



OFFICE OF
REGULATION REVIEW
INDUSTRY COMMISSION

Australia's visa system for visitors

A submission to the Joint Standing Committee on Migration



SUBMISSION
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INTRODUCTION

The Joint Standing Committee on Migration is conducting an inquiry into Australia's visa system for visitors.

The Office of Regulation Review (ORR) — located within the Industry Commission — is responsible for advising the Commonwealth Government on its regulation review program. Amongst other functions, the ORR provides advice on regulatory issues.

This submission mainly addresses parts (b) and (d) of the terms of reference of the inquiry, that is:

- the efficiency and cost effectiveness of the visitor visa system; and
- possible alternatives to the visitor visa system, including the options of visa free travel or multiple entry visas.

In particular the submission proposes a framework for assessing the effectiveness of the current universal visa requirement. It then uses data supplied to this inquiry to make a preliminary assessment of the benefits and costs of alternative visa arrangements.

AUSTRALIA'S VISA SYSTEM

A visa signifies that the passport of a non-citizen has been examined and its contents endorsed by the country that the person is seeking to visit. From 1 September 1994, a visa has represented the single authority for travel to and stays in Australia. While other types of visas such as migrant, refugee, student and temporary resident visas exist, visitor visas made up about 92% of all visas issued in 1993–94.

Typically persons seeking to visit Australia are required to complete a visa application and lodge it with their passport at an Australian Mission. Information required includes the details usually found on a passport such as name and address as well as reasons for visit, financial information and evidence of commitment to the home country. Potential visitors are also asked whether they have previously failed to meet the conditions of a visa or whether they have a criminal record. Those applicants not known to the authorities are usually issued a visa provided it is judged that they are not likely to overstay or otherwise breach the conditions of the visa.

¹ Prior to this date, a visitor visa only represented the authority to travel to Australia. All visitors to Australia have been required to hold a visa since 1 January 1975 (Department of Immigration and Ethnic Affairs — DIEA, submission 77, p. 4).

² Of the total of approximately 2.5 million visas issued in 1993–94, 2.3 million were visitor visas (DIEA, submission 77, p. 19).

³ Alternative arrangements for issuing visas exist in some countries. Since 1988 travel agents in Japan and Qantas agents in some cities of the United Kingdom and United States have assisted with the delivery of visas.

All temporary visitors to Australia are required to obtain one of two visitor visas. A Short Term Visitor Visa is available for stays of up to three months — these are the most common type of visa issued and are available free of charge. A Long Term Visitor Visa is available for those staying for periods up to six months — this visa costs \$30AUD but is required by only a small proportion of visitors.⁴ Both types of visa can allow for multiple entry by frequent visitors.

OBJECTIVES AND OPTIONS

Australia's visitor visa system has two main objectives.⁵ Firstly, it is designed to provide border integrity and minimise the entry of people who might pose a threat or harm to the Australian community. This may occur if such persons pose a security risk or if they overstay and impose costs on the community such as obtaining employment that may otherwise have been obtained by a citizen. Secondly, the visa system should facilitate the entry and travel of visitors to Australia, primarily by efficient processing at Australian entry points.

The main benefit of maintaining a visa system is that it may result in fewer 'undesirable' visitors entering Australia.

The magnitude of this benefit depends on:

- how effective visas are for deterring people who pose a security risk or people who may overstay; and
- the costs avoided if these 'undesirable' visitors do not enter the country. This would include the average cost of overstay.

There are two main costs associated with having a visa requirement. These are, firstly, the direct costs of administering the system; and secondly, indirect costs of lost export earnings, and other non economic benefits forgone, if legitimate visitors are deterred from coming to Australia.

The magnitude of these costs depends on:

- the number of potential visitors that must apply for a visa;
- whether visas deter legitimate visitors; and if they do
- what the average level of expenditure per visitor per stay would have been.

⁴ Citizens of New Zealand and permanent residents of Norfolk Island are not required to apply for a visa prior to travel but are granted visas on entry.

⁵ Visitor arrivals (excluding New Zealand) by type of visa issued for the year to May 1994 included 82% on short term visas and 3% on long term visas. The remainder were Special Tourist visas issued to Japanese visitors (13%), while 2% of visa applications were made on codes that are no longer used (Australian Tourism Industry Association, submission 74, attachment C, p.1). Short and long term visitor visas are classified into categories of tourist, business, close family, other tourist and medical.

⁶ DIEA, submission 77, p. 2.

An additional cost of the visa system is that imposed on Australian travellers when they are required to obtain visas to visit countries (eg. the United States) that reciprocate Australia's visitor visa requirement.

In general, the type of visa arrangement chosen should be one that maximises the benefit of reducing entry by 'undesirable' visitors while minimising the costs of doing so. Ideally, screening should take place up to the point where the costs of issuing visas (including indirect costs) are just equal to the benefits of reducing overstay and security risks. In theory, it could be possible to reduce the number of 'undesirable' visitors to zero, but this would be prohibitively costly in administrative terms and could exclude large numbers of legitimate visitors. Such an approach would reduce Australia's export income and might lower domestic employment levels. All practical systems therefore involve a trade-off between the degree of border integrity attained and the level of costs incurred.

There are broadly three ways Australia could attempt to achieve its objectives. These are:

- to maintain the universal visa arrangement;
- to remove the need for all visitors to obtain visas; or
- to remove the need for visitors to obtain visas on a selective basis. Exemptions from the visa requirement could be based on either country of origin or 'type' of visitor.

UNIVERSAL VISA REQUIREMENT

The main benefits claimed for the universal visitor visa requirement are that it keeps out people who pose a security risk and contributes to keeping the number of visitors who overstay lower than would otherwise be the case. Against this are the direct costs of administering the system and, possibly, the indirect costs incurred if visas deter 'desirable' visitors from coming to Australia.

This section examines the evidence for these claims.

Increased security?

The Australian Federal Police state:

Australia has been able to monitor organised criminal activity through the existing visa system and if this system was withdrawn it would be extremely difficult to track movements of persons suspected of involvement in such activity (submission 66, p.3).

In contrast to this view, the Department of Foreign Affairs (DFAT) states that the level of screening carried out for the issue of a visa is unlikely to effectively prevent criminal movement:

... no system of visa processing can exclude all those persons whose presence in Australia might activate controversy or represent a security threat. The realities of modern massive tourism mean that the security that was once available from procedures like those we currently employ has all but disappeared (submission 76, p.4).

Moreover, many other countries have at least as great a level of security concern as Australia and are able to adequately monitor international movements of criminals through means other than a universal visa requirement. An example of such alternative means is the Advance Passenger Information (API) system which involves collecting information from passengers at the departure point and electronically transferring it to the country of destination. This allows checking to take place prior to the visitors' arrival and can alert authorities as to who should be checked further.⁷

Rate of overstay

At 30 June 1994, the number of visitor overstays in Australia totalled 4800. Of these, 40 600 had overstayed for more than 12 months and 7200 had overstayed for less than 12 months (DIEA, submission 77, attachment 5). The number of visitor visa applications received for the year ending 30 June 1994 was approximately 2.3 million (DIEA, submission 77, attachment 3). Using the figure of 7200 visitors who had overstayed within the past year, the number of overstays as a percentage of applications received in that year was approximately 0.3%. If it were assumed that a full 40 600 would overstay for more than twelve months then the overstay rate could be as high as 2%.⁸ However, this is likely to overstate the rate of overstay as the 40 600 visitor overstays as at 30 June 1994 would not have all applied for their visas in the same year.

The number of potential visitors that the authorities judge are likely to overstay or otherwise breach the conditions of the visa is also low as a proportion of visas issued. In the year 1 July 1993 to 30 June 1994, approximately 36 700 visitors visas were refused out of 2.3 million applications — around 1.6 % (DIEA, submission 77, attachment 3).

Low overstay rates may indicate several effects:

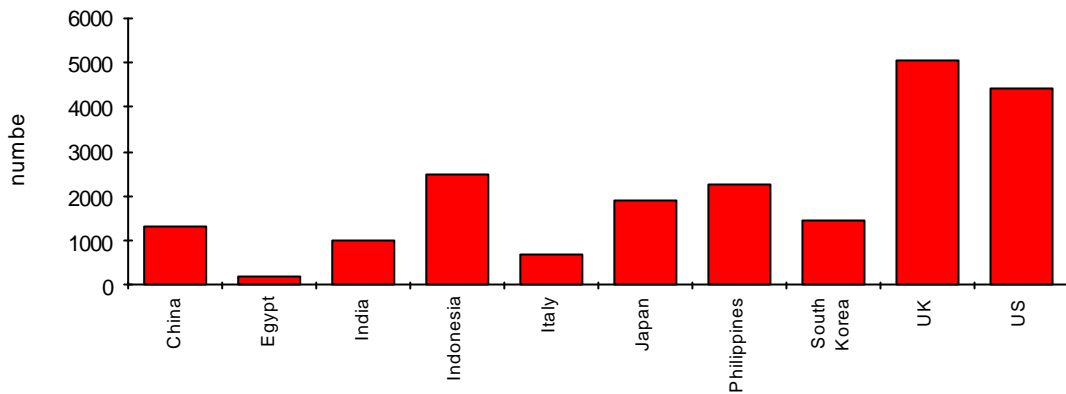
- that the visa system is effective for keeping out those who would overstay;
- that those visiting Australia wish to do so only for legitimate purposes;
- that the existence of the universal visitor visa requirement deters those who would have overstayed or otherwise breached the conditions of the visa from even applying.⁹

⁷ While this system is still in an early stage of development, it has been trialled for some Qantas flights from the US and negotiations for a similar system between Australia and New Zealand are well advanced. In addition, this system could be supplemented by the use of 'biometric' methods of identification such as hand-scans or fingerprint data which could be checked against encoded data carried by the passenger. See Federal Airports Corporation, submission 38, pp. 10–11.

⁸ According to the North Eastern Region Migrant Resource Centre (submission 37), the rate of overstay in 1991–92 was less than 1%.

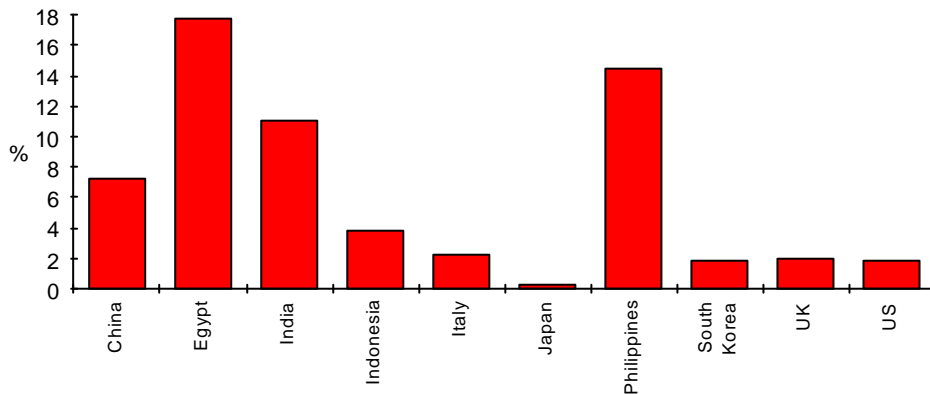
⁹ While this may have an effect on potential visitors from countries that have a high rate of rejection for visa applications, the ORR doubts that the existence of a visitor visa system provides a significant deterrent to those applying for visas in countries where the rejection rate is low.

Chart 1: Number of visitor overstays as at 30 June 1994 from selected countries



Source: DIEA submission 77, attachment 5.

Chart 2: Visitor overstays as a percentage of visitors visas granted in selected countries - year ended 30 June 1994



Source: DIEA submission 77, attachments 3 and 5.

Chart 1 shows the numbers of visitors overstaying in Australia from selected countries. As the chart indicates, there is significant variability in the numbers of people overstaying from each country. For example, of total visitor overstays as at 30 June 1994, the highest numbers were from the UK and US while smaller numbers were from Egypt and Italy. This variability could simply be a reflection of the numbers of people who were granted visas to enter Australia from each country.

This is explored in Chart 2 which shows the number of overstays as a proportion of visas granted for selected countries!¹⁰

Chart 2 indicates that rates of overstay also vary considerably. For example, the US and UK rates of overstay are quite low. At the extremes, a relatively high proportion of Egyptian visitors overstay whereas very few Japanese visitors do. Rates of overstay appear to be partly related (inversely) to level of income in each country although this is by no means the only factor affecting overstay rates.

It is difficult to assess the effectiveness of visas in preventing entry by people who pose a security risk or who are likely to overstay. However, some evidence of the impact of the visitor visa system on overstay rates can be inferred from the numbers of visa applications refused for each country. This is shown in Table 1.

Table 1: Visitor visas issued and refused — selected countries

<i>Country</i>	<i>Applications</i>	<i>Refusals</i>	<i>Visas granted</i>	<i>Percentage refused</i>
China	20 529	2 305	17 999	11.2
Egypt	1 600	550	998	34.4
France	25 492	404	24 921	1.6
Germany	112 581	228	111 689	0.2
India	9 953	872	9 119	8.8
Indonesia	66 493	3 370	64 957	5.1
Italy	30 148	147	29 916	0.5
Japan	634 611	434	633 309	0.07
Malaysia	65 494	623	64 554	1.0
Philippines	20 078	4 270	15 731	21.3
South Korea	72 645	116	75 263	0.2
United Kingdom	258 366	528	254 816	0.2
United States	238 444	541	235 429	0.2

Source: Figures for visa applications activity at overseas posts for the period 1 July 1993 to 30 June 1994. (DIEA Submission 77, Attachment 3).

Table 1 again shows wide variability, this time in the level of visas refused — proportionally more visas tend to be refused in cases where a country has a high rate of overstay.

In countries such as the UK, US, Japan, South Korea, Italy and Germany it is possible to conclude that the visa system is having almost no impact on overstay

¹⁰ The percentages in Chart 2 represent only a rough guide to the proportion of visitor overstays from each country. This is because the figure for overstays represents the total stock of overstays as at 30 June 1994 and therefore includes some overstays who had applied for visitor visas prior to the period, 1 July 1993 and 30 June 1994, considered here.

rates, as almost no visas are refused!¹ This is of particular interest in the case of US and the UK which contribute significantly in terms of the total number of visitor overstays as at 30 June 1994.

In other countries such as Egypt and the Philippines, percentage refusals are much higher and it is likely that the rate of overstay may have been higher if fewer applications had been rejected!² For example, DFAT notes:

the removal of visas from some nationalities would enhance the possibility that some persons who might have been excluded by the present system will have easy access to Australia (submission 76, p. 14).

While the links between visa issues and overstay are difficult to determine, a brief survey by the ORR of the evidence presented to the inquiry indicates that it is likely the visa system contributes to lowering the level of overstay in some countries. However, its effectiveness varies dramatically by country.

The magnitude of the benefit that visas confer in lowering levels of visitor overstays depends on the impact that overstays have on the Australian community. Costs associated with visitors overstaying may include occupying jobs that otherwise would be available to citizens, and placing an additional burden on services available to all. In the long term, the incidence of overstaying could undermine Australia's formal immigration program, thereby imposing significant costs on the community. However, as recognised by the Bureau of Immigration and Population Research (BIPR), illegal workers can also bring benefits such as providing skills to the workforce, in much the same way as do long-term immigrants.

It is difficult to judge how the costs of overstays compare with the benefits they may bring to the community. The ORR is unaware of any detailed analysis of the net costs that visitor overstays impose but considers that such estimates would be useful in forming a final judgement on the appropriate visa system for Australia.

The costs of overstay could differ according to the reason for overstay. For example, if the rate of overstay merely reflects an extended holiday then the net costs of overstay are likely to be low, particularly as Australia continues to generate export earnings from these visitors. On the other hand, if visitors are overstaying with the intention of settling here permanently then it is possible that the net costs will be higher.

Determining the status of the majority of overstays has significant implications for the type of visa system adopted. For instance, if the majority of overstays were to

¹¹ As stated earlier, while the mere existence of a visitor visa system may deter some visitors who would potentially overstay from even applying, it is likely that this effect would not be very strong for those countries where few applications are rejected.

¹² On the other hand, it may also be possible that too many applications, or the wrong applications, were rejected so that a number of visitors who would not have breached the conditions of the visa were unable to visit Australia.

fall into the first group (holiday extension), then it may be possible to reduce the rate of overstay simply by extending the validity dates of the visitor visa.¹³

¹³ Further, if most overstays fall into the first group, an additional cost of the visa system to be considered would be the fact that visitors have shorter holidays than they otherwise would in the absence of a visa.

Costs of the universal visa system

The universal visa system has been criticised in a number of submissions to the inquiry. While visa requirements are not unique to Australia, it appears that Australia is the only OECD country that maintains a universal visa requirement. Many countries maintain selective visa requirements for short term visits. For example, New Zealand has recently introduced selective visa free arrangements for over 30 countries while all European countries except France and Spain allow Australian visitors to enter without a visa for short term visits. Similarly, the United States has in place reciprocal visa free arrangements with some countries while many Asian countries provide visa free travel for short stays by tourists, but require visas for longer stays.

The direct cost of administering the universal visitor visa system was \$9.3 million in 1993–94 (DIEA, submission 77, attachment 12). This cost is expected to escalate significantly as the number of visitors entering Australia rises both as a result of the general upward trend in international travel as well as a result of Sydney's successful bid for the 2000 Olympics. In 2000, the target number of visitors to Australia is expected to be 6.8 million (Inbound Tourism Organisation of Australia, submission 53, p. 9) and by 2004, approximately 8.4 million visitors are expected (Tourism Task Force, submission 36, p. 7). This will result in a significant increase in the costs of administering a universal visa scheme. The extent of these cost increases will depend on whether there are technical improvements or other gains in efficiency made in processing applications.

There are also indirect costs of maintaining the current visa system which, as discussed below, can potentially be quite high. The main indirect costs of the system are the income, and the non-economic benefits such as temporary family reunion, that Australia forgoes if the visa system deters potential visitors from coming to Australia. The magnitude of this cost depends on whether visitors are in fact deterred by visa arrangements and, if they are, what their average level of expenditure would have been if they had visited.

Are legitimate visitors deterred?

The number of visitors discouraged by the visa process will depend on the costs it imposes on them. These costs are monetary as well as non-monetary such as time delays and inconvenience.

The higher the value a potential visitor places on his or her time, the greater is the likelihood that the visitor will be deterred. This would be the case for those who plan and book their visits at the last minute. It is also common for wealthier individuals to value their time highly. This may imply that those most likely to be deterred by the visa process are those who would have had a relatively high expenditure if they did visit Australia.

While the requirement for a visa would not be the primary consideration for choosing a holiday destination, it is likely that the issue is a factor at a later stage when final choices between a few destinations are being made. In the case of travel

for business purposes, the need to obtain a visa may have greater impact on some decisions — such as choosing between different international conference venues than on others — such as visiting to obtain more detailed information about a potential investment project.

A pilot survey conducted by the National Centre for Studies in Travel and Tourism¹⁴ of visitors returning home after a stay in Australia found that 18% of respondents indicated the visa process would discourage them from visiting Australia again. Of these, the largest proportions of visitors discouraged by the visa process were from Japan (55%), Thailand (50%) and Korea (42%). Japan is currently one of Australia's major sources of visitors (particularly high spending visitors), while Korea and Thailand, amongst others, are expected to be the fastest growing sources of visitors in the future (Tourism Victoria, submission 39, p. 9). The overall figure of 18% may understate the number of visitors potentially deterred by visa arrangements as it does not survey those who may have decided not to visit Australia at all due to the visa requirement.

Qantas has also made an estimate of the numbers of passengers deterred by visa requirements. Qantas estimates that in 1993–94, it might have carried an extra 39 000 Japanese visitors to Australia if there was no visa requirement (Qantas, submission 60, p. 7).

On the basis of the Qantas estimate of visitors deterred and an average expenditure of \$1790 per visitor per stay (Tourism Victoria, submission 39, p. 9), the visa system could result in approximately \$70 million in lost income for the Australian economy per year.¹⁵ A much larger estimate of the costs of deterring legitimate visitors is provided by the Australian Tourism Industry Association. It estimates that if the figure of 18% is representative of the deterrence effect of visas on visitors to Australia, then the loss of export revenue would be approximately \$984 million per year (submission 74, p. 9)¹⁶

While too much reliance should not be placed on any of these estimates, they do indicate that, because tourism is a major export (worth \$9.4 billion in 1993), even a small deterrence effect is likely to impose significant costs on the Australian economy. These costs probably far outweigh the direct financial costs of administering the scheme.

Other indirect costs of the universal visa system include the costs incurred by Australians making visitor visa applications in countries such as France and the United States which have imposed visa requirements on Australians in response to Australia's universal requirement.

Given that the costs of administering the scheme and the potential costs of deterring visitors can be expected to rise as the number of visitors increases, it is worthwhile

¹⁴ See Australian Tourism Industry Association, submission 74, attachment C.

¹⁵ This estimate refers only to visitors from Japan and only to one airline of many which service Australia. The total impact could be much larger.

¹⁶ Both estimates refer to gross revenue, not net benefits to Australia. The cost of earning this revenue would need to be deducted to arrive at the net benefit to the economy.

¹⁷ Tourism Victoria, submission 39, p. 9.

to investigate whether it is possible to gain the same benefits (keeping the number of ‘undesirable’ visitors low) at a lower cost.

UNIVERSAL VISA FREE ARRANGEMENTS

One alternative to Australia’s current visa arrangements would be to eliminate visa requirements for all visitors. While the complete elimination of the visa requirement may seem an extreme case, as DFAT notes:

in, say, 15 to 20 years, the volume of international passenger traffic from and between all countries will have surpassed the ability of systems of visa issue to manage it while at the same time facilitating the business and personal leisure affairs of the great majority of people. If this prediction is borne out ... The question to be considered will, to some extent, revolve around the resource savings inherent in the total elimination of the visa requirement (submission 76, pp. 22–23).

A universal visa free scheme might be an appropriate option if the universal visa requirement was found to have no impact on detecting illegal entrants or overstays, and if the cost of overstay is low. Thus far there is no compelling evidence that visas are completely ineffective for deterring overstay, or that the cost of overstay is low, in all cases. In fact, the high refusal rates for some countries may suggest that overstay rates could be significantly higher if visas were not required.

SELECTIVE VISA FREE TRAVEL

A less extreme option which may capture the main benefits of visas at lower cost would be to remove the visa requirement for visitors on a selected basis. This option would screen potential visitors to prevent overstay where it is necessary, while lowering the administrative and potential deterrence costs that the universal system imposes.

Visitors could be exempted from visa requirements either on the basis of country of origin or by visitor ‘type’.

Selective visa free travel — by country

Under selective visa free arrangements, visas are required of visitors from certain countries only. Such arrangements are common worldwide.

This type of visa system could operate by selecting countries for exemption on the basis of objective criteria such as:

- low historical rates of overstay (where the benefits of visas are lowest);

- cost of overstays from certain countries (for instance the costs of those who overstay on extended holidays is likely to be lower than the costs of those who overstay for permanent residence)¹⁸;
- low rejection rates (where the effectiveness of visas is lowest);
- extent to which visitors are deterred by visa arrangements; and
- average expenditure by visitors from each country per stay.

While the ORR does not possess the detailed knowledge required to determine which countries would be exempted from the visa arrangement, Japan would seem a likely candidate. This is because in terms of the criteria given above, Japanese visitors made up the largest number of total visitors received in 1999~~94~~, yet both the overstay and refusal of visitor visa application rates were very low; the pilot survey suggests that this group of visitors is likely to be discouraged by visa requirements and the average expenditure per stay by this group is relatively high.

One benefit of a selective waive of the visa requirement would be a reduction in administrative costs. DFAT states:

it is clear that an arrangement to allow visa-free entry along the lines similar to those used by the United States would cover [exempt] about 70% of all overseas visitors — and, conversely, save the Australian tax-payer the cost of issuing approximately 4.5 million visas at overseas posts by the year 2000 (submission 76, p. 18).

Another benefit of waiving the visa requirement for some visitors could be an increase in travel to Australia if the deterrent of obtaining a visa is removed.

Additionally, a waive of the visa requirement for some countries may allow Australia access to reciprocal visa free arrangements such as those of the United States. This would make travel for Australians to these destinations a little easier as they would no longer need to apply for a visa.

A possible cost of moving from the current universal visa requirement could be an increase in the number of ‘undesirable’ visitors entering Australia, however, careful country selection could largely avoid this. Experience overseas suggests that moving to a selective visa free system appears to result in little change. For example, following New Zealand’s recent extension of visa free status to over 30 countries, there has been only a small number who have overstayed and no evidence to suggest that criminal activity has increased (Tourism Victoria submission 39, p. 7). Furthermore, according to Immigration Advice and Rights Centre Inc (submission 58, p. 6) the selective waive of visitor visa requirements has resulted in an increased number of visitors.

Further, on the basis of the evidence presented, the universal visitor visa scheme may not be very effective for ensuring national security.

An additional cost of selective visa free arrangements may arise if overseas countries or domestic constituents raise objections to the criteria used for granting visa free status. This may make it very difficult to apply the criteria or may

¹⁸ Additionally, while only a potential indicator, the number of applications for a visa change of status once the visitor has entered Australia may indicate an intention to seek residence rather than have a holiday.

adversely affect bilateral relations. However, as DFAT notes (submission 76, p. 15), this cost may be reduced if countries are notified and consulted of the proposed arrangements well in advance and if the objective criteria selected are those used by other countries employing selective visa free arrangements.

Overall, the ORR considers that the benefits of exempting some low risk countries from the universal visitor visa requirement outweighs the potential costs of doing so.

Selective visa free — by visitor type

An alternative to removing the visa requirement according to country of residence would be to use another criteria such as purpose of the visit. This option might work by removing the visa requirement for business visitors, or for tourists with a pre-paid package holiday and a return airfare. This approach would, for instance, exempt many Japanese tourists from visa requirements.

Against the benefits of such an approach would need to be balanced the potentially high administrative costs of processing visas under such as system, and the possibility that people seeking illegal entry may try to masquerade as a bonafide ‘type’ of visitor.

RECOMMENDATIONS

The choice between keeping the current universal system and eliminating the visa requirement for some visitors depends on several factors. These are:

- the effectiveness of the universal visa requirement for deterring ‘undesirable’ visitors and for keeping overstay rates low;
- the net costs of overstay;
- whether a visa requirement deters legitimate visitors; and
- the net costs of deterring these visitors.

Based on evidence submitted to the inquiry, the ORR’s assessment is that the costs of the current universal visitor visa system are likely to outweigh its benefits. Further, these costs are likely to increase rapidly as the volume of visitors increases in future. However, it is difficult to be conclusive because of a lack of data on the net costs of overstay and the deterrence effect of visitor visas on legitimate visits. This makes it difficult to calculate all the relevant costs and benefits of the present visa system.

Nevertheless, evidence to the inquiry indicates that for some countries visas have little impact on the level of overstay because the number of refusals is very low. Furthermore, in some countries, the historic rates of overstay are so low that it is questionable whether the costs of visas are worthwhile. In addition, given the arrangements in other countries and the evidence presented to the inquiry, it is not at all clear that a universal visitor visa system is required for security purposes.

The ORR's view is that a selective visa system would better serve Australia than the current universal requirement. It suggests the inquiry recommend a process to determine the criteria for exempting countries, or visitor 'types', from visitor visa requirements.