



**SUBMISSION BY THE NORTHERN TERRITORY DEPARTMENT OF BUSINESS
TO THE
PRODUCTIVITY COMMISSION'S ISSUES PAPER
*'MIGRANT INTAKE INTO AUSTRALIA'***

1 INTRODUCTION

The Northern Territory Department of Business (DoB) welcomes the opportunity to provide input into the Productivity Commission's inquiry into the greater use of charges to determine the intake of temporary and permanent immigrants into Australia.

DoB does not support the introduction of a price-driven migration program as the sole migration pathway as it believes that such an approach will negatively impact the flow of migrants to regions outside Australia's major metropolitan centres and hence the economic and social development of northern Australia.

Contemporary history has shown the major contribution migration has made to the development and growth of the Northern Territory. Migrants continue to make significant contributions in developing new industries, opening up new land and providing both new products and services. These benefits will be severely reduced under a price-driven migration system.

A price-driven migration program model may allow migrant numbers to Australia to be controlled, however, it is difficult to see how this model alone could influence the calibre of those migrants and where within Australia they choose to settle.

DoB believes that a price-driven approach, alone as a determinate of migrants' eligibility, would result in increased migrant numbers settling in major eastern seaboard capitals which in turn would place increased pressure on the already stretched infrastructure in those centres and competition with Australian citizens and permanent residents for jobs.

DoB considers that such an approach would have wide-ranging negative impacts, such as not providing employers in northern Australia with the workforce they require and restricting economic development.

While there may be short-term financial benefits flowing from a price-driven model, in the longer term, regional Australia would be disadvantaged. However, a price-driven model for limited numbers of Australia's migrant intake, combined with a

program that addresses the business, skills and labour needs of regional Australia, with a particular focus on the workforce and investment needs of northern Australia, may be worthy of consideration.

In order to deliver the best outcomes for the nation, migration policy must be focused on providing internationally competitive, flexible and tailored migration solutions that meet the diverse needs of different areas/regions within Australia.

2 SUMMARY OF THE NORTHERN TERRITORY'S POSITION

The Northern Territory Department of Business:

1. does not support the introduction of a price-driven migration program as the sole option, as such an approach would disadvantage regional economies, such as the Northern Territory's
2. considers that a hybrid model, where the economic and social needs of regional Australia are fully taken into account, may have merit. This may involve providing options to prospective migrants in regional Australia with the option of paying a fee in lieu of meeting age and English language criteria
3. considers 'one-size-fits-all' migration programs/schemes ineffective, as a lack of flexibility will be an impediment to the growth of northern Australia
4. believes that the primary focus of Australia's migration programs should be on economic benefits and development of northern Australia.

3 BACKGROUND

Overseas workers make a significant contribution to the growth and diversification of the Northern Territory's economy. In order to fully appreciate the potential threats associated with shifting to a price-driven migration model, it is essential to first understand the economic and social dynamics of the Northern Territory.

3.1. The economy, labour market and challenges facing employers

Since the 2005 financial year, the northern Australia economy has been growing at an estimated average rate of 5.3% per annum.¹ This is significantly higher than the 2.8% annual economic growth in the national economy over the same period. This implies that the region has been playing a disproportionately significant role in driving the growth of the national economy. In the 2013 financial year, despite only making up 11.7% of GDP, an estimated 30.6% of Australia's *growth* in GDP was driven by northern Australia.²

However, despite this growth, the full potential of northern Australia has yet to be unlocked.

¹ North Australia Infrastructure Audit Report 2015

² *ibid*

Labour market research undertaken by the Territory Government confirms that employers in the Northern Territory experience ongoing shortages of skilled, semiskilled and unskilled workers. The most recent edition of the government's *Northern Territory Skilled Occupation Priority List* (NTSOPL) was published in late March 2015. The research shows shortages and demands in 229 occupations at the ANZSCO Skill Level 4 and higher. Shortages have also been identified in a number of 'unskilled' ANZSCO Skill Level 5 occupations. It is clear that such an employment environment is a potential constraint on the Northern Territory's economic development.

There was a decrease in the Northern Territory's labour force by 1.4% to 134 474 persons in the 12 months to December 2014.³ At the same time the Northern Territory continues to experience record levels of labour demand, driven by major resource and energy projects, notably the Ichthys LNG and Territory Government infrastructure projects. Employers and industry groups indicate that skilled workers are moving to employment in these major projects, lured away from small and medium enterprises, largely because of the higher wages they can earn.

Ideally workforce shortages would be met through training and up-skilling local workers and the migration of interstate workers. Workforce shortages persist, despite the Territory Government's ongoing efforts and investment into training and delivering a range of national workforce attraction programs and activities to attract workers from interstate.

Historically, net interstate migration has only ever made a limited contribution to the Northern Territory's labour force. Research shows that this is primarily due to a general lack of willingness of unemployed Australian workers to move from the major centres on the eastern seaboard to areas of northern and Western Australia where unemployment is low.⁴

Between 2002 and 2006 during the peak construction periods of resource and mining projects, such as the Conoco Phillips Darwin LNG gas plant, the inability to attract Australian workers to respond to increased labour demand was offset by Northern Territory employers accessing skilled overseas workers. At that time, Australia's migration programs were flexible and responsive to the needs of employers in regional Australia. Changes to Australia's migration policies in recent years have meant that employers in a number of sectors find it extremely difficult to sponsor overseas workers to address their unfilled vacancies. Over time, concessions applied to various programs for regional Australia have been diluted to such an extent that they are no longer of any material benefit to the majority of Northern Territory employers facing skills and labour shortages.

The Territory is clearly also not a preferred destination for the majority of migrants to Australia. Despite the low levels of unemployment and unfilled

³ ABS Labour Force Australia, Dec 2014

⁴ Bernard Salt, "A Demographer's View of Kimberley from afar" Speech, Kimberley Economic Forum, May 2012

jobs in the Northern Territory, reports show that for the year ending June 2014 only 846 skilled 'primary applicant' migrants settled in this jurisdiction.⁵

Department of Immigration and Border Protection (DIBP) statistics indicate that Northern Territory employers rely heavily on overseas workers to address skills shortages. For example, as at 30 September 2014, subclass 457 primary visa holders made up 1.3% of the Northern Territory's labour force. Added to this is the fact that many of the spouses of the subclass 457 workers augment the labour pool as many of them work either full or part time.⁶

The importance of overseas workers to the Northern Territory is further reinforced when the overseas employees nominated under the Regional Sponsored Migration Scheme or nominated by the Territory Government under the General Skilled Migration program's state/territory nominated visas are also considered.

Territory employers further rely on Working Holiday and Work and Holiday Maker visa holders to meet their skilled and unskilled seasonal labour demands. In the Territory's hospitality, primary and construction sectors, these visa holders, in peak season, can account for more than 50% of some employers' workforces. This highlights the extent to which employers rely on these workers to fill workforce shortages that cannot be met from within the local labour force.

Moving to a migration program that is controlled by overseas citizens' capacity to pay would not take into account the skills requirements or business needs of the nation's various jurisdictions and regions and would ultimately be detrimental to the economic development of Australia. Such an outcome would be in direct contradiction with the stated aim of "maximising the wellbeing of the Australian community over the life of the policy" (*'Migrant Intake into Australia'*, page 18).

3.2 The social and cultural environment

While DoB considers economic migration to be of primary importance to the Territory, it also recognises the importance of family migration and Australia's role in the resettlement of refugees. Migration in all its forms has made a significant and positive contribution to the Northern Territory.

The Northern Territory's population is a reflection of its rich cultural diversity. The 2011 Census highlights this multicultural demography, with 16.6% (35 174) of the population born overseas and over 100 different languages spoken in the jurisdiction by people who have settled here from Africa, the Middle East, Asia, the Americas and Europe.⁷

Diversity is also reflected in the religions practised by our multicultural community, including Buddhism, Christianity, Hinduism, Islam and Judaism,

⁵ DIBP State and Territory Migration summary June 2014

⁶ DIBP subclass 457 summary 2014

⁷ ABS 2011 Census of Population and Housing

as well as multicultural community events such as the Greek Glenti, India@Mindil, the Italian Festival and Pesona Indonesia, which have become part of the Territory's social fabric.

DoB acknowledges the importance of family migration, which results in positive settlement of our migrant communities and the contribution of all migrants towards the Territory's cultural, social and economic development.

DoB has concerns that one of the negative impacts of the proposed price-driven migration model being considered will be to restrict the cultural diversity of migrants. Migrants often retain strong economic and social connections with their country of origin, connections that Australia can build on to develop trade and attract investment. In an era where Asia will be the global economic powerhouse, the importance to Australia's economy of growing our networks with Asia should not be underestimated.

DoB is of the view therefore that there is a need for increased flexibility in the current migration arrangements so that overseas migration continues to support the economic and social development of northern Australia and in particular the Northern Territory, including through:

- increasing the workforce and population and **accelerating the development of northern Australia** with a focus on occupations in shortage and demand
- bringing down the costs to and improving the efficiency of regional businesses by **reducing the regulatory burden**, speeding up visa processing timeframes and streamlining and simplifying skilled migration sponsorship/nomination processes.
- **re-introducing business-focused support activities**, business support networks, employer education activities and information sharing forums between states/territories and DIBP
- **enhancing the integrity** of migration programs.

4 OBJECTIVES OF IMMIGRATION POLICY

DoB believes that in order to deliver maximum benefits to Australia as a whole, immigration policy must have multiple objectives. A focus on numbers alone, without any consideration of where within Australia the migrants are settling, has the potential to put the nation's development and wellbeing at considerable risk.

In our view, Australia's migration policy objectives should include the following:

1. attraction of overseas migrants whose presence and contribution will provide economic benefits for Australians, both through
 - skilled migration to address specific shortages in all regions where vacancies cannot be filled from within the local labour force
 - business migrants who have entrepreneurial capability and capital to invest and do business here

2. attraction of overseas migrants who provide social benefit for Australians through family migration and humanitarian settlement in accordance with Australia's international obligations.

To deliver on these objectives Australia's migration system, including its administrative processes, must be efficient and straightforward so as to support all those who interact with it.

Crucially, in evaluating Australia's migration program it is essential to define and use both quantitative and qualitative objectives, with consideration given to supply and demand.

4.1 Quantitative objectives of Australia's migration program

In order to be fully effective, a migration program must ensure that supply meets demand.

Economic migration programs must therefore be flexible and respond quickly to labour market needs, genuine skills shortages and growth in the economy. This must be done in parallel with ensuring that Australians' access to job opportunities and goods and services are not prejudiced and that there is no 'locking out' in the Australian business and investment environment through international business activities.

As an example, the supply of suitable, prospective migrants to Australia in some areas of expertise, such as IT, is currently outstripping demand. Disproportionate numbers of IT professionals and accountants continue to move to Australia as General Skilled migrants in the 2014-15 program year simply to fill the arbitrarily set planning levels. This is likely to result in poor employment outcomes for many of the newly arrived.

Although Australia has little influence over the 'push factors' impacting international migrant supply from source countries, it controls many 'pull factors'.

Australia is viewed internationally as a 'lifestyle superpower' and this is a key factor in the supply of migrants to Australia. At present, Australia targets economic migrants who are young, skilled and experienced and who have a solid command of English. However, Australia has fierce competition for these migrants from countries such as UK, Canada, USA, Ireland and New Zealand, countries which are also viewed positively for their lifestyle opportunities by economic migrants. These countries also 'poach' migrants from each other.

Strong competition is also emerging in the economic migrant market from other developed countries, including most of the European Union and some Asian countries. In the current geopolitical environment Australia is simply another competitor for skilled economic migrants, students and overseas visitors on the global stage.

Many of Australia's competitors have adopted approaches similar to ours, such as targeted skilled migration programs to support employers and businesses

and attract a younger and more skilled cohort to benefit their nations.⁸ Some of our competitors also promote their migration programs more actively and widely.

International competitiveness must always be a material consideration in the formulation of Australia's immigration policy. As global economies rebound from the effects of the financial crisis, competition for economic migrants will intensify. In such a globally competitive environment it could be argued that Australia is placing too heavy an emphasis on lifestyle to influence prospective economic migrants' decisions.

Another key pull factor that influences migrant supply is 'price'. This price includes not only the cost of the Visa Application Charge (VAC), but also ancillary costs such as skills assessments, English tests, foreign currency exchange fees and travel and relocation costs. There is also a price associated with the length of time taken for prospective migrants to be granted visas. Any variation in these components sends a corresponding price signal to the prospective migrant cohort.

A number of Australia's economic migration competitors currently have comparatively less complicated, quicker and cheaper application processes and substantially lower VACs. Feedback provided to DoB officers by prospective migrants at overseas migration exhibitions in a range of countries suggest that from the point of view of a migrant the processes and price associated with obtaining an Australian residency visa are among the most onerous.

Increasing the VAC would also risk reducing the number and diversity of Australia's economic migrant cohort as the same VAC increase draws different responses from potential migrants from different countries. For example, an increase in VAC of AUD1,000 is a less of negative influence for UK residents than for citizens from India and China.

The Northern Territory's quantitative needs for skilled migration are well defined.

Research undertaken by DoB, such as the NTSOPL⁹, has identified the gap between the current level of workers in each 'priority' occupation compared to the projected need. However, where these shortages cannot be addressed from within the local labour market, the inflexibility of Australia's current migration programs present Northern Territory employers with significant challenges when they are trying to fill workforce needs through overseas migration.

4.2 Qualitative objectives of Australia's migration program

The demand for skilled migrants is not uniform across Australia. If the economic benefits of migration are to be maximised for the nation it is not only important to attract overseas migrants with the characteristics required by Australia but also for them to locate to areas, particularly in regional Australia, where their skills are in demand.

⁸ 2015 Intergenerational Report, Australia in 2055

⁹ <http://www.dob.nt.gov.au/Employment/workforce-development/Pages/occupation-list.aspx>

Diverging local conditions have led to differing levels of economic activity, outlook and employment growth in various parts of the country. As a consequence, a uniformly planned and implemented migration program ('one-size-fits-all'), such as the one currently in place in Australia, will not effectively meet the needs of the entire nation.

Migration policy must be formulated to ensure that overseas migrants are dispersed across all parts of Australia and in particular to regional areas and less populated jurisdictions suffering from skills shortages, such as the Northern Territory.

A lack of focus on qualitative outcomes results in an inefficient system and a policy environment that engenders 'creative' solutions to workforce issues.

5 REGIONAL DISTRIBUTION

DoB recognises that the effective regional distribution of migrants is an overarching immigration policy success factor. In other words, policy must ensure that the right migrants with the right skills settle in the right parts of Australia.

Figures clearly show that the preferred migration destinations of the vast majority of overseas migrants are Australia's major metropolitan centres on the eastern seaboard. Policy settings that encourage distribution of migrants to regional Australia and in particular, northern Australia, will be essential if there is to be a shift away from the current migrant settlement patterns.

Migration also plays a role in the implementation of other government policies.

The Commonwealth Government has made a commitment to ensuring the business environment in northern Australia can take full advantage of its proximity to Asia, the region of the 21st century, promoting greater levels of trade, investment and growth for the benefit of all Australia. Critical to this is cutting red tape across all levels of government, reducing costs to business and ensuring a flexible and mobile labour supply.¹⁰ As highlighted above, labour mobility from Australia's major centres to northern Australia is limited and needs to be heavily supplemented by overseas migration.

Businesses often cite the limited availability of skilled and unskilled labour in the north, and challenges in attracting and retaining workers. The relatively low population in northern Australia is also seen by some as inhibiting economic development. There are three main ways to increase population in northern Australia: natural increase, relocation from elsewhere in Australia and international migration.¹¹

The current migration policy purports to have programs that support the distribution of skilled workers, entrepreneurial talent and investment into regional Australia. It is DoB's view however that changes to and refocusing of Australia's migration policies

¹⁰ Green paper on Developing Northern Australia

¹¹ Green Paper on Developing Northern Australia

in recent years have resulted in a significant reduction in the benefits that accrue to regional Australia.

Concessions applied to various programs for regional Australia have been diluted to a point where they no longer provide any benefits to the majority of Northern Territory employers facing skills and labour shortages. Many are unable to sponsor the workers they need.

Further, the major migration investment attraction program, the Significant Investor Visa is now focused on investments into managed funds in the Sydney-and-Melbourne-centric financial sector.

5.1 Wages and income

Migration can have an impact on wages and income. A migration program that is formulated and applied correctly should not have any detrimental impact on wages, but rather alleviate skills shortages that potentially drive wages inflation.

At the same time, migration should not have a wage deflationary effect either. A key principle of Australia's current migration program is that overseas workers should be paid at the same rate as an Australian doing the same job. Such a principle is key to ensuring that there is no deflationary impact on wages.

The Subclass 457 scheme has in place an artificially imposed minimum salary level called the Temporary Skilled Migration Income Threshold (TSMIT). This income floor is in place to ensure that migrants sponsored by employers have sufficient financial capacity to support themselves and their families while in Australia. However, the broad application of the TSMIT has resulted in overseas workers being paid more than Australian workers in order for positions to qualify under the scheme. Ideally businesses should be required to pay market rate for an overseas worker and not an arbitrary figure.

As with any situation of supply and demand imbalance, where skilled migration does not offer options to meet genuine skills shortages, wage inflation occurs. Ideally migration assists in maintaining an equilibrium between labour supply and demand, thus curbing inflation and maintaining or increasing the real value or buying power of the wages of Australians.

5.2 Budgets and balance sheets

DoB recommends the examination of the long term fiscal benefits of merit-based migration against the short term gain of using a price-driven system.

One of the basic principles of economics is the greater the economic output, the greater the tax base and the corresponding positive effect on a country's budget.

When permanent migration increased in the mid 1990's a greater emphasis was placed on skilled migration and the choice of skills was largely demand-driven by employers, supporting economic growth.¹² It is DoB's view that this targeted,

¹² Intergenerational Report 2015, Australia in 2055

merit-based migration produces better economic outcomes. Skilled migrants are better able to gain full time employment, make a greater economic contribution and require less in the way of government services and benefits. Migrants with specific targeted skills are also able to contribute to productivity improvements in workplaces. While Australia is a world leader in workplace productivity, it should be recognised that skilled migrants are often able to contribute to the training of Australians, introducing new workplace practices and, ultimately, increasing workplace productivity.

Increasing the prices attached to temporary visas, such as student visas, can affect the bottom line of state and territory and Commonwealth budgets. For example, the costs of overseas students to study in Australia are already higher than many of our major competitors. Increasing student visa fees will further decrease Australia's competitiveness in the international education market and the benefits international education brings to Australia. These benefits are both short term (the average international student spends over AUD 45 000 per annum in Australia) and long term (many international students transition to permanent residency and contribute to the Australian economy through increased GDP and various taxes).

5.3 Administrative and compliance costs

Migration policy affects administrative and compliance costs and these can be considerable. They include many of the costs of other organisations, including skills assessment and English assessment bodies, migration and business agents and other facilitators, translators and health assessment bodies; for example, skills assessments for some occupations can cost more than the VACs. In these situations, the overall costs associated with a migration application can be substantial and must be considered prior to migration policy changes being considered/ implemented.

Immigration administrative costs are based around determining eligibility and maintaining integrity and compliance. Visa eligibility is a relatively small component of the visa assessment process. Formulation of policy affects the robustness of a migration program and hence integrity and compliance costs. These ancillary costs can, in some instances, be higher than the visa assessment costs.

The Significant Investor Visa provides a good example of the impact that assessment and compliance costs can have. The resources and costs associated with determining whether an applicant is eligible for that visa are considerably lower than the cost of determining whether the funds are being sourced from legitimate sources.

Some jurisdictions are willing to carry some of the costs associated with migration due to the benefits of economic migration. All Australian states and territories participate in the General Skilled Migration Program's State/Territory Nominated Skilled Migration. Several jurisdictions, including the Northern Territory, do not charge the applicants for nomination. This approach is taken because of a view that the medium to long term benefits of participating

outweigh the short term cost they incur in administering the role they play in these programs.

DoB believes that the current immigration programs are administratively cumbersome for businesses that seek to sponsor overseas workers. Consideration should therefore be given to how the red tape associated with skilled migration can be significantly reduced.

5.4 Urban Amenity Issues

Migration affects urban amenity in different ways depending on how well the supply-demand equation is supported by migration policy. Where there is a mismatch of skilled migrants to the workforce needs of that region, migration can have a severe negative effect, prejudicing Australians' ability to access services. However, where migration policy aligns the supply of migrants to the demand for skills, urban amenity is augmented. Key examples are provided in the Northern Territory, where migration has:

- increased the breadth/quantum of services available
- supported the delivery of essential services, with many skilled overseas migrants working in key positions in health, education and utilities
- allowed businesses to deliver goods and services at prices that are not inflated.

Australia's population growth is not homogenous. Future demand for infrastructure will be driven by the need to increase productivity and international competitiveness and will be directly affected by growth in population, broader developments in the local and global economies, technological change, the need for environmental sustainability and consumer preferences.

Population growth will drive a significant rise in the demand for infrastructure services. Almost three-quarters of the population growth (72%) of Australia's projected 8.2 million population increase by 2031 is expected to be in the four largest capitals – Sydney, Melbourne, Brisbane and Perth. In total, these four cities are projected to grow 46%. This increase will put added pressure on urban infrastructure, which is already subject to high levels of demand. The other, 'regional' capital cities – Adelaide, Canberra, Hobart and Darwin – are only projected to increase 26.7%¹³. Given this outlook, consideration should be given to how migration policy settings could be used to foster increased long-term growth in Australia's smaller cities and regional centres. Such an initiative has the potential to moderate the consequential infrastructure challenges that the larger cities are expected to face.

6 THE LINKS BETWEEN TEMPORARY AND PERMANENT IMMIGRATION

The links between temporary and permanent migration are particularly strong in the Northern Territory.

¹³ North Australia's Infrastructure Audit Report 2015

Temporary residents, largely international students, Working Holiday Makers (WHMs), Temporary Graduate Visa holders and Temporary Skilled (Work) subclass 457 visa holders make a significant contribution to the Northern Territory's economic landscape. These cohorts are also a rich source of work-ready skilled migrants either under the nomination of the Territory Government or sponsorship of Northern Territory employers.

The General Skilled Migration (GSM) visa program allows the Territory Government to nominate skilled professionals and tradespeople who have high levels of English and the skills that align with the identified needs of our employers.

The Regional Sponsored Migration Scheme visa (RSMS) is a demand-driven program that helps employers in regional, remote or low population growth areas (outside the major metropolitan centres of Brisbane, the Gold Coast, Sydney, Newcastle, Wollongong and Melbourne) to recruit the skilled workers they need to manage and grow their operations. The State/Territory and Regional Nominated visa category will continue to benefit regional areas experiencing skilled labour shortages.¹⁴

6.1 Interaction between temporary and permanent migrant intakes

Many Northern Territory employers adopt a 'try before you buy' approach to overseas workers. Most businesses transition overseas employees from various temporary visa subclasses to permanent residence. For example, a common migration pathway is to progress overseas employees from a WHM visa or international student visa through the subclass 457 visa program to permanent residency, most commonly through the RSMS.

A key priority of successive Northern Territory governments has been to ensure that training and job opportunities are made available to Australians first, while overseas workers are used to fill genuine gaps in the labour market. However, the Northern Territory remains a 'well-kept secret' for most prospective migrants as their knowledge of Australia does not extend beyond Sydney and Melbourne. As a result, the majority subsequently settle in these cities. For several years the Territory Government has promoted "Australia's Northern Territory" to domestic and international audiences to attract workers and visitors. Despite these concerted efforts however, workforce shortages remain a major threat to the Territory's future economic prospects.

6.2 Policy issues with current schemes – permanent migration

Although the RSMS visa scheme has played a major role in helping address critical skills shortages in regional Australia and has worked well in the past, there is scope to improve this scheme.

DoB recognises that RSMS visa holders cannot be 'bonded' to their sponsoring employer, but believes they can and should at least be tied to regional Australia for a period of time before qualifying for permanent residency. DoB is aware of examples of the visa holders leaving their sponsoring employer well within their

¹⁴ Federal Minister for Regional Development - Ministerial Statement Budget 15/16

two-year period of commitment to relocate to a part of Australia that is not designated as regional. It is DoB's experience that DIBP is generally unwilling to initiate visa cancellation processes for those visa holders whose actions suggest that they have simply used the 'regional' scheme to obtain a permanent migration outcome.

DoB believes consideration should be given to implementing an employer-sponsored 'provisional visa' scheme similar to that used for partner migration for the RSMS cohort. These migrants should be required to demonstrate their ongoing commitment to regional Australia for a specified period of time before they qualify for permanent residency.

If applied to the RSMS, a 'provisional' visa approach of the Regional Nominated subclass 489 visa could significantly reduce abuses of the scheme. The Regional Nominated subclass 489 visa is a four (4) year provisional visa that requires state or territory government nomination and also requires the nominated migrant to live in a designated area for two years in order to qualify for a permanent visa.

6.3 Policy issues with current schemes - Temporary Migration

6.3.1 Working Holiday Maker (WHM) visa subclass 417

Regional Australia has been feeling the effects of urban migration for decades. This is occurring globally as people in regional areas are lured to the greater opportunities the larger metropolitan centres provide. As well as being impacted by urban migration, many Australians are also being lured offshore to work. Any adjustment to Australia's migration policy needs to be mindful of this as not only does Australia compete with other sovereign nations for skilled migrants, there is often also 'poaching' from each other. For example, many of the more adventurous younger Australians use the reciprocal work arrangements of the 19 other countries participating in the WHM program to work overseas, often in occupations that face acute skills shortages in regional Australia. Despite these opportunities 'at home', the large majority of these Australians are unlikely to capitalise on employment opportunities in regional areas, such as the Northern Territory. On a more positive note, regional and remote Australia continues to attract temporary residents, who play a crucial role in filling skills and labour shortages in the Northern Territory. Many businesses would find it extremely difficult to maintain trade without access to this important source of labour. Some employers have expressed their concern about the impact of recent changes to VACs and the income taxation levels for WHMs, believing that it has the potential to significantly reduce this important supply of labour to the Northern Territory.

DoB welcomes the recent announcement in the White Paper for the Development of Northern Australia that three (3) months employment in the tourism and hospitality sectors in northern Australia is to be included as 'specified work' to qualify WHM visa holders to apply for second WHM

visas and the expansion of these arrangements to Work and Holiday visa holders.

6.3.2 Temporary Skilled (Work) visas subclass 457

There are 14 307 businesses currently registered as Business Sponsors in the Northern Territory. Of this number, 13 654 (95.4%) are small businesses with up to 19 employees; 626 (4.4%) are medium businesses of between 20-199 employees and the remaining 26 (0.2%) have 200 or more employees.¹⁵ From the information available it is likely that less than 2% of all current businesses in the Northern Territory are approved 457 visa sponsors, which equates to between 250 and 300 employers. According to DIBP figures to the end of March 2015, there were a total of 1 637 primary 457 visa holders supplementing the Northern Territory's workforce. This represents approximately 1.3% of our total workforce.

Although the subclass 457 visa scheme has made a contribution to workforce growth in the Northern Territory, there is a need for greater flexibility with regards to conditions and requirements so that it is more responsive to the needs of employers in regional Australia. Some employers are frustrated that a 'one-size-fits-all' approach to skilled visa and migration schemes continue to be applied to regional Australia, despite ongoing acknowledgement, at the most senior levels of the Australian Government, of the Territory's ongoing low unemployment and high participation rates, as well as acute skills and labour shortages. For example, small and medium businesses in low population areas question why they must meet the same training and labour market testing requirements as large businesses in Australia's highly populated urban centres. While DoB understands the need to implement such checks and balances in areas where there are higher unemployment rates and employers have ready access to large cohorts of workers, these requirements are not only impractical but also unreasonable for much of regional Australia.

Many Territory businesses suffer from high staff turnover rates. The subsequent cost associated with the constant 'on the job' training of new staff, if they can be found, is considerably higher for employers here than for employers who have access to larger, more stable workforces. However, despite this significant investment by employers, training of Australians 'on the job' is not recognised by DIBP for the purposes of meeting training benchmarks to be approved as an SBS under the subclass 457 scheme, simply because it is not conducted in a formal setting. This narrow application of training requirements disadvantages many Territory businesses that are genuinely committed to training Australian workers and often precludes them from accessing the scheme.

¹⁵ ABS Catalogue No. 8165.0 on Counts of Australian Businesses June 2014

In addition to the blunt application of the labour market testing and training requirements, the Temporary Skilled Migration Income Threshold (TSMIT), currently \$53 900 per annum, can also be above the market rate for some positions where there are acute shortages. While noting the intent of the TSMIT, which is to ensure that subclass 457 visa holders are able to support themselves, the recent Independent Integrity Review of the 457 noted concerns raised by some stakeholders that the TSMIT creates a barrier for businesses with genuine skills needs.¹⁶ DoB welcomes the Australian Government's acknowledgement of this important issue. The decision to review the TSMIT with a focus on whether it should be uniformly applied to the entire scheme or set at a variable level based on factors such as locality is highly timely.¹⁷

DoB further believes that serious consideration must be given to the re-introduction of the regional concessions under the subclass 457 visa scheme. Prior to the global financial crisis, DoB 'certified' subclass 457 nomination applications to allow Northern Territory employers to seek skill, English language and salary concessions in certain circumstances. The (Migration) Regulation 2.72(10)(b) allows for a specific organisation, specified by legislative instrument, to provide written support for such a nomination. However, there are currently no organisations that have been specified in this manner.¹⁸ DoB has successfully undertaken this certification role in the past and believes the Northern Territory's current and future economic environment is conducive to their reintroduction. If re-introduced, these measures would have a significant and immediate positive impact on the NT's workforce growth.

6.3.3 Designated Area Migration Agreement (DAMA)

The Northern Territory is currently the only Australian jurisdiction where Designated Area Migration Agreement (DAMA) arrangements are in place. The main labour market issues for the Northern Territory Government entering into the DAMA arrangements have been highlighted earlier in this submission. Since the DAMA was formally implemented in late August 2014, DoB has received requests from 31 Northern Territory employers to access the DAMA for a total of 157 positions.

Some of the DAMA 'concessions' agreed to during the four-year negotiation period with DIBP were made redundant with the changes to the subclass 457 visa scheme that have recently been introduced. For example, the English language concession agreed under the Northern Territory DAMA is now available to all standard business sponsors by legislative instrument dated 18 April 2015. Further, the current requirements relating to the TSMIT concession have been found to be unworkable for many employers and need reconsideration. In its current

¹⁶ 457 Integrity Review 2015 - DIBP Website

¹⁷ 457 Integrity Review 2015 - DIBP Website

¹⁸ Procedures and Advice Manual III - LEGEND

form the Northern Territory DAMA essentially enables employers to sponsor up to 16 semi-skilled positions that cannot be accessed under subclass 457 visa arrangements and is therefore of very limited benefit to the Territory economy.

Australia is frequently described as a two-speed economy. The Northern Territory's economic performance has been particularly strong in recent years. From all of the available evidence, there can be little doubt that there will be a direct correlation between the Northern Territory's economic growth and its available workforce. Temporary and permanent overseas workers will continue to play a vital role in helping address genuine skills shortages and driving economic growth. However, the limited level of flexibility in the current skilled migration programs will serve only to shackle growth in the Northern Territory.

DoB believes that the Australian Government must back its current focus on northern Australia and its acknowledgement of the workforce challenges the region faces with flexible migration policies. Incorporating flexibility into the migration program would greatly support the Territory's development, which in turn would benefit the broader Australian community.

7 ALTERNATIVE METHODS FOR DETERMINING IMMIGRANT INTAKES

DoB does not support the principle of the introduction of an 'entry charges' regime as the primary criterion for permanent migration to Australia. Although having a substantial immigration fee would make an immediate contribution to the Australian Government's revenue, DoB believes that such an approach would have a significant detrimental impact on regional Australia and in particular the Northern Territory.

Unless there is a migration program in place that facilitates overseas skilled migration to supplement northern Australia's workforce, any potential development-related capital injection by the Australian Government is unlikely to produce tangible benefits. An entry charge-based regime as the sole determinant of who can enter Australia as a migrant has the potential to seriously impact Australian Government initiatives aimed at developing northern Australia. Further, it would leave northern Australia ill-equipped to compete with the nation's larger urban centres for an equitable share of skilled overseas migrants.

Additionally, looking beyond skilled migration, imposing a price mechanism on the spouses and children of Australian citizens and permanent residents who are seeking to be reunited with their loved ones is unlikely to be viewed favorably either domestically or internationally.

7.1 How could the policy work within the existing system?

Although DoB does not support the broad application of a significant entry charge to non-humanitarian visas, there may be scope to apply this concept to some visa subclasses. For example, the charging structure for investor visas and contributory parent visas could be reviewed. Consideration could also be

given to offering prospective skilled migrants, who do not meet the mandated age and English language criteria for various visa subclasses, the option of paying a significant entry charge provided they committed to live and work in northern Australia for a specified period.

7.2 Entry Charges

As previously stated in this submission, cost is one of the key factors influencing a prospective migrant's decision to travel, or migrate to a country. A significant increase in visa application charges to Australia will send a corresponding and negative price signal to the prospective migrant. Australia is in a globally competitive market for skilled migrants and many of our competitors currently have less complicated visa application processes and substantially lower visa application charges. It could be argued that the significant increase in visa application charges in recent times has led Australia to rely far too heavily on its lifestyle 'pull factor' to influence a prospective economic migrant's decision.

7.3 Impacts of a charging regime

To be an Australian is to win the lottery of life.¹⁹ Many foreign nationals dream of moving to a place like Australia as it is one of the most stable, democratic and welcoming countries in the world. Some people are willing to go to extraordinary lengths, sometimes even placing their lives in serious danger, in their attempt to achieve a better life here. This desperation often manifests itself in the form of fraud or non-compliance in some visa caseloads.

The Department of Immigration and Border Protection currently identifies 34 countries as being 'low risk' for Australian visas.²⁰ Citizens of these countries can apply for electronic visas for travel to Australia as tourists. These visas are usually granted within 24 hours of application at either no cost to the applicant, or AUD20. The remainder of the world, consisting of approximately 160 countries, is by inference considered 'high risk' for immigration purposes. The tourist visa application charge for these countries starts at AUD130 and the service standard for the processing of these applications is published as being one (1) month, with no guarantee of a positive outcome.

There can be little doubt that there is a direct correlation between the level of corruption, political volatility and wealth of a country and their corresponding risk rating for Australian visa application procedures.

In DoB's view, the best way to address visa fraud is by implementing rigorous and appropriately targeted visa application processes and sufficient resources to detect any issues during the decision making process. This will ensure that problems are picked up early on and, very importantly, *before* the visa applicant reaches Australia. Cancelling a visa once the person is here, as well as potential merits review, judicial review, ministerial intervention, detention and removal are time-consuming and expensive.

¹⁹ Prime Minister's Australia Day speech 2015

²⁰ DIBP website

DIBP's continuing roll-out of biometric requirements for high risk countries is in response to the high level of identity fraud identified in these visa caseloads. Biometric procedures are an important tool in identity management globally, helping countries reduce fraud and integrity risks.²¹ However, there are no comparative measures available to visa decision makers to determine the source of funds used to pay for a visa. Should the primary criterion for meeting visa requirements be a significant application charge, it would be very difficult, not to say impossible, for the visa decision makers to determine where the funds that are being used have been sourced. The risks of increasingly sophisticated organised crime syndicates being involved in such a scheme, either directly or indirectly, would be unacceptably high. If this scheme were to be implemented in isolation with the ability to pay a fee the only eligibility criterion, it could lead to the migration to Australia of the largest cohort of 'undesirables' in more than 150 years.

7.4 Impacts from changes in the immigration intake

In an increasingly competitive global labour market, skilled migration that is well targeted and appropriately adjusted to economic circumstances will support Australian employers and businesses, and provide benefits to the community as a whole through the facilitation of a younger and more skilled population.²²

8 CONCLUSION

DoB welcomes the release of the White Paper on the Development of Northern Australia, the Australian Government's renewed focus on northern Australia, and the widespread acknowledgement of the workforce growth challenges the region faces.

DoB believes that a price-driven migration model in isolation, as proposed, has serious negative implications for the Northern Territory and the development of northern Australia.

DoB believes that any changes to Australia's migration system should focus on increased flexibility so that the needs of northern Australia and employers in northern Australia can be met. Further migration policy must also focus on making Australia more internationally competitive in the longer term. DoB is hopeful that, as a result of this inquiry, the Australian Government will place a clear emphasis on incorporating more flexibility into the current visa requirements and migration programs.

In addition to the need for more flexibility, our other key concern is that any further increases to the visa pricing scheme have the potential to make Australia a less attractive option for skilled migrants. This would have a direct negative impact on economic growth in regional Australia and the Northern Territory.

²¹ DIBP website

²² 2015 Intergenerational Report, Australia in 2055