements and financial imposts. However, those policy levers can be combined in multiple ways, and there are also many options and possible modifications within each of those policy approaches.

There is also an option of paring back control over aspects of the immigrant intake. One example of this approach is the US Diversity lottery, where up to 50 000 places each year are allocated on a random basis to applicants from countries with low rates of immigration to the United States.

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At the extreme, all control can be removed under an open borders policy. The arrangements between Australia and New Zealand are one example. There are other examples around the world of bilateral (for example, between the United States and Canada) or even multilateral (for example for citizens of European Union countries) open border arrangements. However, the Commission is not aware of any cases of unrestricted open-border arrangements for all prospective immigrants.

#### QUESTIONS

*What other intake mechanisms that have been tried in other countries and are materially different from current arrangements in Australia should the Commission consider? How would those mechanisms improve outcomes?*

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## Attachment A

### How to make a submission

This Commission invites interested people and organisations to make a written submission.

Each submission, except for any information supplied in confidence (see below), will be published on the Commission's website shortly after receipt, and will remain there indefinitely as a public document. The Commission reserves the right to not publish material on its website that is offensive, potentially defamatory, or clearly out of scope for the inquiry or study in question.

When providing a submission to the Commission, you may wish to remain anonymous or use a pseudonym. Please note that, if you choose to remain anonymous or use a pseudonym, the Commission may place less weight on your submission.

Copyright in submissions sent to the Commission resides with the author(s), not with the Commission. Submitters should ensure that they hold copyright in any submitted documents, or that the copyright holder has authorised the publication of any relevant documents on the Commission's website.

### How to prepare a submission

Submissions may range from a short letter outlining your views on a particular topic to a much more substantial document covering a range of issues. Where possible, you should provide evidence, such as relevant data and documentation, to support your views.

This is a public review and all submissions should be provided as public documents that can be placed on the Commission's website for others to read and comment on. However, information which is of a confidential nature or which is submitted in confidence can be treated as such by the Commission, provided the cause for such treatment is shown. The Commission may also request a non-confidential summary of the confidential material it is given, or the reasons why a summary cannot be provided. You are encouraged to contact the Commission for further information and advice before submitting such material. Material supplied in confidence should be provided under separate cover and clearly marked 'IN CONFIDENCE'.

### How to lodge a submission

Each submission should be accompanied by a submission cover sheet. The submission cover sheet is available on the inquiry web page. For submissions received from individuals, all **personal** details (eg home and email address, signatures, phone, mobile and fax numbers) will be removed before they are published on the website for privacy reasons.

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The Commission prefers to receive submissions as a Microsoft Word (.docx) files. PDF files are acceptable if produced from a Word document or similar text based software. You may wish to research the Internet on how to make your documents more accessible or for the more technical, follow advice from Web Content Accessibility Guidelines (WCAG) 2.0 <<http://www.w3.org/TR/WCAG20/>>.

Do not send password protected files. Do not send us material for which you are not the copyright owner — such as newspaper articles — you should just reference or link to this material in your submission.

Track changes, editing marks, hidden text and internal links should be removed from submissions before sending to the Commission. To ensure hyperlinks work in your submission, the Commission recommends that you type the full web address (eg <http://www.referred-website.com/folder/file-name.html>).

Submissions sent by email must not exceed 20 megabytes in size as our email system cannot accept anything larger. If your submission is greater than 20 mb in size, please contact the Administrative Officer for the relevant project to organise another method of sending your submission to the Commission.

Submissions can be accepted by email or post:

Email*	migrant.intake@pc.gov.au
Post	Migrant Intake Productivity Commission GPO Box 1428 Canberra ACT 2601

\* If you do not receive notification of receipt of an email message you have sent to the Commission within five working days of sending, please contact the Administrative Officer.

### Due date for submissions

Please send submissions to the Commission by 12 June 2015.