



## **The Population Debate After the Population Strategy**

### **SPA Victoria Annual General Meeting Speech**

**Kelvin Thomson, MP for Wills 16 July, 2011**

I have been asked to speak with you this afternoon on the population debate after the population strategy. I have here two graphs of Australia's net overseas migration – one goes back to the 1950s and one goes all the way back to 1901.

You can see reasonably readily from these graphs that there is bad news, and good news. The bad news is that from 2004 we experienced a massive migration spike which drove our population growth rate up to third world levels. Had that spike continued we would have been tracking for a population of 40 million plus by 2050 and who knows what by 2100.

The good news is that the public outcry over this migration spike and concern about population growth has led to government action to rein it in, and we are no longer at risk of such an extreme outcome as we were when I spoke to you about these issues in 2009. One of the key drivers of this migration spike was the decision by the Howard Government in 2001 to allow overseas students who had completed post-school credentials at an Australian University or vocational education and training college to stay in Australia indefinitely, and apply for a skilled permanent resident visa from within Australia, rather than having to return to their country of origin. The number of international students in Australia more than doubled in just seven years, rising from over 204,000 in 2002 to over 467,000 in 2009.

Agents overseas had a field day telling students that all they had to do was to sign up for courses in Australia, pay the big fees, and they would be guaranteed permanent residence in Australia. It transformed the purpose of student visas, from getting an education and taking your skills back to your home country to help it, to getting permanent residence in Australia. Dodgy private colleges sprang up, students were ripped off, Australia's international education reputation started to be damaged.

To its credit the Government has acted to get this program under control. Some universities have complained about this. There is no doubt that overseas students are buying permanent residence by cross-subsidising domestic students.

But the amount of subsidy each domestic student receives from overseas students is unlikely to be more than \$2000.

Given the Queensland academic Jane O'Sullivan's estimate that each new person in Australia requires \$200,000 in infrastructure costs, it would be much less draining on the public purse to bring in fewer overseas students and restore the amount of Government support for post-secondary students to the levels we used to provide.

What my graphs don't show you is the latest, 'not so good,' news. The net overseas migration program has stopped its decline and is likely to track at 180,000 in the years ahead. The announced rise in the permanent program and the likely number of subclass 457 visa holders will keep the migration program up around 180,000 even with fewer overseas students. The 180,000 net migration number is, as you may be aware, precisely the number used by Treasury when it projects that Australia's population will rise to 36 million by 2050.

As I said in May this year when it was launched, the Government's population strategy represents a missed opportunity to put Australia's population on a sustainable basis and curb our rapid population growth.

The failure to set targets means we are still on our way to Big Australia. I remain concerned that the present rate of population growth – a 60% increase in our population over the next 40 years – will put upward pressure on the cost of housing, electricity, water, food, council rates, and upward pressure on interest rates.

I am pleased that the strategy acknowledges the challenges faced by our major cities, such as declining housing affordability and increasing traffic congestion. I hope that all levels of government – federal, state and local – and all political parties – Labor, Liberal and Greens – will acknowledge the reality of life for people living in the big cities, and abandon plans to grow these cities still bigger. If all levels of government now work together to stabilise the populations of Melbourne, Sydney and Brisbane, this strategy will have achieved something worthwhile.

But I continue to be convinced that another 13 million people will not give us a richer country, it will spread our mineral wealth more thinly and give us a poorer one.

The Government's aim to lift the participation rate and find work for people who are presently on Job Search Allowance or Disability Support Payments would be much more easily realised if we reduced skilled migration to the level of the mid 90s to give us a net overseas migration level of 70,000.

So where does the population debate need to go from here? I think there are a number of directions it needs to take. Of course the big debate in Australia, at the moment, and indeed in many other countries, is about how we reduce carbon dioxide emissions. Now it has been pointed out for years that population growth is a big driver of carbon dioxide emissions. One of the reasons the planet's carbon dioxide levels rose so much in the 20<sup>th</sup> century was that the world's population trebled in that time. Professor Bob Birrell and others have done important work quantifying the impact of population growth on Australia's increasing greenhouse gas emissions, and pointing out how much harder it is for Australia to meet carbon dioxide reduction targets while our population continues to rise. As a statement of the bleeding obvious, it's hard to reduce your carbon footprint if you keep adding more feet.

The Government has now set an objective of reducing our carbon emissions by 80% by 2050. There is a strong scientific basis for this target. But it's a very challenging target, and made much more challenging if it's accompanied by population growth of 60% during that same time frame – which is what a 36 million population for Australia would be.

Having said that, I urge people to support the carbon reduction target and the carbon price mechanism the Government intends to put in place to achieve it. It is essential for the sake of the planet that we start cutting our carbon emissions. And it should be recognised that putting a ceiling on emissions is an important brake on the notion of growth at any cost.

The carbon price is intended to steer our industry in the direction of carbon-free growth, and I am sure it will, but the idea of an absolute ceiling on emissions represents a big change in the way we do things and think about things.

I am sure that is one of the reasons why the right wing of politics and some corporations have reacted to these measures with such shrill and hysterical opposition.

And I think that once a carbon price is in place and business is thinking about how they can meet carbon reduction targets at least cost, they may well work out that a stable population gives rise to a lower price on carbon than a rising one, and their reckless enthusiasm for ever higher population growth may diminish.

So I hope you will see that a price on carbon is an important step forward, and strongly support this measure at a time when the battle for it has entered its most intense phase yet. No guts, no glory.

An important related area to the climate debate is the debate over electricity prices. Over the past 10 years electricity prices have almost doubled across Australia's eight capital cities. The most populated cities, Melbourne and Sydney, have seen the highest price rises, their prices have more than doubled. Melbourne prices have risen by over 50% in real terms. So have Sydney's. In Brisbane real electricity prices have gone up by over 38%, and in Adelaide real electricity prices have gone up by over 26%.

Now you might think that more people – a growing population - would lead to economies of scale and lead to lower electricity prices, but you would be wrong. Rising electricity prices doesn't just show up on the household bills I've referred to, it also shows up in the rising cost of electricity per kilowatt hour. Instead of rising population causing lower prices, it leads to a need for extra infrastructure and therefore higher prices. And the more crowded a city becomes, the higher the cost of doing business. Congestion costs kick in, and just maintaining electricity infrastructure becomes more expensive.

It is untrue, and mischievously untrue, to assert that rising electricity prices are a consequence of carbon trading or measures to reduce carbon emissions. It is, or should be, well known that Australia has no emissions trading scheme or carbon tax.

And as for other measures, as the Clean Energy Council has pointed out, the cost of supporting residential solar power is a drop in the ocean compared to billions of dollars in network costs. It points out that the Australian Energy Regulator estimates the cost of expanding the electricity network in NSW at more than \$14 billion over 5 years.

Based on the 50MW installed under the NSW Solar Bonus Scheme, the cost of solar electricity from the current scheme is less than 4% of this.

I want to urge electricity pricing regulatory authorities to consider the hardship which the rises over the past decade have caused, and think about pensioners who are struggling to make ends meet, when they consider applications for price rises.

Some people will ask, how will electricity companies invest in new infrastructure if they can't charge higher prices? My response is, at present the costs of rapid population growth are being borne by ordinary household consumers in general and pensioners and those on fixed incomes in particular.

Those costs should be borne by the beneficiaries of growth – the property industry. Electricity companies should not be prevented from recovering the costs of new infrastructure from the new developments which necessitate it. Household customers should not be asked to subsidise infrastructure development over which they have no control.

In south-east Queensland the present population of around 2.9 million is projected to grow to 4.4 million in just 20 years. The electricity company Energex has a five years funding proposal to meet this forecast growth which includes \$5.78 billion for capital investment and a further \$1.63 billion to maintain and operate the network over the next 5 years. So the outlook for electricity prices with a growing population is clear. They're heading up. There are people out there who seek to use rising electricity prices for their own agenda – to blame the carbon price, or the renewable energy target, or privatisation, or the failure to privatise. But the truth is that most of the rise we've seen is fair and square a consequence of population growth, and we should never lose sight of that.

The next really important part of the population debate is the issue of our growing cities and the issue of planning. People are having their democratic right to a say in what happens in their neighbourhoods taken away from them. State governments are ordering Councils to adopt planning provisions to accommodate many more people. They are 'calling in' projects. They are issuing instructions to Planning Tribunals designed to allow developers to succeed with their applications, whether local residents want them or not.

Let me say that I think a lot of residents are a wake up to this, so it is politically foolish.

At every Council election nowadays a lot of Councillors get defeated.

When I was a Councillor in the 1980s I served with older colleagues whose Council careers lasted over 20, and in a couple of cases, over 30 years. They used the brilliant, though simple, election strategy of doing what their residents wanted.

Population growth and planning also played a role in the recent defeat of both the Victorian and New South Wales Labor governments. I noticed on election night the new New South Wales Premier promising, to loud applause, to repeal Part 3A of the New South Wales Environment Planning and Assessment Act. This Part of the Act gave to Planning Ministers, and let me quote the words of the New South Wales Independent Commission Against Corruption on this , “a wide discretion to approve projects that are contrary to local plans and do not necessarily conform to state strategic plans has the potential to deliver sizeable windfall gains to particular applicants. This creates a corruption risk and a community perception of a lack of appropriate boundaries”

Remarkably News Limited, which is certainly very vocal about Labor Governments keeping their election promises, in one of its papers recommended that Barry O’Farrell ditch this election commitment. This newspaper incited the government to immediately break this election commitment, showing contempt for the voting public and the nature of the election process.

In Victoria the Baillieu Government has proved a disappointment on planning and population issues. It did abolish the clearway extensions unwisely put in by the Labor Government, but it has so far shown no desire to support residents ahead of developers on the core issues of Green Wedges and high rise. High rise is going ahead at Caulfield Racecourse, and it’s planned for Moonee Valley Racecourse and for North Melbourne . Moonee Valley Racing Club wants to build 20 storey towers – completely out of character with the neighbouring streets and suburbs in Essendon, Moonee Ponds and Brunswick.

Just yesterday I read the Baillieu Government has decided that developers will no longer need a planning permit to develop lots of less than 300 square metres, provided they’re within 120 metres of an activity centre or local park or open space.

The Small Lots Housing Code is another win for developers, and another erosion of residents' rights. It is absolutely the wrong direction to be going down.

The Liberal Government would be foolish not to understand that public discontent about Melbourne's population growth played a major role in the Labor Government's defeat – outside Melbourne the Labor Government suffered minimal losses – only losing the seat of Seymour which was about water for Melbourne's growing population, and the seat of South Barwon, which was about Torquay's growing population.

A survey conducted for the Productivity Commission in May found that 52% of Melbourne's residents oppose having more people in their suburb, and only 11% favour it. The survey of more than 3000 Melbourne residents found 53% oppose redevelopments that replace single dwellings with units or apartments. So where is the media demand for politicians to faithfully reflect the will of the people on planning and population? Where is the demand for an election over this?

We are told that surrendering our single dwellings to units and high rise will stop urban sprawl. It does not. Recently in Lara the Geelong Council, in a split decision, approved over 380 high density houses directly opposite the Serendip Sanctuary. This Sanctuary is internationally recognised for successfully breeding captive species. Numerous free ranging wildlife breed here and spill over on to the rural land surrounding the Sanctuary which is only 2km from the Yan Yangs Regional Park. It is an important wildlife corridor. Shutting it down will turn Serendip, in the words of one resident, into an urban park in an urban matrix. And last night I saw on TV the Baillieu Government's Planning Minister ordering the Surf Coast Shire to approve yet another housing development outside Torquay, called Spring Creek, which is another step on the way to wall to wall housing from Melbourne to the Great Ocean Road.

I encourage those concerned with population to be engaged with these planning issues – whether it's North Melbourne, Caulfield, Moonee Valley or Lara, or Torquay supporting local residents will produce better outcomes and build the population reform movement.

The next debate the population reform movement needs to engage in is the skills debate. The rapid increase in skilled migration from the mid 1990s is a key reason why we are now tracking for a 36 million population.

If we returned skilled migration to the 25,000 per annum level of the mid 1990s we could stabilise our population by 2050 at a much lower level than 36 million. If we started quick enough we could probably stabilise it at 26 million, though the window on that number is closing.

### **Skilled migration has seven strikes on it.**

The first problem with labour force migration is that it is the key driver of Australia's rising population. The second problem is that there are people in Australia who want work and we should be getting them jobs. There are 500,000 people on Newstart allowance and 800,000 on disability support pension. These people should be our first priority. In the last decade the number of people receiving disability support pension grew around six per cent per annum in real terms.

Included among the people who are out of work and are deserving of our attention are quite a few skilled migrants already in Australia who are either not working at all or not employed in areas for which they are qualified.

A local newspaper which circulates in my electorate, reported four out of five skilled migrants in Melbourne are unemployed or underemployed, according to a recent survey. The article outlined the case of Preston skilled migrant Natalia Garcia, who has applied for 17 engineering jobs in the past four months without getting an interview or feedback, despite speaking advanced English and holding an engineering degree and seven years industry experience in Colombia. Ms Garcia said "We were told Australia was desperate for engineers and that we would find a job in a maximum of two months."

Ms Garcia is working as an office cleaner, and said most skilled migrants she knew were doing the same. It is highly revealing that a qualified engineer with seven years industry experience should be working in Australia as a cleaner. I suspect that quite a few of the business leaders who bang the drum incessantly about skilled migration know about this kind of outcome perfectly well. They are not so much interested in the skills of migrants as their potential to provide cheap labour in occupations such as cleaners and taxi drivers and in providing personal services like house cleaning and chauffeuring at cut price rates.

So the third problem with skilled migration is the treatment of, and outcomes for, many skilled migrants.

The fourth problem is that the skills shortage is overstated and is abused in ways which undermine the wages and conditions of Australian workers.

National Secretary of the Australian Manufacturing Workers Union, Dave Oliver, believes the skills shortage issue is overstated and that successive federal governments have failed to deliver an adequate labour market testing system, which means employers can exploit the system. The AMWU has launched a skills register to give skilled workers and young people seeking apprenticeships the opportunity to register for work before employers are allowed to bring in workers on 457 visas.

With apprenticeship completion rates below 50%, the long term answer to our skills problems cannot be importing workers from other countries on a temporary basis. Employers can't complain about skills shortages while they are dropping their investment in training.

The fifth objection I have to increasing skilled migration is that we have become addicted to it. We need to do more to educate and train our own young people. Going back two or three decades, governments and employers dropped the ball on training. Governments closed technical schools and cut back on technical education. Private employers lost interest in taking on apprentices. We started outsourcing our requirement for training. This has been an addictive, self-fulfilling circle and we need to break the habit. Those countries which do not run a big migration program put more effort into educating and training their young people, and they have better participation rates as a consequence.

The sixth objection I have to increasing skilled migration goes to the claim that this is necessary to avoid capacity constraints and bottlenecks in the resources industry. The truth is that running the resources boom as fast as possible has a number of economic consequences, not all of which are positive.

I believe the relentless rise of the Australian dollar as a result of the resources boom presents a real challenge to the Australian economy. The current mining boom mark 2 represents the highest terms of trade in 140 years, so the pressure on manufacturing and other trade exposed industries not directly benefiting from higher commodity prices is severe. Retail, manufacturing, building and tourism are labouring under the weight of subdued sales, weak profits and low orders. We need to ensure that we do not become a one-trick economy and that the structural changes that occur as a result of this boom do not leave ordinary people behind.

Furthermore, most of Australian's current migration intake has very little to do with the skills needed by the resource industries. ABS figures show that when net overseas migration peaked at 315,000 in 2008, 203,000 – 65% derived from temporary visa holders, subclass 457s, students etc.

Most of these migrants work as casuals in metropolitan semi-skilled jobs. Most 457s are employed in service industries in metropolitan areas.

Between March 2009 and March 2011, 36% of all job growth in Australia was in Victoria.

But Victoria's share of Australia's population is 25%. Most of this job growth was in Melbourne, where it was largely driven by growth in the construction and people service industries. Links between this growth and the nation's resources industries were minimal. Australia risks wasting the dividend from the resources boom in this big city building exercise. If we slowed our population growth the dividend from the resources boom could be spent on investment in education and knowledge-intensive industries.

It may be argued that growing our cities and increasing infrastructure provides jobs. But is this not just "make work?". Those same big corporations which want taxpayers to fund the provision of infrastructure insist that Australia is short of workers and that we need more people to meet the demand for jobs; surely they cannot claim in the same breath that we both don't have enough jobs and that we don't have enough workers to do them!

And I doubt I am the only Australian who is looking askance at proposals from overseas companies to bring in their own workforce to mine Australia's resources.

If the resources go overseas, and the profits go overseas, and the work is done by overseas labour, what benefit do Australia and Australians derive? It is certainly not from a higher dollar, with its adverse impacts on manufacturing and tourism. It is certainly not from the Reserve Bank, which keeps the trigger on interest rates due to the mining boom, with all the consequences of that for retailing and for small business and home borrowers.

Skilled migration needs to be tight and targeted, meeting specific needs, not some general program to grow the labour force and keep downward pressure on workers income and conditions.

An Iranian man, Reza Mostafavi, who came to Australia in 1982, has worked in IT ever since and lives in Sydney, contacted my office recently to say that graduates like his daughter were finding it very difficult to find work.

He said the claims about skills shortage were exaggerated and often promoted by recruitment agencies who want to bring in people who they could pay lower wages.

In one case he knew of the recruitment agency was paying an Indian worker \$20 per hour and charging the company \$60 per hour. He asked me to continue my good work.

The seventh and final objection I have goes to the question of the morality of skilled migration. In May I participated in a debate on Sky News TV Channel on the program known as The Nation, with amongst others Geoff Gallop, the former Western Australian Premier. We were talking about migration, and Geoff said he thought it was a moral issue, that Australia had a moral obligation to take large numbers of migrants from poor countries. Now Geoff is a fine Australian who has made a very valuable contribution to this country. But skilled migration is not about Australia being unselfish. It is about us being utterly selfish, taking the best and brightest from poor countries and denuding them of the people most likely to lift them from conditions of poverty. When we take a poor country's doctors or nurses, we damage their health system. When we take a poor country's engineers, we damage their capacity to build infrastructure. It is a moral question alright, but there is nothing moral about what we are doing.

Finally, while I am convinced that the argument for population reform is in the best interests of the people of Melbourne, the people of Australia, and the people of the world, I hope that we never lose sight of the fact that we are not the only species on the planet. An Associate Professor from Bond University, Andrew Wilford, says that 10,000 years ago, humans and our domesticated animals, including animals kept for food production like cattle, accounted for 0.1% of mammal biomass. All the rest of the world's mammals – lions and elephants and whales and kangaroos and antelopes etc. - accounted for 99.9%.

By the start of the Industrial Revolution we and our domesticated animals accounted for 10-12%, and the rest of the world's mammals accounted for nearly 90%.

Today we account for between 96% and 98% - in other words, all the wild animals put together now only account for 2 to 4% of the mass of mammals on Earth. It is a stunning transformation. I think we have a basic obligation to protect those remaining 2-4% and the habitats on which they depend. I commend Sustainable Population Australia on its important work, and I look forward to continuing to work with you in the year ahead.

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