

PRODUCTIVITY COMMISSION HEARINGS

TI AUSTRALIA SUBMISSION

Transparency International Australia (TIA) is one of about 100 Chapters in an international network dedicated to combating corruption in all its forms. We are non-partisan in political terms and act pro-bono. We have made periodic submissions related to corruption on matters of law reform and enforcement to a number of agencies in Australia.

ABOLISH THE SIV AND PIV PRIVILEGED STREAMS

Transparency International Australia endorses recommendation 10.3 in the Productivity Commission's Draft Report on Migrant Intake to abolish SIVs and PIVs.

When the integrity of funds used under these visas is examined, we believe the Productivity Commission's conclusion understates the risks associated with SIVs and PIVs. This consideration strengthens the reasons for abolishing these visas.

Essentially we agree with the Draft Report that no level of screening and vetting can provide complete assurance as to the integrity of the source of funds accessed by Significant Investor Visa (SIV) and Premium Investor Visa (PIV) applicants.

Monitoring and surveillance of overseas fund flows in relation to those visas is complex, and involves extensive and challenging work by Austrade and other agencies. It is also expensive and is a diversion of specialist resources and limited funds.

In this context it is necessary to consider the issue of the effectiveness of enhanced due diligence.

That task is essential as is acknowledged. It is complicated, not just because tracing the flow of funds which may often be involved, but also because of the different - and sometimes emerging - situations in the countries from which the applicants come, as much as their personal circumstances.

We stress that, regardless of the country of origin - whether it be China, India, Mexico, Fiji or anywhere else for that matter - the ability of our authorities to fully discharge the burden of enhanced due diligence in any particular case, sometimes with a number of possible linkages of people and funding sources and with monitoring for a period, is onerous and may be impossible.

A considerable and unrecouped cost has to be involved in each process across borders, agencies and the private sector.

While we are not privy to the details of the screening process, we consider that, despite the best intentions of the Government, and the professionalism and integrity of our agencies, no level of screening can assure Australians of the complete integrity of the source of funds used by SIV and PIV visa applicants.

We recognise the Government's commitment to maintain the highest standards in vetting applicants' source of qualifying funds and monitoring the flow of funds. However, quite apart from the cost, the risk to our integrity from dirty money and money

laundering in our view completely outweighs the benefit of these special visa categories.

The risks of sometimes getting it wrong or incomplete are in our view not the sort of risks that relevant Australian authorities should be asked to take.

REAL ESTATE INVESTMENT

With such a sustained appetite in China and other countries for Australian real estate we have no need to provide this special visa incentive; indeed we run the risk of providing safe haven to the proceeds of corrupt transactions offshore.

Australian property investment does not constitute qualifying investment for the \$A 5 million for an SIV visa or the \$A15 million requirement for a PIV.

However it is very significant that once the permanent resident visa is granted, the holder is thereafter exempted from the need to obtain FIRB approval for purchases of residential or other property using other funds introduced by them or in their name.

For the wealthy this is an important advantage, including being able to shelter the proceeds of corruption, if that is the case.

You will have noticed the press attention to the issue of property purchases and the recent extensive checking processes finally put in train by the ATO, AUSTRAC and the FIRB.

One episode which came to our attention via the media concerned the reported purchase at an alleged inflated price of a block of units in Melbourne paid by a group of Malaysian officials or a government agency and the remit of a large amount via sham invoices to connected parties in Malaysia ('Corrupt Overseas Money Inflated Building Price', AFR 23 June 2015). We don't know if this sort of case has been investigated closely by the authorities. Nor do we suggest that those involved held SIV status, but a rigorous independent examination of relevant checking processes to provide transparency is called for.

As a general matter it is enough here to note that in Australia the House of Representatives Standing Committee on Economics in its 2014 Report on Foreign Investment in Residential Real Estate concluded that detailed information on the degree of foreign ownership in the residential property market here is not available, far less the detail.

In the UK, where the issue of growing expensive property purchases by overseas parties has gained attention at the highest level, the issues we flag here have been described in official reports and by the UK Chapter of Transparency International in its 2015 report 'Closing Down the Safe Havens':

<http://www.transparency.org.uk/publications/closing-down-the-safe-havens>

CONCLUSION

We endorse Recommendation 10.3, but submit that your final report should deal more extensively with this issue and we call for an independent review of processes.