

I thank the new Productivity Commissioner in seeking public comments on the discussion paper. I have commented mainly in the general discussion questions but you will see these thoughts zip all over the place. Have a good read as there are some real gems here! We all have the same goals in mind - higher living standards for NSW residents into the future. Let's get involved and make that happen.

General discussion questions

1. Do you agree with the focus areas identified?

The focus areas seem fine, but I would add two additional focus area - population and export industries.

The discussion paper, like many, presupposes population growth as a given. But population growth is not a given. Over 70% of population growth relates to net overseas migration, which is a choice for both Federal, and to a lesser extent, State Government.

As background, I would commend that your department familiarise itself with the recent discussion paper from Sustainable Population Australia (SPA), link below.

https://population.org.au/sites/default/files/SPA_DiscussionPaper_Infrastructure_Nov2019_FullReport_0.pdf

More specifically, whilst the Australian Government drives visa issuance and the like, there are many State government policies that de facto support the mass immigration programme. The NSW Productivity Commission should look to develop an optimal population policy for NSW. Taking into account various constraints (such as environmental, budget, current living standards, etc) what is the optimal population size for NSW. Further, what then is the optimal size of Sydney, and then how is this population dispersed regionally.

In relation to export industries there is "productivity" and "useful productivity". Enhancing productivity in the gambling / wagering industry isn't likely to be all that useful as it is a consumptive industry. That is, punters invest \$100 into the industry and that \$100 is just carved up by vested interests into some % returned to the punter and the rest of the punter losses split between taxes and the gambling provider. A productive industry would take that \$100 and turn it into something larger than \$100. An example here would be all the canneries we used to have in regional NSW (e.g. fish canning in Eden, vegetable canning in Cowra - raw produce was value added and then could be exported.) To ensure NSW living standards remain high we need to ensure that NSW has value enhancing industries (and exports, or at least import replacement industries are a big part of that).

2. Do you agree with the issues and challenges identified for each focus area?

No. Building human capital for a modern and evolving economy ignores the elephant in the room. That is, the reduction in standards of universities as they facilitate permanent migration. It is unclear whether the Federal or State Government is in charge of our universities, regardless they are funded primarily through HECs. The State has options to consider in optimising the university sector.

i. Education is not an export industry.

This seems heretical but isn't. The Australian Bureau of Statistics gives the figures that Education is our 3rd biggest export industry. But they don't tally up receipts. It is based on an ASSUMPTION. What is the assumption? They take the number of international students and multiply it by (course fees PLUS living expenses). I don't believe it. You shouldn't either.

First up, some anecdotes. I studied at a US university for my Masters. I was fortunate to be accepted to a top Ivy-league school so my university underwrote a student loan from Citibank. Citibank lent me enough funds for all tuition plus living expenses for 2 years. After graduation I worked in the US for a few years on a work visa and paid off the Citibank loan before moving back to Australia. Not a cent of my tuition or living expenses were an export for the US. I have a feeling the same is true in Australia. It is a convenient fiction for the education sector so no one is pushing to look into it. But the NSW Productivity Commission should.

Why am I sceptical about the claimed numbers? Well firstly, foreign students work here, a lot of them in excess of the allowance under their visa. Money earned in Australia and spent in Australia is not an export. Similarly, international education in Australia seems to be a way that we monetise our immigration pathways. That is, foreigners looking to move here do a course to assist with permanent residency. They aren't interested in the course per se, but in the points it affords to their PR application.

The NSW Productivity Commission should ask AUSTRAC to back up the claims of the ABS. For example, Nepal is the third biggest source of foreign students to Australia. Nepal? Yes, one of the poorest countries in the world is sending thousands of their students to study in an expensive country like Australia. Wow. AUSTRAC must see a lot of funds being transferred from Nepal to Australia. My bet is they don't. I'd be willing to bet we actually see funds going the other way. That is, sign up for some random course, work cash in hand, send funds back to Nepal. So actually an import for the balance of payments but the ABS is calling it an export. Crazy!

The other point is that on the whole, Australia runs a current account deficit. That is, imports > exports. Every additional person just adds to the current account deficit. From a macro economic perspective it actually makes little sense to juice domestic demand by growing the population of temporary residents as nothing is made in this country any more.

ii. Removal of fare subsidy for international students

As discussed above, international students are "meant" to be exports. Why then does Transport for NSW offer concession fares for them?? As I understand it, public transport is subsidised (that is the aggregate of all fares does not cover system running costs). By offering concession fares for international students, NSW taxpayers are incurring a greater cost (losses on public transport) for the benefit of non-citizens. That does not make sense to this taxpayer. As well as the financial cost, international students add to congestion given the universities have gorged themselves on the fee fest available to them. The productivity commission should look at the education sector to see where productivity enhancements could be made - reducing the number of international students in NSW will reduce congestion and improve amenity for existing residents of Sydney. You may wish to study the issue further for regional universities but I would be wary.

iii. Elimination of duplication

Why do the University of Wollongong, Charles Sturt (Bathurst / Orange) and Newcastle University have outposts in Sydney?? Do we not have universities in Sydney? Of course we do. Is there internet in Australia? Kind of. So again, why is there this duplication and waste of resources? One unkind answer is those unis are keeping the riff raff off their main campus but generally I don't think any courses of value are taught in these satellite campuses. They exist as a way to monetise programs that could be delivered over the3. What reform options should we consider?

As I have noted above, in my mind we need to work out the optimum population for NSW / Sydney. As Dick Smith pointed out in recent advertisements taken out in large newspapers, if it weren't for immigration to Sydney there would be no water restrictions (i.e., if Sydney's population was the same as it was 10 years ago, based on Sydney water's own usage statistics Warragamba would be > 50% full and hence water restrictions would not have commenced). So there are practical constraints to population on a finite planet. What is the number? We need to have this debate first - it informs the next steps.

When you look at it, many of the "issues" we have today - low wage growth, high house prices, congestion in roads, schools, hospitals can all be traced back to unsustainable population growth. This is a theme in the Sustainable Population Australia discussion paper I linked to earlier.

NSW should review where it has the levers to influence population growth for NSW, recognising that it is ultimately a Federal issue. We can (and should) investigate capping numbers of foreign students at NSW universities. The same goes for VET colleges. We should seek to recover the full costs of infrastructure provision for temporary residents through levies, contributions and removal of all subsidies such as travel concessions.

Any business in NSW that employs folks on visas could be forced to help contribute to the loss of amenity from increased population from a two-tiered payroll tax. That is, one level of payroll tax for workers who are citizens and a higher rate of payroll tax on workers who are not citizens. (or at

least at a level. I understand that there is a requirement from *some* businesses for genuinely skilled foreign workers. But those workers should be well paid. Perhaps the payroll tax rates harmonise at a salary of \$120k per year. That is, you pay someone \$120k you pay payroll tax at the same rate - no discrimination for a foreign worker. But if you are paying \$60k, then that employee is not really skilled. There should be a payroll tax surcharge for the business to encourage them to either train or employ a NSW citizen.

Lastly we should look at enforcing a buy NSW policy. It seems crazy to be importing trains to NSW rather than building them here. Sure it costs more but in the long run that is work in NSW that you get some returns back through payroll tax and economic multiplier. There is also a positive climate issue as there is less shipping as we are making locally. Sure there is a cost but we need to start ensuring work stays here.

Good luck with stage 2 and 3 of the process. I look forward to seeing how this develops.