

**THE IMPACT OF SPONSORED TEMPORARY  
BUSINESS RESIDENTS ON STATE AND TERRITORY  
BUDGETS**

prepared for the

**Department of Immigration and Multicultural and Indigenous  
Affairs, on behalf of the joint Commonwealth, State and  
Territory Research Advisory Committee**

by

**ACCESS ECONOMICS**

Canberra  
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# Contents

|   |           |
|---|-----------|
| <b>Executive Summary</b>  | <b>i</b>  |
| <b>1. Introduction</b>  | <b>1</b>  |
| <b>2. Background</b>  | <b>2</b>  |
| <b>3. Adaptation of the permanent migrant State financial models</b>  | <b>3</b>  |
| 3.1. <i>Amendments to reflect sponsored temporary business residents</i>                                      | 3         |
| 3.1.1. Sources of data  | 3         |
| 3.1.2. Number of sponsored temporary business residents   | 5         |
| 3.1.3. Age distribution   | 6         |
| 3.1.4. Wages and salaries   | 7         |
| 3.1.5. Income distribution  | 8         |
| 3.1.6. Entitlements to outlays  | 10        |
| 3.1.7. Share of sponsored temporary business residents who switch to permanent status                         | 11        |
| 3.2. <i>Structural changes to the permanent migrant State models</i>  | 12        |
| 3.2.1. Category to total migrant usage relativity and taxable capacity factors                                | 13        |
| <b>4. Key results from the sponsored temporary business residents State financial models</b>                  | <b>15</b> |
| 4.1. <i>Impacts on the revenue and expense components</i>   | 15        |
| 4.2. <i>Impact of 1,000 sponsored temporary business residents on New South Wales State Budget</i>            | 20        |
| 4.3. <i>Impact of 1,000 sponsored temporary business residents on Victorian State Budget</i>                  | 21        |
| 4.4. <i>Impact of 1,000 sponsored temporary business residents on the Queensland State Budget</i>             | 21        |
| 4.5. <i>Impact of 1,000 sponsored temporary business residents on the South Australian State Budget</i>       | 22        |
| 4.6. <i>Impact of 1,000 sponsored temporary business residents on the Western Australian State Budget</i>     | 24        |
| 4.7. <i>Impact of 1,000 sponsored temporary business residents on the Tasmanian State Budget</i>              | 25        |
| 4.8. <i>Impact of 1,000 sponsored temporary business residents on the Australian Capital Territory Budget</i> | 26        |
| 4.9. <i>Impact of 1,000 sponsored temporary business residents on the Northern Territory Budget</i>           | 27        |
| 4.10. <i>Impact of 1,000 sponsored temporary business residents, State average results</i>                    | 28        |
| 4.11. <i>Impact of 1,000 temporary business residents, Whole of Government results</i>                        | 30        |
| <b>Appendix A: Usage relativity factors</b>   | <b>32</b> |
| <b>Appendix B: Detailed accrual operating results for States</b>  | <b>36</b> |
| <b>Appendix C: Detailed financial statements, accruals and cash flow basis</b>                                | <b>38</b> |

## Executive Summary

The Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) commissioned Access Economics to study the effects of long-term, temporary entry to Australia of sponsored temporary business residents (visa class 457) on State and Territory Budgets. This report considers those budgetary impacts, drawing on the framework of the permanent migrant State models developed by Access Economics for DIMIA<sup>1</sup>. Access Economics adapted and extensively revised the State models in order to study the fiscal effects of sponsored temporary business residents. We also made use of the financial model established to examine the fiscal consequences of sponsored temporary business residents on the Commonwealth Budget<sup>2</sup>. This enabled us to produce results which take full account of the integration of Federal and State financial relations.

For most categories of migrants, the impact of immigration on State and Territory Government Budgets depends on:

- the unit costs of providing State government services to new migrants;
- the utilisation by new migrants of State government services;
- the taxpaying capacities of new migrants; and
- the additional grants from the Commonwealth to the States and Territories induced by the influx of new migrants.

Sponsored temporary business residents differ from most other groups of entrants in that they have restricted access to the range of services provided by the Commonwealth and State Governments. Sponsored temporary business residents are ineligible for Government funded healthcare services, such as hospitals and Medicare, mental health, disability services and community care. They do not receive public housing assistance and have restricted access to educational facilities for themselves and their dependants. The arrangements for the provision of Government school places to the offspring of sponsored temporary business residents vary by State, but some jurisdictions charge fees for primary and secondary schools. The State authorities normally allow adult sponsored temporary business residents to enrol in courses of vocational and further education, but fees must be paid and take-up rates tend to be low. Since principal applicant sponsored temporary business residents are, by definition, employed persons, they do not qualify for State-funded concessions for pensioners and their beneficiaries, even if they are of pensionable age.

Consequently, the additional expenses engendered by the arrival of sponsored temporary business residents in the States are small. The expenses are likely to be limited to spending on law and order, public health, multicultural affairs, and, in some States, primary and secondary schooling for dependents. The expenditure impact on State Budgets remains low for the period that sponsored temporary business residents are in Australia under the temporary business visa, class 457. This period can be of up to four years duration.

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<sup>1</sup> The financial models examining the budgetary implications for the States of permanent migration to Australia were developed as part of a separate assignment for DIMIA, *The Impact of Migrants on State and Territory Budgets*, Access Economics, November 2001.

<sup>2</sup> This model was created for the project, *The Impact of Sponsored Temporary Business Residents on the Commonwealth Budget*, Access Economics, October 2001.

Sponsored temporary business residents generally have higher incomes than permanent business migrants<sup>3</sup> because employers use the temporary visa facility to bring personnel with specialist managerial or technical expertise into Australia at short notice. These skilled employees are typically well paid because of their unique skills or familiarity with a particular corporate culture. Since principal applicant holders of sponsored temporary business visas enter Australia on the basis of a firm job offer, the group essentially has full employment.

The high incomes of sponsored temporary business residents predispose them towards paying comparatively large amounts in State taxes. Their taxable capacity relativities are high. For instance, employer contributions to payroll tax are large because sponsored temporary business residents are paid high salaries. Since sponsored temporary business residents spend a proportion of their earnings in Australia, it can reasonably be expected that they will also contribute disproportionately to gambling taxes, motor vehicle taxes and taxes on insurance. We used data from the Longitudinal Survey of Immigrants to Australia<sup>4</sup> (LSIA) on permanent business migrants to estimate the spending proclivities of sponsored temporary business residents, because no direct surveys of their settlement experience in Australia had been undertaken. For consistency with the financial models built to analyse the impact of permanent migrants on State Budgets, it was assumed that sponsored temporary business residents contributions towards land tax, stamp duties, regulatory fees and fines, and other revenue, would be on an equal per capita basis with the rest of the population.

The net impact of sponsored temporary business residents on State Budgets is large and positive because, as a group, these persons provide more in own-source revenue than they consume in services. The positive impact is comparable to that on the Commonwealth Budget, although smaller in magnitude. It should be noted that we haven't categorised GST payments as a State tax, since these were incorporated in the Commonwealth Budget model as indirect taxes payable to the Federal Government. Of course, GST revenues are ultimately re-distributed back to the States as Commonwealth grants. Sponsored temporary business residents pay large amounts in GST, but because of their limited use of Government services and programs, do not give rise to significant grants spending by the Commonwealth.

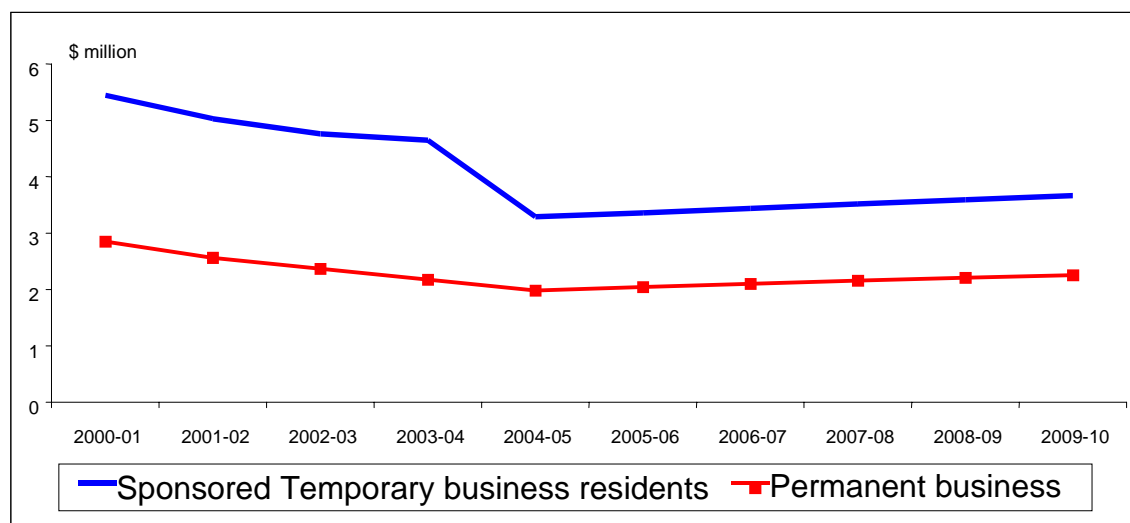
The temporary resident State financial models developed by Access Economics suggest that the net operating surplus attributable to sponsored temporary business residents is enduring. The surplus is larger than that generated by permanent business migrants, the group making the largest positive contribution of all those entering Australia under long-term migration programs. The graph below shows the impact of sponsored temporary business residents on State Budgets over a ten-year period.

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<sup>3</sup> The comparison between permanent business migrants and temporary business residents is based on a weighted average of permanent business skills and Employer Nomination Scheme migrants compared with only employer sponsored temporary business residents.

<sup>4</sup> The LSIA is the best source of information on migrants' behavioural traits, their attitudes to settlement, incomes, expenditure on basic goods and services, and the usage of Government services such as health and education, and social security. The LSIA was a longitudinal survey undertaken in three waves, meaning that migrants and their families were interviewed three times. The first interviews were conducted approximately five or six months after arrival, the second interviews a year later, and the third interviews a further two years later. The first wave of interviews commenced in March 1994, the second wave commenced in March 1995, and the third wave began in March 1997. Each wave of interviews was spread over a two-year period.

### Summary chart: State Budget impact, net operating surplus, assuming attrition or out-migration



Source: State Budget financial models, weighted average for all States. First year results based on 1,000 sponsored temporary business residents. 0% interest rate.

The results are a weighted average of the outcomes for eight Australian States and Territories, where the weights were chosen to reflect the distribution of sponsored temporary business residents by jurisdiction. The available evidence suggests that over 80 per cent of sponsored temporary business residents settle in NSW and Victoria.

The results shown are based on a scenario of zero interest rates. This assumption is used for illustrative purposes because it strips out the effect of interest earnings on the accumulated budget surplus of sponsored temporary business residents, which would otherwise serve to magnify positive impacts while concealing some underlying causes. The impacts are shown on a per capita basis, multiplied by the migrant modelling number, which is 1,000. From years 1 to 4, the surplus from sponsored temporary business residents diminishes gradually but remains large. The reduction can be traced to a short-term decline in the investment income of sponsored temporary business residents, which dampens State receipts from gambling taxes, taxes on insurance, and stamp duties more generally. The fall in asset-based income was inferred from the experience of permanent business migrants, the proxy group, as reported in the LSIA. Payments of motor vehicle taxes also diminish after the first two years of residency in Australia, and as the expiration date of the temporary business resident visa approaches. The decline in State revenues is, however, arrested after year 5.

A large share of sponsored temporary business residents return to their home countries, or else move to third countries, in the four years following their arrival in Australia. This process of attrition reduces the gross impact on State Budgets, and on the Commonwealth Budget. It should be emphasised, however, that the results presented are an average for each individual rather than an overall effect for the initial group of 1,000 sponsored temporary business residents. The results are therefore not directly affected by return migration.

For modelling purposes, we have assumed that, at the start of year 5, no more than 25 per cent of the original group of sponsored temporary business residents will still be in Australia. (The matching assumption is used in the Access Economics report for DIMIA on the Commonwealth Budget impact of sponsored temporary business residents.) The majority will have left before their visas expire at the end of year 4. The remaining sponsored temporary business residents are likely to assume permanent status. This means that they become

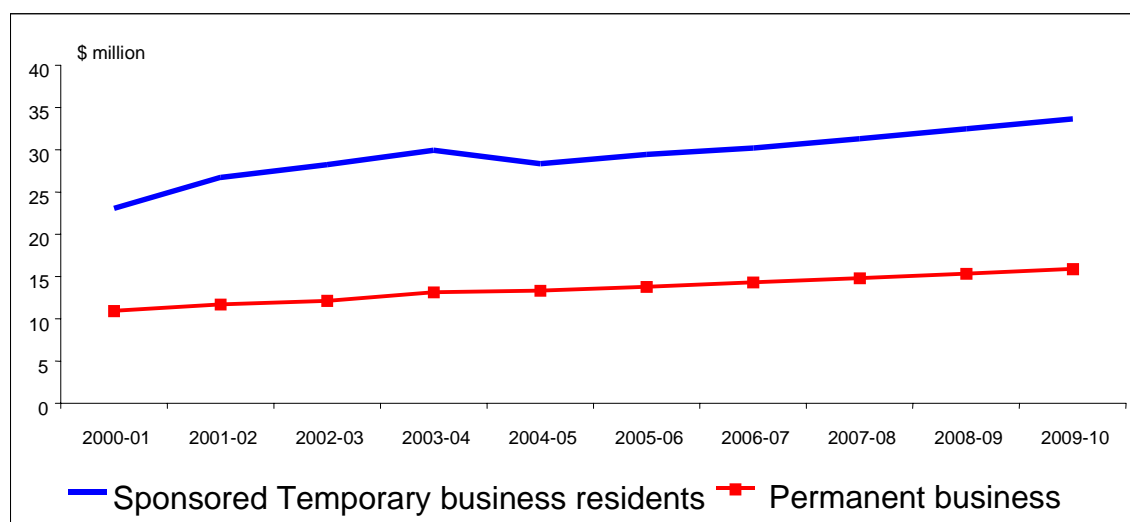
eligible for a wider range of State Government services. The growth in spending that eventuates causes the Budget surplus to fall, though it remains positive and favourable, even by comparison with permanent business migrants.

From years 6 to 10, the State Budget surplus line for the remaining sponsored temporary business residents (now permanent migrants) slopes upwards, because the growth in State own source revenues and Commonwealth grants surpasses, by a small margin, the increase in State expenditures, in nominal terms. Sponsored temporary business residents have high incomes and high discretionary spending, and therefore contribute disproportionately to State taxes. Under conditions of positive interest rates, the annual growth in the Budget surplus is more pronounced, because interest earnings on the preceding year's surplus add to the net positive impact. The interest revenue stream commences from year 1, and continues after members of the original group of sponsored temporary business residents have left Australia, thus ensuring ongoing favourable budgetary effects for those individuals who remain.

While attrition and interest earnings have essentially opposing effects, they do not materially alter the conclusion of this report – that the impact of sponsored temporary business residents on State Budgets is a clear positive. It is possible to combine the budgetary impact on the States with Commonwealth Budget outcomes, to derive a whole-of-government impact. This was done using a modified version of the temporary residents Commonwealth Budget impact model, which showed results on the basis of the remaining temporary residents numbers, rather than 'per thousand initial temporary residents. To avoid double counting, it was also necessary to subtract Commonwealth grants from both the revenue and expense sides of the combined ledger.

The whole-of-government results are summarised in the chart below. The impact on the Commonwealth Budget is more positive and favourable than on State Budgets. This is because a high proportion of the Commonwealth's expenses are of an income-support nature, whilst its revenues are income-related. Sponsored temporary business residents have little or no need of income support type payments, and do not qualify for them while temporary, and for the first two years after acquiring permanent status (for those who do). In contrast, their payments of income tax are high.

#### Summary chart: Whole of Government Impact, net operating surplus, assuming attrition or out-migration



Source: Commonwealth Budget model and State Budget financial models, weighted average for all States. First year results based on 1,000 sponsored temporary business residents. 0% interest rate.

As to the results at the individual State level, the financial models developed by Access Economics suggest that the Northern Territory receives the strongest financial benefit from sponsored temporary business residents, primarily because the Territory benefits from GST grants which are much larger in per capita terms than those received by any other State. NSW and the ACT have impacts that are above the weighted average in year 1. However, the positive impact for the ACT falls over time, dipping below the weighted average. Victoria's impact is initially approximately equal to the weighted average, but then rises above it after year 5. Queensland, Western Australia, South Australia and Tasmania have impacts that are below the weighted average over most of the period. The budgetary impacts in South Australia and Tasmania are significantly below the weighted average, though still positive and greater than the impacts resulting from permanent business migrants.

# 1. Introduction

The Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) commissioned Access Economics to study the financial and economic effects of long-term temporary entry to Australia. We were asked to examine the impact of sponsored temporary entry, long-stay business residents (visa class 457) on:

- (i) the Commonwealth Budget;
- (ii) Australia's living standards; and
- (iii) State and Territory Budgets.

This report responds to the third of the above reporting requirements, drawing on the framework of the sponsored temporary business residents Commonwealth Budget model, and the permanent migrant State Budget models created by Access Economics.

In conducting this analysis, Access Economics allowed for the following:

- (i) Some characteristics of 457 temporary entrants closely resemble the characteristics of permanent migrants who come to Australia under the Employer Nomination Scheme (visa sub-classes 121/805). In particular, principal applicants enter on the basis of a firm job offer. *That adds to the Budget revenues generated by this group of migrants.*
- (ii) All temporary entrants who come to Australia under visa class 457 are not eligible for:
  - any social security benefits;
  - Medicare and other health care costs (as all applicants and their dependants under this visa class must have private health insurance) except where there are reciprocal agreements (but the numbers are relatively few);
  - Settlement services (eg AMEP and TIS); and
  - Centrelink payments and other labour market payments.

Those eligibility restrictions moderate the Commonwealth Budget expenses generated by this group of entrants. Similar restrictions apply to State Government services, such as vocational education, hospitals, mental health services, disability services, community care, and housing assistance. Hence, the Budget expenses generated at the State level are also reduced.

- (iii) Details concerning the access by 457 visa-holders to education, and the cost of that education for dependants, vary between individual states.
- (iv) 457 visa holders also attract financial assistance grants and any other Commonwealth grants to the States that are based on the estimated resident population.
- (v) All temporary business entrants who come to Australia under visa class 457 are required to pay any direct taxes (such as personal income tax) as well as indirect taxes such as the GST during their stay in Australia. Sponsored temporary business residents are required to pay the Medicare levy since they are generally treated as Australian residents for tax purposes.

## 2. Background

In November 2001, Access Economics presented a report to DIMIA documenting the development of financial models designed to analyse the impact of permanent migrants on State and Territory Budgets. These models had been built by Access Economics to examine the effects of immigrants arriving in Australia under each of the following visa groups:

- Family (formerly known as preferential family);
- Skilled; and
- Humanitarian.

The skilled migrant stream was further sub-divided into three categories, which were also identified separately in the financial model. These were:

- ‘Skilled-Australian Sponsored’ or SAS (formerly known as ‘Skilled-Australia Linked’, and prior to that as ‘concessional family’);
- Skilled-independent; and
- Skilled-other, or ‘business skills’, with the latter term being in common usage.

Migrants in each of the three categories were modelled separately in the original model because of their varying backgrounds and characteristics, which resulted in them having different budgetary impacts. The models identified and quantified the areas of each State or Territory’s operating statement, balance sheet and cash flow statement that were primarily affected by immigration.

The report discussed the methodology and data underpinning the models, and then expounded on the results. The principal finding was that, *other things being equal*, the impact upon the States’ net operating surplus of additional migration over a ten year period was positive, reflecting positive income impacts out-weighting the expense impacts.

Additional migration in the humanitarian category initially gave rise to a negative impact at the State level, while the family category impact was barely positive. The business skills sub-category displayed the strongest beneficial impact. Two-thirds of the difference between the business skills and humanitarian categories was due to the stronger tax capacity of migrants in the business skills sub-category. The relatively lower usage of services by such migrants also played a role.

In terms of own-source revenues, migrants in the business skills category had the highest taxable capacity relativities across the States. Migrants in sponsored skills and independent skills categories also had above-average taxable capacity relativities. The implication was that skilled migrants had a higher capacity to pay taxes than humanitarian or family migrants.

## 3. Adaptation of the permanent migrant State financial models

### 3.1. Amendments to reflect sponsored temporary business residents

The modelling of the budgetary impact of sponsored temporary business residents built on the work previously undertaken to analyse the effects of permanent migration. As part of the earlier assignment, eight financial models had been developed, one for each State and Territory. The individual models had an upstream link to DIMIA's Permanent Migrants' Commonwealth Budget Impact model (referred to as the Commonwealth Budget model throughout this report), via an intermediate workbook, the *Commonwealth (grants only)* model. The upstream link was necessary because the quantum of Commonwealth grants received by the States, following the arrival of migrants, was calculated in the Commonwealth Budget model. While grants are a revenue item for the States, they are an expense for the Commonwealth. The distribution of grants among the States was set up to be consistent with existing inter-state allocation arrangements.

In addition to making use of the Commonwealth Budget model, the project on permanent migrants had given rise to the establishment of a summary model or workbook. This was used to collate the results for the individual States and to produce weighted averages by migrant category and State. The aggregation and integration of the individual State results was done for total revenues and expenses, and for operating statements, cash flow statements, and balance sheets.

To proceed with the work on sponsored temporary business residents we made use of the Temporary residents Commonwealth Budget model developed as part of the project, *The Impact of Sponsored Temporary Business Residents on the Commonwealth Budget*. An intermediate workbook for temporary residents, akin to the permanent migrants *Commonwealth (grants only)* model was then created. Next, the permanent migrant State models were adapted to focus primarily on sponsored temporary business residents rather than on migrants in a number of permanent visa categories. Where information was not available about sponsored temporary business residents, for instance in relation to their spending propensities, the relevant characteristics of permanent business skill migrants were retained in the State models. Finally, the permanent migrants' summary model was modified so as to consolidate results from the newly created temporary business resident State models.

#### 3.1.1. Sources of data

The data sources provided for this study were as follows:

- Information on visa grants for sponsored temporary business residents (visa class 457) in 1999-00 and 2000-01. This showed the number of immigration visas issued by each office of the Department of Immigration, whether at an overseas consulate or in Australia. Visas were divided into primary and secondary groups, corresponding to principal applicants and other members of their family or migrating unit, respectively.
- The age distribution of sponsored temporary business residents and their families. This information was sourced from DIMIA's overseas arrivals and departures (OAD) database, which is compiled from landing cards filled in by arriving passengers. The OAD statistics are based on a full enumeration of permanent movements and movements with a duration of stay amounting to one year or more. Short-term movements with an intended period of stay of less than one year are sampled. The sampling may give rise to some inaccuracies

and a degree of bias. However, temporary 457 business visas are issued for a period of up to four years, and so entrants whose visas were issued offshore are likely to be fully, or nearly fully, enumerated. The OAD data for visa class 457 shows the age distribution of primary applicants and other persons, and is divided into arrivals declared as short term and those stated as being long term in nature. Information on the age distribution of sponsored temporary business residents whose visas were granted onshore is not available, and the age structure was therefore assumed to be the same as that of the offshore entrants.

- Information on the occupation of temporary business entrants as submitted to DIMIA by employers on nomination forms. The occupations were shown at the detailed 6-digit ASCO level of disaggregation. However, the data is available only for principal applicants, since the employment status of spouses and other adults in the migrating unit is not recorded. Spouses and other adults are eligible to seek employment.
- Data on salaries of sponsored temporary business residents as provided to DIMIA by employers. There is no classification of salaries by occupation, but an extensive list of salaries ranked in ascending order, together with the number of temporary entrants whose earnings were at or near specified salary points.
- Information on the State-based provisions governing access to primary and secondary school education. Some States impose a charge for the use of Government schools by sponsored temporary business residents, and their families or dependants, while in other States access to primary and secondary education is fee-free. States also differ in respect of whether or not sponsored temporary business residents are included in submissions for Commonwealth funding. These submissions are termed 'census returns'.
- Data showing 'nominations' for temporary 457 visas in 2000-01. Nominations are applications by businesses for temporary entry visas for prospective employees. Applications are divided into those that were 'approved', and those that were 'refused'.
- A table showing the number of temporary 457 business residents who applied for permanent status in 2000-01, and the type of permanent visa subsequently granted.
- Data series covering the visas held by onshore 457 sponsored temporary business residents immediately prior to their application for a temporary business permit.

Access Economics did not remove the sections of the model pertaining to visa groups which were not the subject of this study. The parts of the model dealing with disaggregated inputs for humanitarian, family and other migrants were therefore retained, as were the associated calculations and intermediate worksheets.

The intention was to preserve the integrity of the permanent migration model, and thus ensure that the impact of sponsored temporary business residents was evaluated in the context of an existing migration program rather than in isolation. Another reason for measuring the impact of temporary business entrants alongside that of other types of migrants was to ensure that the costs of fixed assets were spread over all migrants rather than just a single group of migrants, thus ensuring that depreciation was allocated more evenly. In the event, depreciation proved not to be a significant expense item because State capital spending induced by the arrival of sponsored temporary business residents was found to be comparatively low.

The temporary residents Commonwealth Budget impact model was operated on an 'average cost' rather than 'avoided cost' basis, as is the general practice. An average cost basis apportions all relevant costs over sponsored temporary business residents and can be used to analyse any change in the level of migration (not just an additional 1,000 migrants). An

avoided cost basis shows the effects on the Commonwealth Budget of a marginal increase in migration, where cash limited programs do not get extra funds. For those programs with funding which is effectively fixed for particular years, recurrent spending is distributed over a wider base which may result in 'rationing' of a particular service, declines in quality, and so on. An avoided cost basis is more useful as a short-term measure of the impact of new temporary entrants on the Commonwealth Budget.

The Commonwealth Budget model was also operated on a current price basis, as is the norm<sup>5</sup>.

As discussed in the introduction, sponsored temporary business residents are similar as a group to permanent migrants who come to Australia under the Employer Nomination Scheme (visa sub-classes 121/805). One of the important characteristics of temporary business entrants is that principal applicants enter on the basis of a firm job offer. The Commonwealth Budget model's business skills sub-group is comprised of a number of visa categories, of which the Employer Nomination Scheme (ENS) is one. Others include the Regional Sponsored Migration Scheme (RSMS), State/Territory Nominated Independent (STNI), and Labour Agreements.

The LSIA has relatively small numbers of people in these latter visa categories. The Survey's business skills group encompasses ten visa categories and 2,576 principal applicants, using weighted data. Of the persons in the group, a majority, 65 per cent (or 1,675 individuals), are in the ENS visa category, and so for analytical purposes, we used ENS data as a proxy for the characteristics of sponsored temporary business residents.

A number of modifications were made to the permanent migration sub-group so as to ensure that it mirrored more closely the temporary business typology. The changes affected the values of parameters such as the category-to-migrant, and migrant-to-resident units of usage relativities<sup>6</sup> in the temporary resident State models. The amendments are discussed in the following sections.

### *3.1.2. Number of sponsored temporary business entrants*

The permanent migrant State models were calibrated to evaluate the impact of 1,000 permanent migrants entering Australia under different visa groups. To ensure comparability with those results, we therefore undertook the analysis on the basis of 1,000 sponsored temporary business residents arriving in each State. This was an assumption for modelling purposes. It does not, however, reflect the actual distribution of temporary entrants, which is summarised in Table 3.1.

The use of a common migrant modelling number across the States also facilitates comparison of results between the jurisdictions. The alternative of considering actual numbers of sponsored temporary business residents by State in 2000-01 would produce less meaningful results in those States which receive relatively few temporary entrants, notably Tasmania, the ACT and the Northern Territory. In such circumstances, there would be no benchmark for evaluating how the budgetary implications of sponsored temporary business residents vary between the larger States and the smaller States because of differences in, say, the taxation

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<sup>5</sup> This was achieved by inserting a zero in cell C5 of the 'parameters' worksheet, which contains a switch to move all aggregates onto a constant price basis. Changing cell C5 from a '0' to a '1' divides all outlays and revenues by the CPI or general deflator on line 13 in the 'parameters' sheet, thus presenting all outlays and revenues on the summary sheets in constant 2000-01 prices.

<sup>6</sup> For a description of these terms, their derivation and significance to the State models, see the report, *The Impact of Migrants on State and Territory Budgets*, Access Economics, November 2001.

regimes or government services on offer, as opposed to the raw variation in the number of sponsored temporary business residents by jurisdiction.

As can be deduced from Table 3.1, the number of sponsored temporary business residents who were granted visas to enter, or stay in, Australia in 2000-01 was 37,082. This was made up of 21,207 principal applicants, and 15,875 spouses and other family members, including dependants. The number includes onshore and offshore applicants. To facilitate the spreadsheet modelling, it was assumed that all sponsored temporary business residents arriving in Australia in 2000-01 had been granted a 457 visa that same year.

**Table 3.1: Assumed distribution of sponsored temporary business residents by State**

|              | <b>Onshore migrants</b> | <b>Offshore migrants (pro-rata)</b> | <b>Total</b> | <b>% distribution</b> |
|--------------|-------------------------|-------------------------------------|--------------|-----------------------|
| NSW          | 15,187                  | 9,327                               | 24,514       | 66.1%                 |
| VIC          | 3,968                   | 2,437                               | 6,405        | 17.3%                 |
| QLD          | 1,537                   | 944                                 | 2,481        | 6.7%                  |
| SA           | 627                     | 385                                 | 1,012        | 2.7%                  |
| WA           | 1,331                   | 817                                 | 2,148        | 5.8%                  |
| TAS          | 34                      | 21                                  | 55           | 0.1%                  |
| NT           | 109                     | 67                                  | 176          | 0.5%                  |
| ACT          | 180                     | 111                                 | 291          | 0.8%                  |
| <b>Total</b> | <b>22,973</b>           | <b>14,109</b>                       | <b>37082</b> | <b>100.0%</b>         |

Source: DIMIA visa grants official figures

In the analysis of the Commonwealth budgetary implications of the presence in Australia of sponsored temporary business residents, we considered the impact of the entire intake of sponsored temporary business residents. It would be inappropriate to consider the full intake when analysing impacts on any one State, however, because sponsored temporary business residents clearly do not concentrate in only one part of the country. It was more intuitive, therefore, to settle on the assumed migrant modelling number of one thousand.

Table 3.1 also indicates that the place of settlement in Australia, for sponsored temporary business residents granted visas offshore, cannot be determined with any degree of certainty. For onshore visa grants, we have presumed that entrants settle in the State in which their visa application is lodged. It would appear that the majority of sponsored temporary business residents settle in NSW, Victoria and Queensland, with only a small minority going to Tasmania, the Northern Territory and the ACT. It is possible that sponsored temporary business residents move to other States shortly after arriving in Australia, or that their employers apply for visas in States other than those in which the temporary business entrants will be resident, but there is no way of determining either of these propositions.

### 3.1.3. Age distribution

Access Economics did not have precise data about the age structure of sponsored temporary business residents, and therefore inferred an age distribution from the short and long-term arrivals data. As previously mentioned, this data source is derived from the overseas arrivals and departures collection, which is based on a full enumeration of long-term arrivals and sampling of short-term arrivals. A weighting process is applied so as to ensure that the sampled results match the expected profile of the population of short-term arrivals. However,

the sampling process itself may be subject to bias, thus introducing an element of uncertainty into these calculations.

The overseas arrivals and departures data excludes temporary business entrants who apply for their visas onshore (unless their visas are traced when they make return visits). The subset of the data which we considered was for first entry principal applicants and total persons by age (in five-year age groups) and sex for 2000-01. Access Economics notes that the standard errors of the estimates were fairly high, particularly in younger age groups and for children. The number of temporary business entrants (classified as either primary or secondary applicant) aged 0-4 years or 5-9 years was not large.

The multiple entry data for temporary business entrants was disregarded. The age distribution of the temporary business resident population was entered into the State financial models in the 'population' and 'migrant profiles' worksheets. The data that was entered pertained to the entire 2000-01 temporary business resident intake. This data is used to infer age composition in the models, and does not affect the assumed migrant modelling number, which, as discussed was set at 1,000 persons.

The changes to the age profile affect a number of the units of migrant to resident usage relativities and category to migrant relativities in the State models, because these relativities are calculated by comparing the proportion of, say, adults in a particular migrant category or the migrant population with the overall migrant group or overall resident population.

Since Access Economics did not have precise data as to the number of spouses vis a vis other adults, it was necessary to infer a distribution based on the proportions recorded for permanent business migrant units in the Longitudinal Survey of Immigrants to Australia, (LSIA). It should be noted, however, that the State financial models do not make explicit distinctions between principal applicant migrants, their spouses and dependants at the output level. Instead, the variables which are used as input to the category to migrant and migrant to resident relativity calculations, such as, *inter alia*, wages and salaries, incomes, and the propensity to use certain government services, are comprised of an appropriate weighted average of principal applicants, migrating unit spouses and others.

#### 3.1.4. Wages and salaries

The employer nomination results provided to Access Economics by DIMIA indicated that the number of principal applicants for whom visas were sought and granted in 2000-01 was approximately 23,001. Not all of the positions sought by employers would have been filled during the financial year, hence the number of nominations exceeded the actual number of principal applicant visas taken up (21,207). The occupational data was supplied at the 6-digit ASCO level.

Access Economics used unpublished ABS data on wage and salary incomes by occupation to derive an approximate income distribution for principal applicants. The ABS data was provided at a detailed 2-digit level and was compiled from the *Employment and Earnings Survey*, May 2000.

The incomes of principal applicants were then divided into quintiles, with the overall average individual income being recorded as \$53,299 for all sponsored temporary business residents. This result hinges on an assumption of full-time employment, and an untested proposition that sponsored temporary business residents have the same average earnings by occupation as their Australian counterparts.

The salary data provided to DIMIA by employers was also analysed to obtain a comparative income distribution. One of the features of that distribution is that there were large numbers

of income-earners with salaries at or around \$10,000. We presumed that the low salary amounts were simply a result of salary packaging, and that employers were offering more generous overall packages to their staff. These packages might have consisted of payments made overseas as well as significant benefits in-kind, such as housing assistance and health benefits. At the upper end of the scale, there were also a number of sponsored temporary business residents on fairly high salaries. The mean of the income distribution from employer nomination forms was estimated at \$79,355. Sponsored temporary business residents were arranged into quintiles and the mean income in each quintile was then calculated.

The results revealed a wider distribution of incomes than that obtained using the data on employment by occupation. The problem of under-reporting in the first and second income quintiles was resolved by substituting the averages from the occupationally-based income classification for the averages based on income declarations. Hence, an integrated income distribution series was obtained, with the first two quintiles representing the lower income quintile averages from the income-by-occupation by series, while the third, fourth and fifth quintiles were derived from the migrant-specific income distribution. The underlying assumption was that persons in low-income quintiles were more likely to be employed in comparatively low-paying occupations.

To estimate the wages and salaries of temporary business resident spouses and other members of the migrating unit, we used data from the LSIA for permanent business migrants. This suggested average annual wage earnings of \$8,457 in 2000-01 prices for spouses, and \$1,505 for other household members. These comparatively low earnings reflect the low participation rates of spouses and other household members from permanent business migrating units. We did not have information to suggest that the spouses and other household members of temporary business migrating units have lower or higher participation rates and/or earning capacities.

The mean earnings of principal applicant sponsored temporary business residents were assumed to increase over time at the same rate as the earnings of their principal applicant permanent business counterparts. Similarly, the salary incomes of spouses and other household members were assumed to follow the same growth pattern as the salaries of permanent business migrant spouses and others.

As discussed in section 3.1.3, much of the information in the State financial models is recorded on a weighted average basis for principal applicants, spouses, dependants and others. It was therefore necessary to estimate the weighted average salaries of sponsored temporary business residents, and this was calculated for the first year using the compositional data for the temporary resident population for 2000-01. The weighted average salary changes over time, not simply because of growth in the salaries of principal applicants, spouses and others, but also because of changes in the composition of the temporary business resident population.

For 2000-01, the weighted average salary was calculated as \$52,843 in current prices. In the State budgetary impact models, salaries are used as a proxy for estimating payroll tax relativities between different categories of migrant, and between the overall migrant group and the general population. Accordingly, the category-to-migrant payroll tax capacity relativities between sponsored temporary business residents and migrants in general were revised from years 1 to 10 using the new salary data.

### *3.1.5. Income distribution*

The total incomes of sponsored temporary business residents and their families are used in the State models to estimate category-to-migrant and migrant-to-resident taxable capacity relativities for gambling taxes, financial institutions duty (abolished in July 2001), State debits

tax (abolished in NSW from January 2002), and taxes on insurance. We did not have information on the non-salary incomes of sponsored temporary business residents, and this component therefore had to be estimated.

The estimation process relied on an investigation of the “earned” and “unearned” incomes of permanent business migrants, as reported in the LSIA. However, to ensure that the comparison was properly targeted, we concentrated on a particular sub-set of permanent business migrants in the LSIA, namely those entering Australia under the Employer Nomination Scheme (ENS). Migrants arriving in Australia under the ENS visa category constitute the largest single group of business skill migrants in the LSIA, numbering approximately 65 per cent of total business migrants.

The number of ENS principal applicant migrants in the LSIA is 1,675 using wave corrected weights. We excluded from the analysis the small number of migrating units with a proportion of their gross income derived from social security payments in wave 1 of the survey<sup>7</sup>. This was done because the proxy group had to resemble sponsored temporary business residents who are, of course, ineligible for most Federal and State Government social security benefits. The analysis of the remainder of the sample then suggested that, in wave 2, the total incomes of ENS migrants were approximately 30 per cent higher than their salary incomes. The proportion was higher in wave 1 and lower in wave 3. The results from the three waves of the LSIA were then used to gross up the salary incomes of sponsored temporary business residents so as to obtain an estimate, for each year, of their average total income. The average thus derived was, given the nature of the calculations, a weighted average for principal applicants, spouses and other migrating unit members.

It is noted that the incomes of ENS permanent business migrants, as reported in the LSIA, decline from wave 1 to wave 2, before increasing again in wave 3. The decline occurs not through a reduction in wages and salaries, but as a result of a fall in declared dividend and interest earnings. The method used for imputing the unearned income of temporary business entrants resulted in this trend being carried over to the temporary business resident group.

The data on the total incomes of sponsored temporary business residents, including income from assets held overseas, was used to calculate category-to-migrant units of usage relativities for the relevant State taxes from years one to ten. At the same time, we also obtained data to revise the migrant-to-resident income-based units of usage relativities in the State models. The data was from the 1998-99 Household Expenditure Survey (HES) and showed mean weekly income for households, divided into those with Australian-born and overseas-born household heads. The data for predominantly overseas-born households was further subdivided into households where the members arrived in Australia before 1996, and those in which the members arrived after 1996. The latter group of households can be considered to have characteristics that are fairly similar to those of recent immigrants. The HES also provided information on the number of households by birthplace group and this was used to underpin the migrant to resident relativity calculations.

Unlike in the Commonwealth Budget model, there was no need to estimate direct taxes payable by sponsored temporary business residents because most State taxes are of the indirect variety. The estimation of GST payments, which required the division of sponsored temporary business residents into income quintiles, was undertaken in the temporary residents Commonwealth Budget model.

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<sup>7</sup> As was the case in the permanent migrant State models, Access Economics assumed that ‘wave 1’ LSIA data applied to the first year after arrival in Australia, wave 2 data to the third year after arrival, and wave 3 data to the fifth year after migrants arrived. The results for year 5 were then considered to prevail until year 10.

### *3.1.6. Entitlements to outlays*

The ineligibility of sponsored temporary business residents to access the following State Government services or programs was registered in the model:

- Other school education;
- Technical and Further Education;
- Other education and training (including Adult Community Education);
- Acute health, admitted and non-admitted services;
- Aged care and primary health;
- Mental health services;
- Public health services;
- Disability services;
- Community care;
- Concessions to pensioners and their beneficiaries; and
- Housing assistance.

The restrictions on eligibility at the State level were similar in their coverage to those applied at the Commonwealth level. The restrictions meant that there would be no induced recurrent or capital spending by State Governments on the excluded programs, resulting from the entry of sponsored temporary business residents. The restrictions on access to those programs were held to apply for the maximum four-year period of validity of the temporary entry visas.

The rules governing access to government schools by sponsored temporary business residents (or, more specifically, their dependants) vary by State. DIMIA provided information about State Government arrangements for the use of public schools, which is summarised in the first two columns of Table 3.2. Some States offer free school places to the children of temporary residents while others charge fees. There are also differences between the States in terms of the inclusion of temporary 457 migrants in the “Census returns” submitted to the Commonwealth. These returns are used to assess the level of Federal Government assistance to the States. The Commonwealth provides specific purpose payments to the States for government and non-government schools. The level of funding is determined by the number of students, whether they are attending primary or secondary school, and, in the case of non-government schools, is needs based.

**Table 3.2: State and Territory education charges for sponsored temporary business residents, visa class 457**

|     | <b>Fees charged</b> | <b>Inclusion in Census returns</b> | <b>Hence: Commonwealth contribution</b> | <b>State impact</b>       |
|-----|---------------------|------------------------------------|---|---------------------------|
| NSW | Yes                 | No                                 | No                                      | Neutral – costs recovered |
| VIC | No                  | Yes                                | Yes                                     | State incurs expenses     |
| QLD | No                  | No                                 | No                                      | State incurs expenses     |
| SA  | No                  | No                                 | No                                      | State incurs expenses     |
| WA  | No                  | Yes                                | Yes                                     | State incurs expenses     |
| TAS | Yes                 | No                                 | No                                      | Neutral – costs recovered |
| NT  | No                  | No                                 | No                                      | State incurs expenses     |
| ACT | Yes                 | No                                 | No                                      | Neutral – costs recovered |

Source: DIMIA correspondence

As can be determined from Table 3.2, NSW charges fees for the attendance at government schools by the children of sponsored temporary business residents, and so the impact on the State Budget is neutral. This does, however, assume that the fees charged reflect the full costs of provision. The student dependants of sponsored temporary business residents are not included in the returns submitted to the Commonwealth, and hence there is no impact on Commonwealth Government finances. Tasmania and the ACT have similar arrangements in place as those currently operating in NSW.

In Victoria and Western Australia, in contrast, no distinction is made between the children of sponsored temporary business residents and those of other Australian residents. Sponsored temporary business residents are therefore not liable to pay fees for attendance at government schools, and are also included in the Census returns sent to the Commonwealth.

Queensland, South Australia and the Northern Territory do not charge fees to sponsored temporary business residents, but nor do they include them in their Census returns. These States therefore receive no Commonwealth assistance for funding the school places taken up by sponsored temporary business residents.

We assumed that all of the children of sponsored temporary business residents in the 2000–01 intake would attend primary or secondary schools. The distribution between government and private schools was assumed to be the same as for permanent business migrants. It should be noted, however, that sponsored temporary business residents have relatively few children by comparison, both with their permanent migrant counterparts, and the general population.

### *3.1.7. Share of sponsored temporary business residents who switch to permanent status*

DIMIA provided data showing that approximately 5,869 sponsored temporary business residents applied for permanent status in 2000-01. However, the duration of time that the 457 visa holders had been in Australia could not be established with any certainty. Most 457 visas are issued for a two to four-year duration, suggesting that the migrants who sought permanent status could have been in Australia for any length of time up to and including four years.

For modelling purposes, we adopted the working assumption that 25 per cent of the current intake of sponsored temporary business residents would apply for, and be granted permanent status by year 5. DIMIA provided estimates of attrition rates for sponsored temporary business residents in the first four years. The rates were adjusted to show a decline in migrant numbers to the assumed one quarter of the original intake by year 5.

Principal applicants were assumed to have slightly lower attrition rates than spouses, other family members and dependents. This reflected a belief that dependents, spouses and other members of the migrating unit might return to their home countries at a slightly earlier stage than the main principal applicant visa-holders.

### **3.2. Structural changes to the permanent migrant State models**

As discussed in section 3.1, the permanent migrant State impact models created by Access Economics were modified so as to better encapsulate the attributes of sponsored temporary business residents. The changes made mostly related to the income earning characteristics of sponsored temporary business residents and to their lower eligibility for State Government services. Higher attrition rates were also factored in for sponsored temporary business residents as compared to permanent migrants, with differential rates applied to principal applicants and to other members of the migrating unit.

In addition to the necessary revisions to the outlay and revenue components, structural features of the State models, and of the related Commonwealth Budget model, were modified. One of the main changes was the creation of a version of the temporary residents Commonwealth impact model, which measured impacts according to the prevailing number of migrants in each year rather than on the basis of “one thousand initial migrants”. The difference between the two versions is that the former calculates per capita impacts using the remaining number of migrants in each year, whilst the latter takes the gross impact and divides by 1,000, the assumed number of sponsored temporary business residents in the initial year.

The “prevailing migrant” version, which measures impacts per migrant using current migrant numbers, was considered to be more useful for this exercise because of its greater compatibility with the configuration of the temporary resident State models. In contrast, earlier versions of the Commonwealth Budget model measured impacts for migrant groups in their entirety, using the first year number of migrants as the denominator over time. The “per thousand initial migrants” convention was used to present results in the report of the impact of temporary residents on the Commonwealth Budget<sup>8</sup>. It was also noted in two recent reviews of the permanent migrants’ Commonwealth Budget model<sup>9</sup>.

Other amendments made to the permanent migrant State models are described below in summary fashion. The modelling features and terminology referred to in this section are discussed more fully in the report into the impact of permanent migrants on State and Territory Budgets<sup>10</sup>.

- The temporary resident Commonwealth and State financial models were transferred onto a current price basis. The State Budget impacts of permanent migrants had been measured in constant prices.
- The intermediate workbook, the Commonwealth Budget model (grants only) spreadsheet, was changed to show Commonwealth grants in current prices. This would also be reflected in the grants input worksheet of the State models.

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<sup>8</sup> *The Impact of Temporary Business Residents on the Commonwealth Budget*, Access Economics, October 2001.

<sup>9</sup> The two reviews of permanent migrants were by ACIL Consulting (March 2000), and Access Economics, *The Impact of Migrants on the Commonwealth Budget, Methodology and Details, 2000-01 Update*, January 2001.

<sup>10</sup> *The Impact of Migrants on State and Territory Budgets*, Access Economics, November 2001.

- The ‘Summary’ worksheets in the individual State models were changed to represent the position of sponsored temporary business residents only. In the overall summary workbook, similarly, the operating statements, balance sheets and transactions’ statements were amended to reflect only sponsored temporary business residents.
- The ‘LSIA’ and ‘Population’ worksheets were more closely integrated, and the ‘migrant profiles’ worksheet was updated.
- Weighted average attrition rates were calculated for sponsored temporary business residents and permanent migrants in total. The distinction between attrition rates for principal applicants and for other members of the household was maintained.
- From years 5 to 10, when blanket eligibility restrictions are lifted, sponsored temporary business residents were generally assumed to make similar use of State Government services as their permanent migrant counterparts. Changes were, however, made to some outlays. For instance, the temporary business resident category-to-total migrant relativities for housing assistance, calculated using unemployment rates, were revised to reflect the lower unemployment rates for sponsored temporary business residents. The unemployment rate was set at zero in year 4, and then left to gravitate towards that of permanent business migrants by year 10.

A further consideration was that of the average propensity of all migrants to use a particular service, and their capacity to pay a particular tax.

### 3.2.1. *Category to total migrant usage relativity and taxable capacity factors*

The category-to-total migrant usage relativity factors quantify the relationship between the tendency for one group of migrants (sponsored temporary business residents) to use a particular service, and the tendency for all migrants to use that service. Similarly, the category to migrant taxable capacity factors measure the relationship between the capacity of one group to pay a tax, and the capacity of all migrant groups to pay that tax. In the temporary resident State models, the category to migrant relativities, both tax and usage, are determined using data from the LSIA and other sources, such as wages/salaries and gross income.

As discussed in the report of the impact of permanent migrants on State Budgets, the expression for calculating a category to migrant units-of-usage relativity is as follows:

$$\frac{[U/P]_c}{[U/P]_m}$$

where the ‘U’ variables are the relevant measures of usage, and the ‘P’ variables are the relevant population indicators. ‘C’ refers to a specific migrant category, while ‘M’ denotes all types of migrants. A similar formula applies when calculating category-to-migrant taxable capacity relativities for State Government own-source revenues.

By definition the denominator of the expression,  $[U/P]_m$  (or  $[Y/P]_m$  in the case of taxable capacity relativities), represents the weighted average preferences of migrants from all categories. A choice then needs to be made as to whether the weighted average is comprised only of permanent migrants, or whether it includes sponsored temporary business residents as well. That is,  $[U/P]_m$  can be made up of:

- Permanent migrants who fit into the categories used in DIMIA’s permanent migrant State Budget impact models, namely family, skilled-Australian sponsored, business skills, skilled-independent, and humanitarian; or
- Permanent migrants as well as sponsored temporary business residents. Sponsored temporary business residents may substitute for the category of permanent business skill migrants, or else may be included as an addition to it.

Following discussions with DIMIA, we chose to follow the former option when deriving units of usage and taxable capacity, category-to-migrant relativities. In other words, sponsored temporary business residents (category “c”) were compared with a weighted average of permanent migrant categories, but were not themselves included in the weighted average.

The rationale for using a benchmark comprised only of permanent migrants is that, at any point in time, the number of sponsored temporary business residents in Australia, in a particular State or Territory, is small relative to the number of permanent migrants. A significant number of sponsored temporary business residents arrive in Australia over the course of a year, but because there is a high turnover or replacement rate, the number enumerated on a specific date, such as 30<sup>th</sup> June, tends to be low in comparison to the number of temporary business visas issued.

In general, the “stock” number of sponsored temporary business residents in the State is not sufficient to affect the overall proclivity for migrants to use particular services or to change their capacity to pay taxes.

Appendix A gives numerical examples of the calculation of category-to-migrant relativities under the two alternative assumptions of the composition of the total migrant benchmark. The implications of these assumptions for the size of the relativity factors are also noted.

## 4. Key results from the temporary resident State financial models

### 4.1. Impacts on the revenue and expense components

The application of the methodology described in section 3 yields impacts on the revenue and expense components of the States, as summarised in the following series of tables. Table 4.1 shows the effects of 1,000 sponsored temporary business residents on State operating expenditure by year 10, where spending is grouped into broad functional categories.

The results assume normal attrition of sponsored temporary business residents, such that by year 5, only a quarter of the initial entrant group is still resident in Australia. The remaining sponsored temporary business residents are assumed to have taken on permanent business migrant status. Interest rates have been set at 6 per cent.

**Table 4.1: Operating expenses impact of 1,000 sponsored temporary business residents by State, year 10, current price \$ million**

| Summary of operating expenses impact, impacts in year 10, all values in \$ million |         |         |         |         |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|  | NSW     | VIC     | QLD     | WA      | SA      | TAS     | ACT     | NT      | Average |
| Law, order and public safety   | 0.109   | 0.077   | 0.084   | 0.116   | 0.125   | 0.068   | 0.114   | 0.225   | 0.103   |
| Education  | 0.275   | 0.268   | 0.328   | 0.313   | 0.335   | 0.332   | 0.488   | 0.534   | 0.284   |
| Health   | 0.321   | 0.256   | 0.236   | 0.308   | 0.297   | 0.229   | 0.406   | 0.421   | 0.303   |
| Housing and community services   | 0.026   | 0.028   | 0.019   | 0.021   | 0.028   | 0.019   | 0.040   | 0.047   | 0.026   |
| Multicultural affairs  | 0.000   | 0.000   | 0.000   | 0.000   | 0.001   | 0.001   | 0.001   | 0.001   | 0.000   |
| Other  | 0.253   | 0.241   | 0.323   | 0.449   | 0.304   | 0.198   | 0.138   | 0.539   | 0.268   |
| <b>Sub-total</b>   | 0.983   | 0.870   | 0.990   | 1.208   | 1.089   | 0.848   | 1.187   | 1.767   | 0.985   |
| <b>Interest expense</b>  | (1.384) | (1.319) | (0.900) | (1.067) | (0.951) | (0.830) | (1.410) | (1.840) | (1.312) |
| <b>Total</b>   | (0.400) | (0.449) | 0.090   | 0.141   | 0.139   | 0.018   | (0.223) | (0.073) | (0.326) |

Source: Temporary business resident State financial models. 6% prevailing rate of interest. Attrition takes place over first five years.

Table 4.1 shows that sponsored temporary business residents have a mildly positive or else net negative impact on operating expenditure in the States by year 10. The negative impact in four States suggests that sponsored temporary business residents contribute to reductions in Government spending, however this is a consequence of the interest earnings on the accumulated budget surplus resulting from this migrant group.

As previously discussed, attrition rates vary for principal applicants, spouses, other adults and child dependents. However, DIMIA presented us with weighted averages, which we then decomposed into components using information from the LSIA on the “spread” of attrition rates across household members. The estimated attrition rates, based on the number of sponsored temporary business residents present at the start of the year, were 40 per cent for year 1, 20 per cent for year 2, 22 per cent for year 3, and 34 per cent for year 4. Attrition takes place gradually over the course of a year, but because the temporary residents model

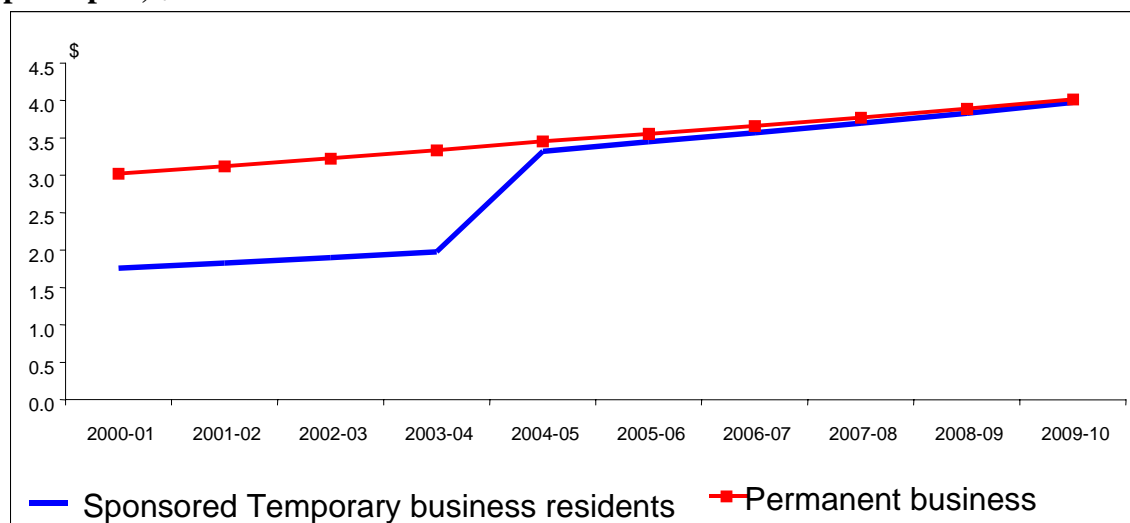
was constructed using annual data, it was assumed that attrition actually occurred at the end of the year.

Figure 4.1 shows the progression over time in State average operating expenses, per temporary business resident. In contrast to the results presented in Table 4.1, which show gross impacts, based on the full complement of sponsored temporary business residents in year 1, and the prevailing number of sponsored temporary business residents in each successive year, the graph below depicts the per capita effect on State operating expenditure over time. Interest rate effects have been disregarded in this particular presentation, which is equivalent to assuming a zero interest rate.

It is apparent that State Government spending increases over time, particularly in year 5 when sponsored temporary business residents become permanent business migrants, and thereby gain entitlement to a wider range of State Government funded services. From year 5 to year 10, the operating expense impact increases gradually, eventually converging on that of permanent business migrants (shown here for comparison). The weighted average results for all States & Territories are based on the assumed distribution of sponsored temporary business residents by jurisdiction.

It should be noted that the apparently uniform increase in spending over time (barring the surge in year 5) conceals significant offsetting rises and falls at the level of the individual expense items.

**Figure 4.1: Sponsored temporary business residents, operating expense impact per capita, \$'000**



Source: State Budget financial models, weighted average for all States. First year results based on 1,000 sponsored temporary business residents. 0% interest rate. Attrition takes place over first five years. Current prices.

Table 4.2 shows the capital expenditure impact of 1,000 sponsored temporary business residents on each of the States. In the temporary resident State financial models, capital expenditure involves the acquisition of fixed assets. Inventories and non-produced assets are disregarded, as in the permanent migrant State models, because the analysis is directed towards the expenditure impacts of additional migration.

Fixed assets are produced assets that are used repeatedly or continuously in processes of production for more than one year. Transactions in fixed assets can refer to acquisitions of new assets, construction of new assets on own account, acquisitions and disposals of existing

assets, and major improvements to fixed assets and non-produced assets. Assets can be acquired or disposed of by purchase, sale, barter, or transfer.

Non-produced assets are assets needed for production that have not themselves been produced, such as land, subsoil assets, and certain intangible assets.

Inventories are stocks of goods held by governments that are intended for sale, use in production, or other use at a later date. They can be raw materials, work in progress, finished goods, goods held for resale, or strategic stocks. Withdrawals from inventories are valued at current market prices rather than their acquisition prices.

The capital expenditure impacts in the temporary resident State models therefore involve the purchase or construction of new and replacement ‘fixed’ assets. Sponsored temporary business residents initially have only a minor impact on State capital spending. This is because they are not entitled to access State Government funded health care and community services over the four-year period that their visas are valid. They are also ineligible to attend courses in vocational education, while their access to primary and secondary education is restricted in most States, as previously discussed. The capital expenditure impacts become more pronounced from the fifth year after arrival, because most of the remaining sponsored temporary business residents acquire permanent business migrant visas.

**Table 4.2: Capital expenditure impact of 1,000 sponsored temporary business residents by State, year 10, \$ million**

| Summary of capital expenditure impact, impacts in year 10, all values in \$ million |       |       |       |       |       |       |       |       |         |
|---|-------|-------|-------|-------|-------|-------|-------|-------|---------|
|   | NSW   | VIC   | QLD   | WA    | SA    | TAS   | ACT   | NT    | Average |
| Law, order and public safety  | 0.003 | 0.002 | 0.008 | 0.009 | 0.007 | 0.000 | 0.003 | 0.004 | 0.004   |
| Education   | 0.007 | 0.009 | 0.013 | 0.012 | 0.008 | 0.007 | 0.011 | 0.002 | 0.008   |
| Health  | 0.008 | 0.008 | 0.010 | 0.010 | 0.015 | 0.009 | 0.004 | 0.018 | 0.008   |
| Other   | 0.034 | 0.017 | 0.061 | 0.046 | 0.018 | 0.009 | 0.056 | 0.075 | 0.034   |
| <b>Total</b>  | 0.052 | 0.037 | 0.091 | 0.077 | 0.048 | 0.026 | 0.073 | 0.100 | 0.054   |

Source: Temporary business resident State financial models. 6% prevailing rate of interest. Attrition takes place over first five years. Current prices.

The methodology for measuring capital expenditure effects in the State models assumes that incremental annual capital spending starts at zero (in year 1) and then rises linearly, over the average life of the assets concerned, to reach the usage-adjusted average per capita levels of such spending for existing residents. The adjustments for usage are achieved through the normal migrant to resident units-of-usage relativity factors, with the capital expenditure relativities being based on a weighted average of the relevant operational spending relativities. The average life of the assets has been set at 20-years. This means that by year 10, the capital expenditure impact for sponsored temporary business residents is just under half the level that would be suggested by the operational spending usage relativities alone. The category to migrant units of usage relativities are set at one because of an absence of specific information about how induced capital spending varies between migrant groups.

The rationale for the chosen methodology, which is the same as that adopted in the permanent migration models, is that for each of the States, none of the budgeted capital outlays can be attributed to new migrants. It is also apparent, however, that new, permanent migrants will

ultimately have an impact on State capital spending, and so the incremental capital cost should be non-zero, other than in the short term. Current spare capacity in schools and hospitals, for example, if there is any, will eventually be worked off.

Table 4.2 shows that, by year 10, the capital spending impact of sponsored temporary business residents (now permanent business migrants) is generally less than \$100,000. This is a small proportion of the recurrent spending impact. The number of persons remaining in the migrant group is 250.

**Table 4.3: Revenue impact of 1,000 sponsored temporary business residents by State, year 10, \$ million**

| Summary of revenue impact, impacts in year 10, all values in \$ million |              |              |              |              |              |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|   | NSW          | VIC          | QLD          | WA           | SA           | TAS          | ACT          | NT           | Average      |
| Payroll tax   | 0.655        | 0.573        | 0.259        | 0.555        | 0.377        | 0.219        | 0.483        | 0.372        | 0.597        |
| Gambling taxes  | 0.136        | 0.193        | 0.073        | 0.055        | 0.130        | 0.042        | 0.087        | 0.049        | 0.136        |
| Motor vehicle taxes   | 0.072        | 0.096        | 0.088        | 0.130        | 0.097        | 0.031        | 0.029        | 0.036        | 0.081        |
| Financial institutions duty   | 0.000        | 0.000        | 0.000        | 0.000        | 0.000        | 0.000        | 0.000        | 0.000        | 0.000        |
| Debits tax  | 0.038        | 0.039        | 0.045        | 0.041        | 0.029        | 0.000        | 0.040        | 0.027        | 0.038        |
| Taxes on insurance  | 0.044        | 0.066        | 0.048        | 0.083        | 0.089        | 0.000        | 0.064        | 0.000        | 0.051        |
| Land tax  | 0.044        | 0.032        | 0.020        | 0.034        | 0.017        | 0.018        | 0.029        | 0.000        | 0.039        |
| Other stamp duties  | 0.120        | 0.084        | 0.074        | 0.102        | 0.075        | 0.083        | 0.151        | 0.134        | 0.109        |
| Regulatory fees and fines   | 0.038        | 0.018        | 0.050        | 0.028        | 0.031        | 0.009        | 0.109        | 0.132        | 0.035        |
| Other revenue   | 0.105        | 0.074        | 0.265        | 0.192        | 0.008        | 0.052        | 0.135        | 0.056        | 0.113        |
| Sale of goods and services  | 0.081        | 0.119        | 0.159        | 0.114        | 0.210        | 0.032        | 0.150        | 0.095        | 0.099        |
| <b>Own-source revenue sub-total</b>                                     | <b>1.333</b> | <b>1.294</b> | <b>1.080</b> | <b>1.334</b> | <b>1.063</b> | <b>0.485</b> | <b>1.277</b> | <b>0.900</b> | <b>1.298</b> |
|   |              |              |              |              |              |              |              |              |              |
| Commonwealth grants   | 0.594        | 0.571        | 0.680        | 0.646        | 0.757        | 0.975        | 0.751        | 2.725        | 0.615        |
| <b>Total</b>  | <b>1.927</b> | <b>1.866</b> | <b>1.760</b> | <b>1.981</b> | <b>1.820</b> | <b>1.460</b> | <b>2.028</b> | <b>3.625</b> | <b>1.914</b> |

Source: Sponsored temporary business resident State financial models. 6% prevailing rate of interest. Attrition takes place over first five years. Current prices.

Table 4.3 shows the own-source revenue impacts in year 10 from the intake of sponsored temporary business residents. The impact of Commonwealth grants is also illustrated. The own-source revenue impacts are highest in Western Australia and NSW, however the Northern Territory gains the most in terms of total revenue. This is because the NT receives the highest level of per capita grants of all the States and Territories. The arrival of sponsored temporary business residents in the NT induces additional general revenue assistance from the Commonwealth and, after year 5, additional specific purpose payments.

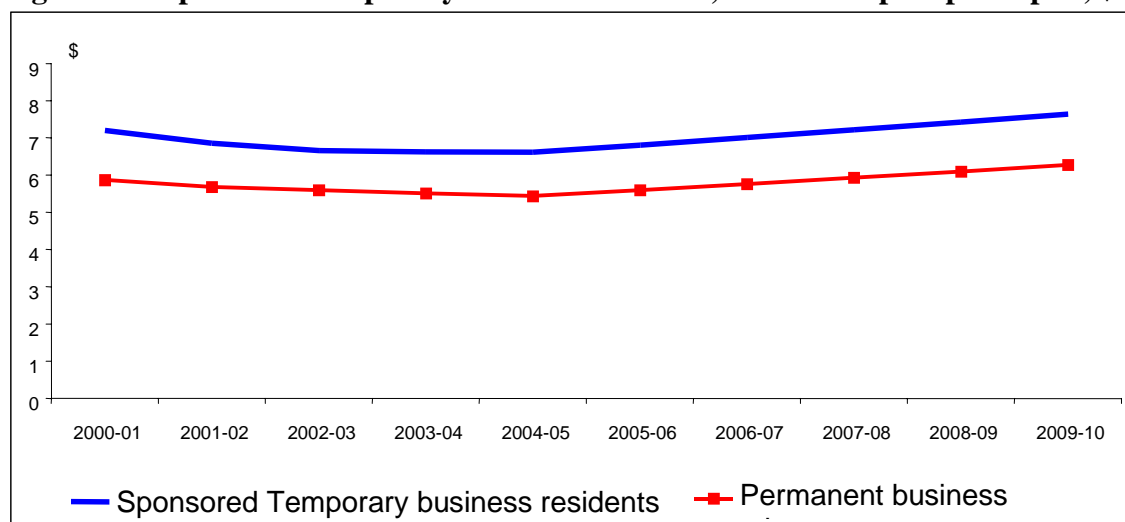
Figure 4.2 illustrates the changing patterns of State per capita revenues from sponsored temporary business residents over time. As with the expenditure charts, the figures shown represent a weighted average for all the States. From year 1 to year 2, the slippage in own-source revenues reflects a drop in the non-salary income of sponsored temporary business residents, as reported in section 3.1.5. This affects payments of payroll tax, gambling taxes, and taxes on insurance. From year 2 to year 4, own-source revenues diminish through lower

values of motor vehicle taxes paid by temporary entrants. (The estimation of motor vehicle taxes was achieved using data on car ownership recorded in the LSIA).

As the taxable capacity of sponsored temporary business residents converges on that of other migrants, the taxable capacity of migrants as a whole gravitates towards that of residents. In effect, the incomes of other migrant groups increase, thus narrowing the earnings shortfall between them and sponsored temporary business residents, and between migrants in total and other Australian residents.

The phase out of certain State taxes in 2001-02 contributes to the drop-off in own-source revenues, but this is offset by an increase in Budget balancing grants from the Commonwealth. The specific taxes concerned are financial institutions duty and taxes on marketable securities, both of which were withdrawn in July 2001.

**Figure 4.2: Sponsored temporary business residents, revenue impact per capita, \$'000**



Source: State Budget financial models, weighted average for all States. First year results based on 1,000 sponsored temporary business residents. 0% interest rate. Attrition takes place over first five years.

From years 5 to 10, revenues begin to pick up again as sponsored temporary business residents qualify for permanent status and begin to use health care and other services for which the States receive Commonwealth support. It is the infusion of Commonwealth grants that causes total revenues to turn upwards. A number of the States will also receive Commonwealth specific purpose payments (SPPs) for the primary and secondary school places that sponsored temporary business residents were formerly self-funding. However, this particular source of increase in Commonwealth SPPs will be offset by a reduction in State own-source revenues through fees and charges. Sponsored temporary business residents will no longer be required to pay school fees for their children where they previously did so. The growth in total revenues from years 5 to 10 is underpinned by an increase in GST grants to the States, which, in turn, is supported by real per capita growth in personal spending.

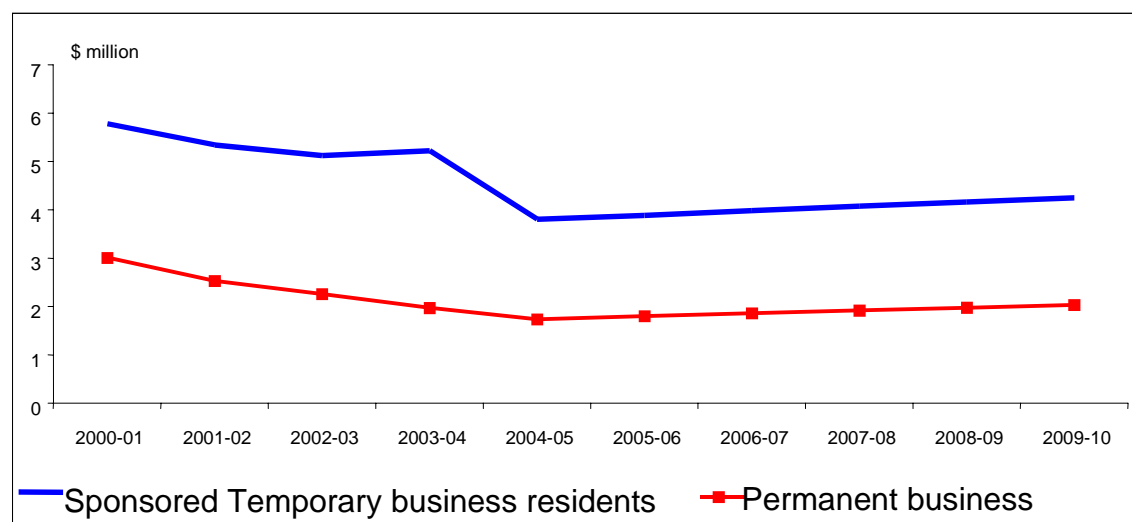
Sponsored temporary business residents contribute more to State revenues than permanent business migrants because of their higher incomes, and because of the higher proportion of income earners among their number. We would caution, however, that State revenues could be lower than those predicted, if it turns out that there is significant under-reporting of incomes by sponsored temporary business residents in Australia, (which, in turn, would imply lower levels of consumer spending).

## 4.2. Impact of 1,000 sponsored temporary business residents on New South Wales State Budget

The results for NSW shown in Figure 4.3 correspond reasonably closely with the weighted average State results shown in Figure 4.11. This is perhaps unsurprising given the relative size of NSW, and the large share of sponsored temporary business residents that the State receives. The impact of sponsored temporary business residents on the State's finances is unambiguously positive. While the impact of Commonwealth grants is relatively low, the State has comparatively high taxable capacity migrant to resident relativity factors, notably for payroll tax. This contributes to high own-source revenues. The State's migrant to resident usage relativities are approximately equal to one, implying that there is broad parity at the aggregate level with regard to the impact of migrants and residents on State Government spending. However, the weighted average values of the migrant to resident usage relativities for different spending items are higher than in most other States, suggesting that spending is generally above the Australian average.

The explanation for the high migrant to resident payroll tax relativity lies in the high proportion of overseas-born persons in the NSW resident population. The contribution to payroll tax by overseas-born persons is, on average, slightly less than the contribution by Australian-born persons. This is because the overseas-born have lower proportions of their population in the workforce, though their average earnings are similar to those of the Australian-born. By comparison with the resident population in NSW, migrants in general have a high taxpaying capacity, hence the calculated payroll tax relativities are greater than one.

**Figure 4.3: Net operating balance impact, New South Wales, 1,000 sponsored temporary business residents**



Source: State Budget financial models, weighted average for all States. First year results based on 1,000 sponsored temporary business residents. 0% interest rate. Attrition takes place over first five years. Current prices.

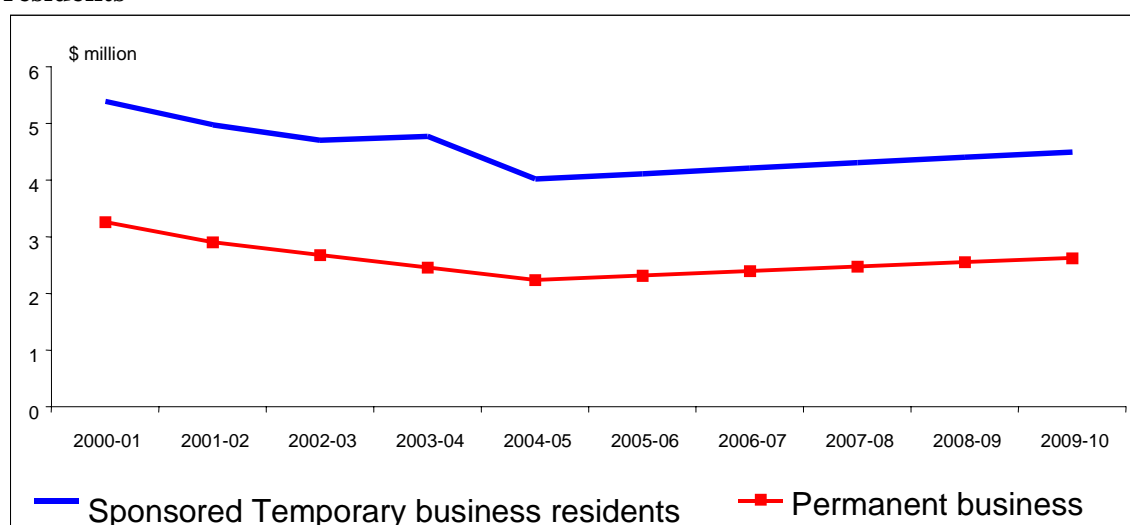
The sharp decline in the budget surplus attributable to sponsored temporary business residents from years 4 to 5 is as a result of migrants beginning to use services for which they are newly entitled. In addition, there is a reduction in fees and charges accruing to the State Government, because sponsored temporary business residents are no longer required to pay school fees for their offspring. The reduction is partially compensated by an increase in Commonwealth grants to schools.

### 4.3. Impact of 1,000 sponsored temporary business residents on Victorian State Budget

Figure 4.4 suggests that sponsored temporary business residents initially have a less favourable impact on the Victorian Budget than their counterparts in NSW. This is partly explained by the free access to Government primary and secondary education that is offered to sponsored temporary business residents in Victoria. The budget surplus diminishes in year 5 when temporary entrants make use of other Government services for which they are now eligible. However, the budget surplus then traces an upward curve, which is broadly parallel to that of permanent business migrants. The short-term factors, such as falling motor vehicle taxes, which cause own-source revenues to diminish to year 4 are effectively extinguished by year 5, giving a fillip to the budget bottom line. Commonwealth Grants continue to grow, thus bolstering overall revenue.

By year 10, sponsored temporary business residents have a more propitious effect on Government finances in Victoria than they do in NSW. The reason is the lower cost of service provision in Victoria, which tends to outweigh the impact of the State's lower tax rates, and lower per capita level of Commonwealth grants.

**Figure 4.4: Net operating balance impact, Victoria, 1,000 sponsored temporary business residents**



Source: State Budget financial models, weighted average for all States. First year results based on 1,000 sponsored temporary business residents. 0% interest rate. Attrition takes place over first five years. Current prices.

### 4.4. Impact of 1,000 sponsored temporary business residents on the Queensland State Budget

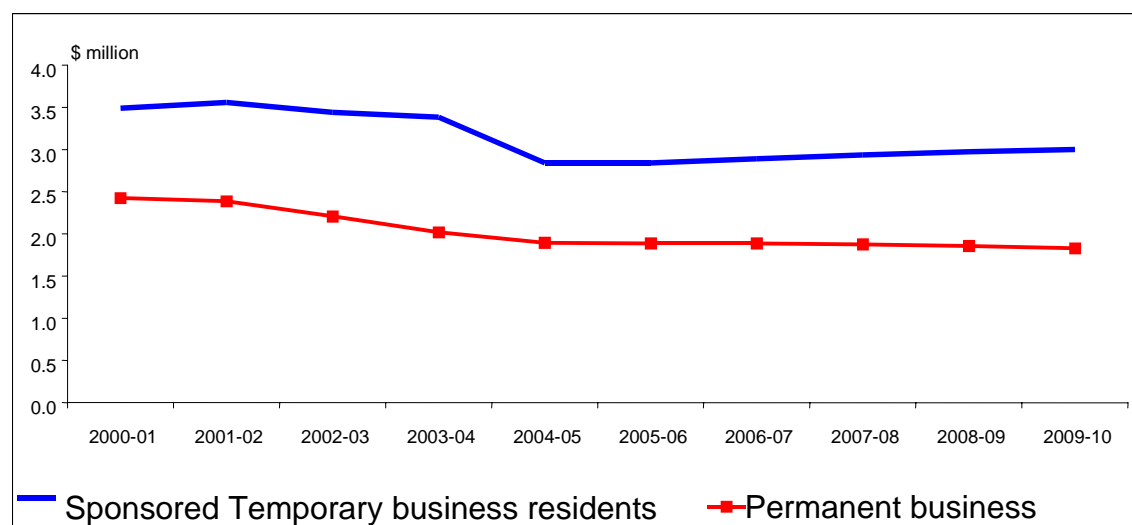
Figure 4.5 demonstrates that sponsored temporary business residents have a less beneficial impact on State finances in Queensland than in NSW and Victoria, although the impact is still strongly positive. While per capita Commonwealth grants are higher in Queensland than in NSW and Victoria, the State does not receive specific purpose payments to cover the primary and secondary education of junior sponsored temporary business residents. This is because temporary entrants and their offspring are not included in the Census returns that are

submitted to the Commonwealth when funding is being sought. Queensland's lower tax rates also result in the budget surplus being lower than in NSW and Victoria. The kink in the budget surplus curve from year 4 to year 5 is less pronounced than in NSW, because Queensland does not charge fees for educating the dependents of sponsored temporary business residents. Hence, there is no loss of State revenue when temporary entrants become permanent business migrants, and their children continue to attend Government schools.

Another consideration is that Queensland has a low proportion of overseas-born persons in its resident population. The overseas born, it will be recalled, have a lower taxable capacity than Australian-born persons in general, but because the proportion of overseas-born is lower in Queensland than in NSW and Victoria, the overall capacity of the resident population to pay State taxes is high relative to newly arrived migrants. Accordingly, the taxable capacity relativity factor for migrants compared with the resident population is lower than in NSW and Victoria. Hence, sponsored temporary business residents contribute proportionately less in tax.

A similar logic applies to the migrant to resident usage relativity factors. The overseas-born have a lower propensity to use government services than the Australian-born, but the low proportion of overseas-born persons in Queensland implies that the overall tendency of the resident population to take advantage of Government programs is high relative to other States. Therefore, the usage relativity for migrants compared to residents is low.

**Figure 4.5: Net operating balance impact, Queensland, 1,000 sponsored temporary business residents**



Source: State Budget financial models, weighted average for all States. First year results based on 1,000 sponsored temporary business residents. 0% interest rate. Attrition takes place over first five years. Current prices.

To summarise, sponsored temporary business residents use fewer services in Queensland than in NSW and Victoria, but also contribute significantly less in State taxes. This gives rise to a lower budget surplus.

#### **4.5. Impact of 1,000 sponsored temporary business residents on the South Australian State Budget**

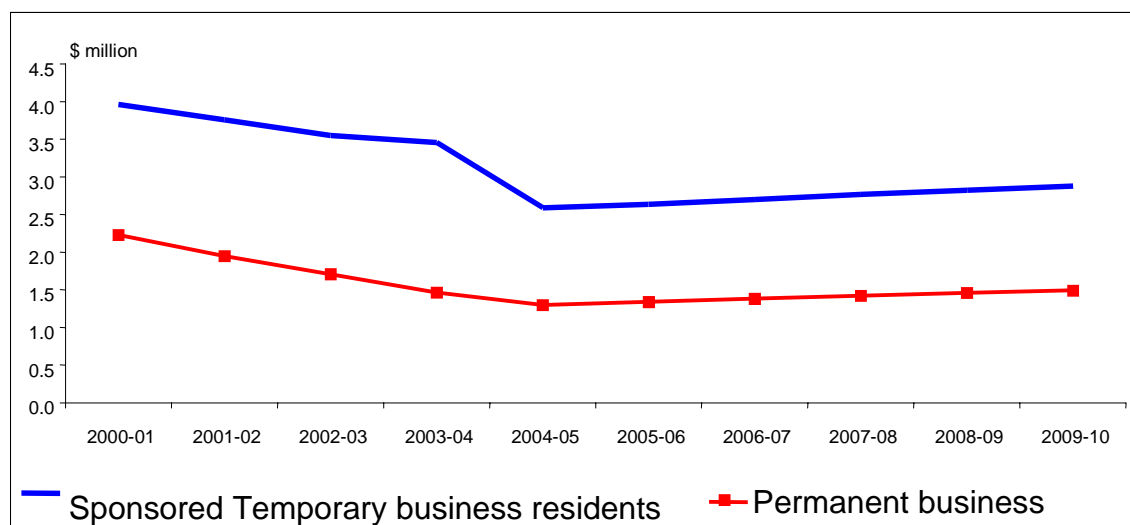
Figure 4.6 illustrates that sponsored temporary business residents initially have a stronger, more positive impact on the State Budget in South Australia than in Queensland. This can be

explained by the higher per capita level of Commonwealth grants paid to South Australia than to Queensland. In particular, South Australia receives more general revenue assistance, or GST grants, than Queensland, per head of population. Sponsored temporary business residents induce additional spending by the Commonwealth on general revenue assistance grants from year 1.

Over the first five years the South Australian surplus from sponsored temporary business residents is eroded more rapidly than in Queensland. This essentially reflects South Australia's higher costs of service provision. There is a sharp drop in the surplus in year 5, as sponsored temporary business residents begin to draw on the full array of Government services available to them, however the surplus remains above that of permanent business migrants. The State does not charge fees for educating the dependents of sponsored temporary business residents, and so there is no loss of revenue, through user charges, in year 5 when these dependents qualify for free education.

Although there is steady growth from years 5 to 10, South Australia's budget surplus from temporary entrants is lower than that in Queensland by the end of the period. This is primarily because of higher spending on State Government services. South Australia has a higher proportion of overseas-born residents than Queensland, but a lower proportion than NSW and Victoria. Applying the logic of section 4.4, this implies that the migrant to resident usage relativity factors are higher than in Queensland, resulting in higher outlays for all entrants, including sponsored temporary business residents.

**Figure 4.6: Net operating balance impact, South Australia, 1,000 sponsored temporary business residents**



Source: State Budget financial models, weighted average for all States. First year results based on 1,000 sponsored temporary business residents. 0% interest rate. Attrition takes place over first five years. Current prices.

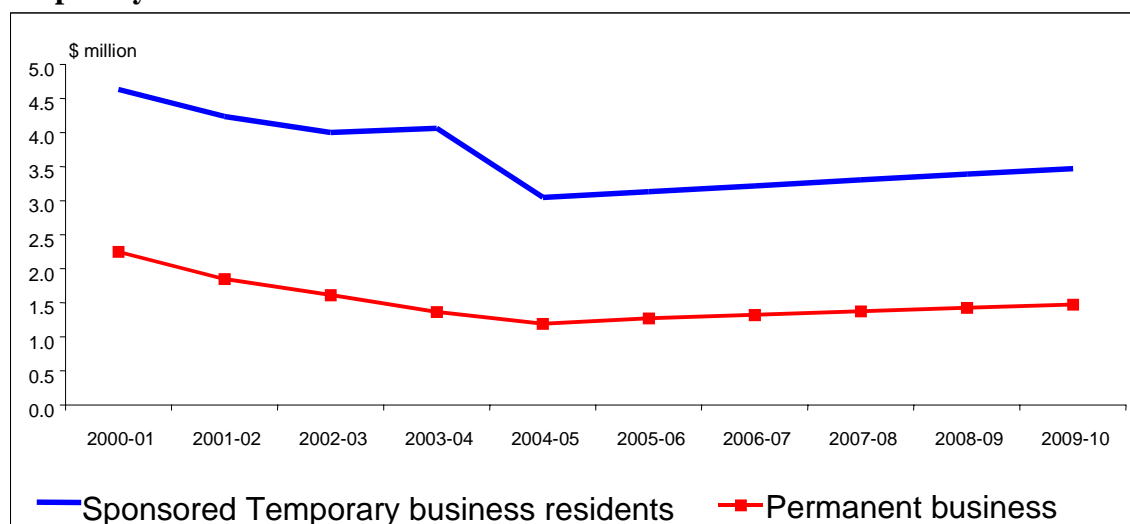
South Australia's taxable capacity, migrant to resident relativity factors are similarly above those in Queensland, though below the NSW and Victorian relativities. The State therefore receives more own-source revenue per temporary business entrant than Queensland. Commonwealth grants are also higher, as discussed. However, the additional State spending on sponsored temporary business residents outweighs the revenue gains, resulting in a smaller surplus.

#### 4.6. Impact of 1,000 sponsored temporary business residents on the Western Australian State Budget

The budget surplus attributable to sponsored temporary business residents is initially higher in Western Australia than in Queensland and South Australia, though below that in NSW and Victoria. However, as Figure 4.7 shows, the surplus diminishes over time, primarily because of the high costs of service provision in Western Australia. There is a noticeably sharp drop in the surplus from years 4 to 5, when temporary business entrants become permanent business migrants. The fall occurs even though WA does not charge school fees to the children of sponsored temporary business residents, and hence does not suddenly forfeit revenue through user charges.

Western Australia has the highest concentration of overseas-born persons of any Australian State. Following the principles enunciated in earlier sections, this implies that the migrant to resident usage relativity factors are high and above unity, as are the taxable capacity, migrant to resident relativities. Sponsored temporary business residents therefore have a marked impact on Government spending, but also contribute significantly to State taxes. From years 1 to 5, the growth in spending surpasses the increases in tax contributions, particularly when temporary business entrants become eligible for the full gamut of State Government services. From years 5 to 10, sponsored temporary business residents assume the characteristics of permanent business migrants, with the result that State own-source revenues begin to climb faster than State expenditure. The growth in revenues is assisted by increases in Commonwealth grants over time. WA, however, receives a less than proportionate share of most categories of grants, such as specific purpose payments for vocational education, health care grants, and general revenue assistance. The State receives above average levels of Commonwealth specific purpose payments for Government schools.

**Figure 4.7: Net operating balance impact, Western Australia, 1,000 sponsored temporary business residents**



Source: State Budget financial models, weighted average for all States. First year results based on 1,000 sponsored temporary business residents. 0% interest rate. Attrition takes place over first five years. Current prices.

By year 10, the budget surplus in WA attributable to sponsored temporary business residents has been restored to the same level as in Queensland.

#### 4.7. Impact of 1,000 sponsored temporary business residents on the Tasmanian State Budget

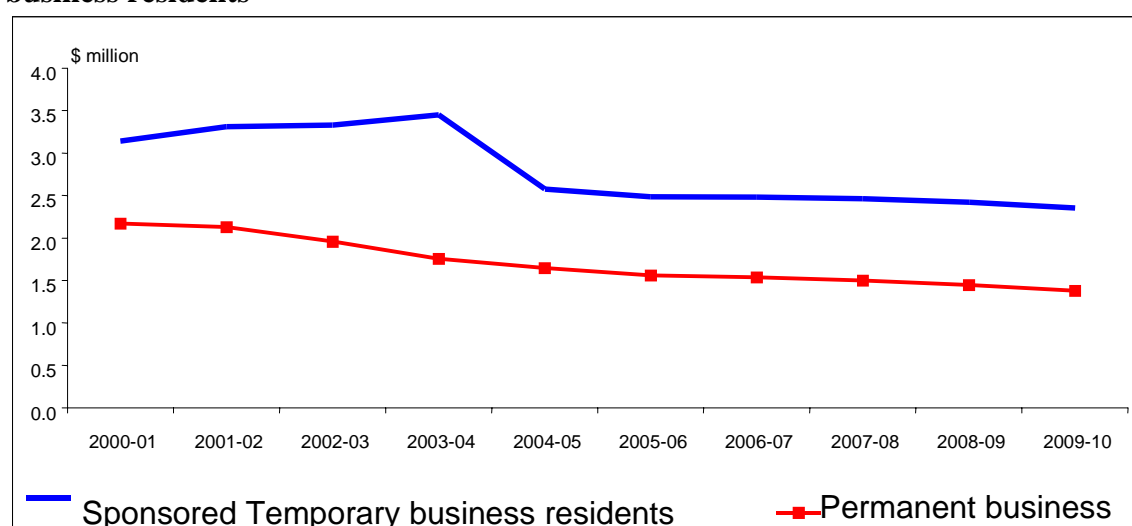
In comparison with the outcomes in other States, Tasmania's government finances benefit the least from sponsored temporary business residents, as suggested by Figure 4.8. Nonetheless, there is still a strong, positive fiscal contribution from sponsored temporary business residents, surpassing the budgetary impact of permanent business migrants.

Tasmania has the lowest proportion of overseas-born persons of all the Australian States. The arguments developed in previous sections therefore suggest that both its usage and taxable capacity, migrant to resident relativity factors will be below unity, and small in magnitude. In their first year, sponsored temporary business residents consequently have a minor impact on State Government spending and, similarly, do not contribute substantially in taxes.

In effect, the cost of service provision to sponsored temporary business residents in Tasmania is low. From years 1 to 4, the budget surplus increases, driven by the growth in Commonwealth grants. Tasmania's per capita level of grants is above the State average in all areas except health care. It is noted that, over this period, Tasmania does not receive primary and secondary education grants on behalf of temporary business entrants, because the State charges school fees to persons in this category, and does not include them in Census returns.

From year 5 onwards the State budget surplus attributable to sponsored temporary business residents declines, at first sharply and then gradually. The sudden reduction is due to the consumption response of temporary business entrants who become eligible to use Government services. The progressive reduction occurs because the growth in the costs of providing services exceeds the growth in own-source revenues and Commonwealth grants. The costs of service provision, represented by the migrant to resident usage relativities, converge on residential levels more rapidly than the taxpaying capacity of sponsored temporary business residents in that State.

**Figure 4.8: Net operating balance impact, Tasmania, 1,000 sponsored temporary business residents**

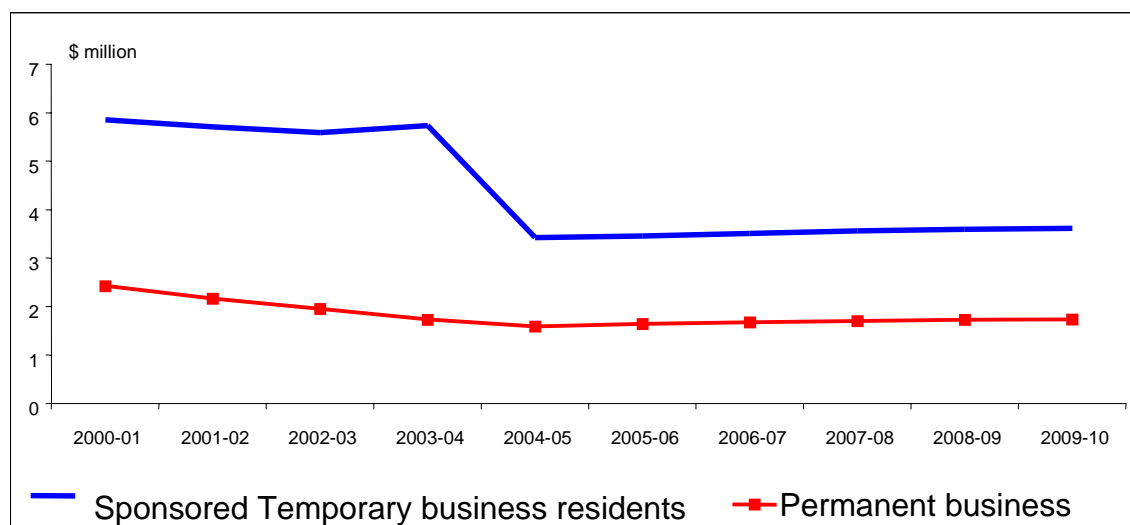


Source: State Budget financial models, weighted average for all States. First year results based on 1,000 sponsored temporary business residents. 0% interest rate. Attrition takes place over first five years.

#### 4.8. Impact of 1,000 sponsored temporary business residents on the Australian Capital Territory Budget

The ACT receives a favourable boost to its public finances from the inflow of sponsored temporary business residents, as illustrated by Figure 4.9. From years 1 to 4, the budget surplus resulting from temporary business entrants falls gradually. The pronounced drop in year 5 is due to sponsored temporary business residents becoming eligible to access the wider net of government services. The fall is accentuated by the withdrawal from State own-source revenues of the user charges previously levied on temporary entrants in the form of school fees.

**Figure 4.9: Net operating balance impact, ACT, 1,000 sponsored temporary business residents**



Source: State Budget financial models, weighted average for all States. First year results based on 1,000 sponsored temporary business residents. 0% interest rate. Attrition takes place over first five years. Current prices.

The ACT does not include sponsored temporary business residents in its Census returns submitted to the Commonwealth, and hence does not receive specific purpose payments for education for the first four years.

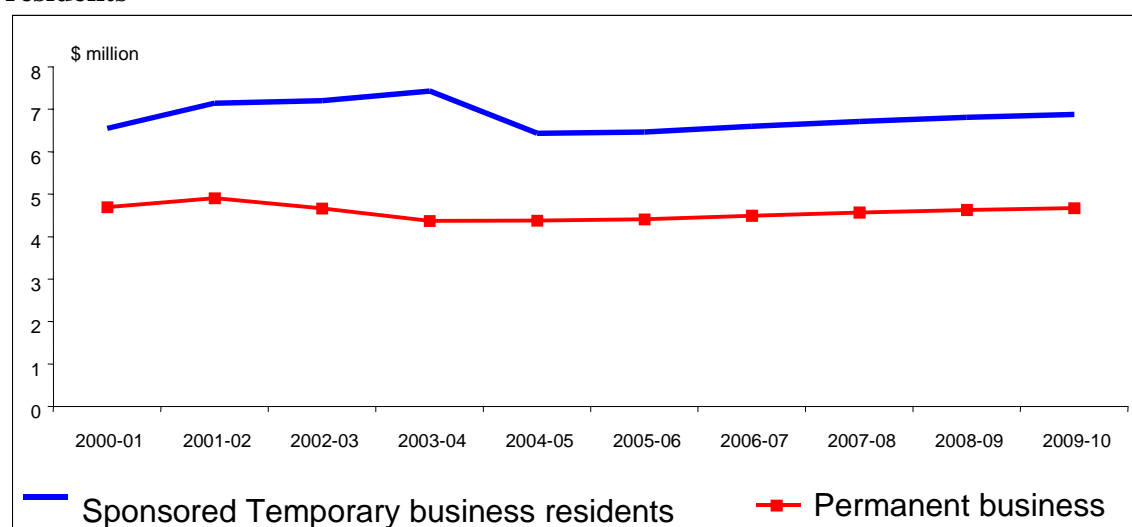
From years 5 to 10, the budget surplus resumes an upward trend, with the ACT benefiting strongly from Commonwealth grants, because of the Territory's above average per capita grants relativities for most forms of Commonwealth assistance.

The share of overseas-born persons in the ACT resident population is consistent with the national average. This implies that for migrants entering the Territory, the migrant to resident usage and taxable capacity relativities will be below those for NSW and Victoria, but above those for the other States. Hence, the cost of providing services to sponsored temporary business residents in the ACT is relatively high, although this is matched by relatively high taxpaying capacities. It is apparent that over the first four years, the costs of service provision increase at a faster rate than the capacity of sponsored temporary business residents to pay taxes. However, this situation stabilises from year 5, and the budgetary surplus increases, supported by Commonwealth grants. By year 10, the budget surplus from temporary business entrants is higher than that recorded for Queensland.

#### 4.9. Impact of 1,000 sponsored temporary business residents on the Northern Territory Budget

The fiscal impact of sponsored temporary business residents in the Northern Territory is initially higher than in any other State or Territory, as suggested by Figure 4.10. The strong positive impact reflects the Territory's small size, and the receipt of Commonwealth grants, which are substantially above the per capita average dollar values for Australia as a whole. For instance, the Territory receives general revenue assistance which is approximately 4.8 times the Australian per capita average. The strong growth in the NT's budget surplus, attributable to temporary business entrants, from years 1 to 4 is a direct consequence of the increase in Commonwealth grants over the period, multiplied by the appropriate per capita grants relativity.

**Figure 4.10: Net operating balance impact, NT, 1,000 sponsored temporary business residents**



Source: State Budget financial models, weighted average for all States. First year results based on 1,000 sponsored temporary business residents. 0% interest rate. Attrition takes place over first five years. Current prices.

The NT does not charge school fees to sponsored temporary business residents, because it is presumed that their parents are paying income tax. However, temporary business entrants are not enumerated in the Census returns provided to the Commonwealth, and so the NT does not receive specific purpose payments for Government schools from years 1 to 4. The reduction in the budget surplus from years 4 to 5 is less marked than in some other States, because the NT does not experience a loss of own-source revenue associated with school fees in some other States.

The NT's share of overseas-born persons in its resident population is the lowest of all the States, bar Tasmania. The calculated migrant to resident usage and taxable capacity relativities are comparable with those for Queensland, though marginally lower in both cases. The costs of providing State Government services to sponsored temporary business residents are therefore low by comparison with residents. However, the capacity of temporary business entrants to pay State taxes is also low, in part because of low tax rates.

The increase in the NT's temporary business resident budget surplus from years 5 to 10 is sustained by annual growth in Commonwealth grants. The countervailing impact of a rise in the costs of service provision, resulting from the convergence of the migrant to resident usage relativities with residential levels, is small and barely noticeable in the graph. The migrant to

resident taxable capacity relativities also gravitate towards unity, though at a slower rate than the usage relativity factors.

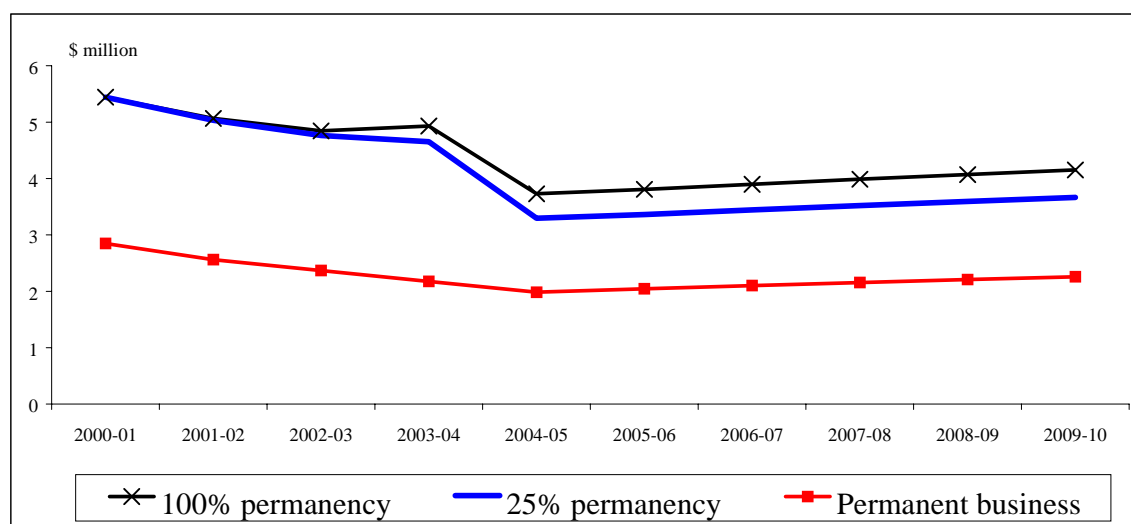
In practice, it is most unlikely that the NT would ever receive 1,000 sponsored temporary business residents. At present, it plays host to only a fraction of the sponsored temporary business residents entering Australia.

#### 4.10. Impact of 1,000 sponsored temporary business residents, State average results

The weighted average impact of sponsored temporary business residents on State budgets is summarised in Figure 4.11. The results shown in the graph are obtained as a weighted average of the outcomes for the individual States, where the weights represent the proportionate distribution of sponsored temporary business residents by jurisdiction.

In 2000-01, NSW received the highest proportion of sponsored temporary business residents of all the States, and hence is accorded the highest weight in the calculations.

**Figure 4.11: State average net operating balance impact for 1,000 sponsored temporary business residents**



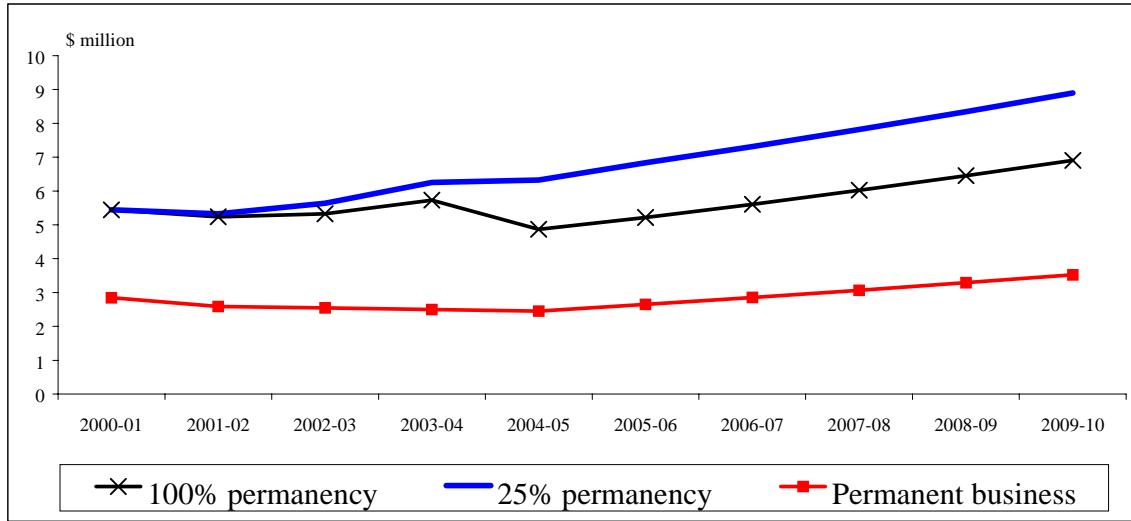
Source: State Budget financial models, weighted average for all States. First year results based on 1,000 sponsored temporary business residents. 0% interest rate. Attrition takes place over first five years. Current prices.

Figure 4.12 reiterates the point that sponsored temporary business residents make a sizeable contribution to State finances, both over their first four years of residence as temporary entrants, and subsequently as permanent business migrants. The results are shown under two scenarios: zero attrition, which is labelled in the graph as “100% permanency” and normal attrition, which is labelled as “25% permanency”.

The 100% permanency line shows the comparative impacts per capita (multiplied by 1,000), if it were assumed that all temporary business entrants to Australia settled on a permanent basis. The base scenario is the 25% permanency line, because the majority of temporary entrants, having fulfilled the short-term requirements of their employers, do in fact return to their home countries. The process of return migration is generally concluded before sponsored temporary business residents have completed the normal, four-year term of their 457 class visas. The 100% permanency line is above the 25% permanency line because if all sponsored temporary business residents were to remain in Australia, then their taxpaying

capacity would improve at a faster rate than that of other migrants, the reason being that other migrant groups would still be subject to a small degree of attrition.

**Figure 4.12: State average net operating balance impact for 1,000 sponsored temporary business residents, 6% interest rate**



Source: State Budget financial models, weighted average for all States. First year results based on 1,000 sponsored temporary business residents. 6% interest rates. Attrition takes place over first five years. Current prices.

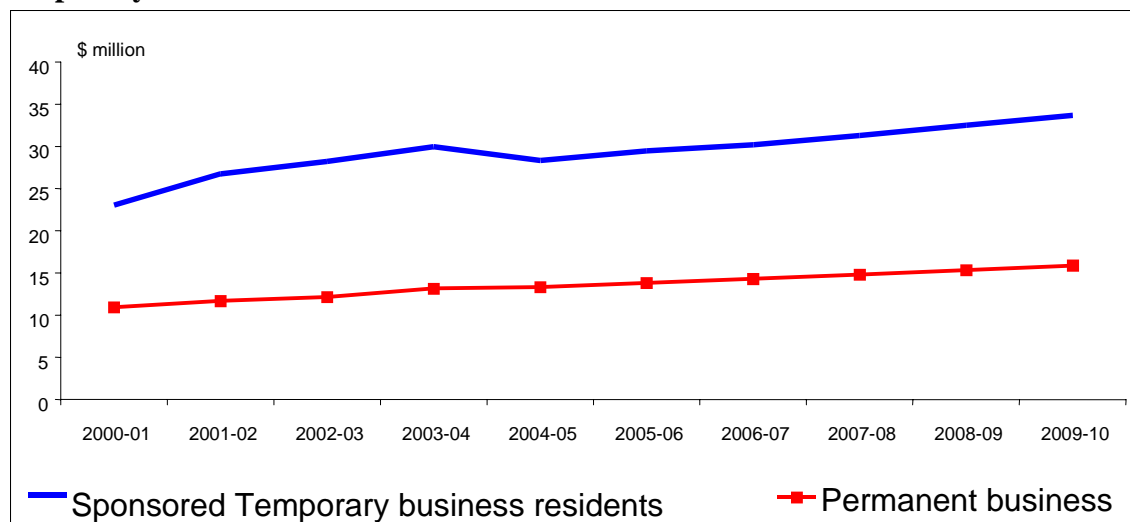
Figure 4.12 presents weighted average results for sponsored temporary business residents assuming 6 per cent interest rates. The interest revenue stream creates a virtuous cycle, whereby the interest earned on each year's budget surplus, adds to the surplus recorded in the following year. Furthermore, under the 25 per cent permanency scenario, the per capita surplus is magnified, because attrition results in the preceding year's interest earnings being allocated among a shrinking pool of sponsored temporary business residents.

The interest income stream, which is treated as a negative outlay in the State financial models, is sufficient to compensate for the growth in Government spending from years 4 to 5, with no attendant reduction in the budget surplus per capita.

#### 4.11. Impact of 1,000 sponsored temporary business residents, Whole of Government results

The whole-of-government results presented in Figure 4.13 are indicative of a substantial budget surplus resulting from the arrival in Australia of 1,000 sponsored temporary business residents.

**Figure 4.13: Whole of Government net operating balance impact for 1,000 sponsored temporary business residents**

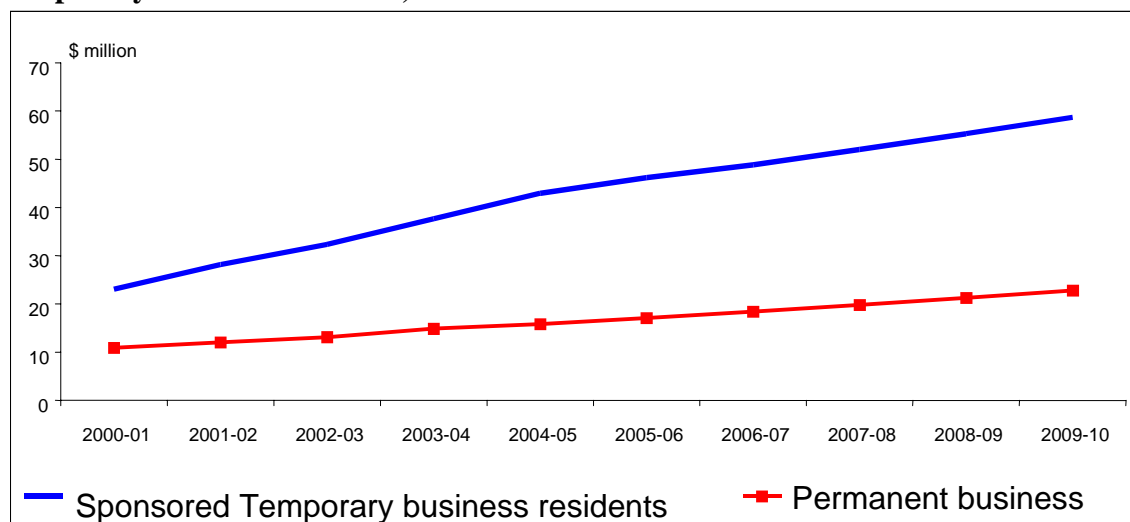


Source: State Budget financial models, weighted average for all States. First year results based on 1,000 sponsored temporary business residents. 0% interest rate. Attrition takes place over first five years. Current prices.

Most of the surplus accrues to the Commonwealth Government and results from payments of income tax and GST. In the first year, for instance, the ratio of the average State surplus to the surplus earned at the Commonwealth level is approximately 1:3.

Estimates of the direct and indirect taxes payable by sponsored temporary business residents at the Commonwealth level were presented in the report of the impact of sponsored temporary business residents on the Commonwealth Budget. The estimates of income tax were calculated using statutory tax rates, making allowance for the normal rebates and deductions that would be available to a 'typical', temporary business resident family. Sponsored temporary business residents pay large amounts in income tax because the principal applicants in each migrating unit are generally high earners, and because there is a high proportion of income earning individuals among the temporary business resident 'population'.

**Figure 4.14: Whole of Government net operating balance impact for 1,000 sponsored temporary business residents, 6% interest rate**



Source: State Budget financial models, weighted average for all States. First year results based on 1,000 sponsored temporary business residents. 6% interest rates. Attrition takes place over first five years.

From years 5 to 10 the increase in the budget surplus shown in Figure 4.13 occurs largely through income growth, which results in a rise in direct tax payments. The increase in the general price level (which is assumed to be of a lower magnitude than wages growth) contributes to an increase in indirect tax payments, but this is essentially offset by the rising costs of goods and services, which bolsters Government spending in nominal terms. The States appropriate some of the benefits of income growth through rising Commonwealth grants and an increase in State indirect taxes.

Figure 4.14 illustrates how interest payments add to the overall positive impact from sponsored temporary business residents at the whole-of-government level. The gap between sponsored temporary business residents and the original group of permanent business migrants widens because of the virtuous cycle of accumulated interest earnings.

Appendix B shows the detailed accrual operating results for each of the States, together with the weighted average and whole-of-government results. Appendix C presents detailed financial statements showing the weighted average impact of sponsored temporary business residents on the States & Territories.

## Appendix A: Usage relativity factors

The migrant-to-resident units of usage relativity factors used in the sponsored temporary resident State financial models were based on the same data sources that underpinned the migrant to resident relativities in the permanent migrant State financial models. The precise value of the relativities differed, in most instances, however, because of the population bases varied. However, the incomes data used in the calculation of taxable capacity relativities was revised with new information from the 1998-99 Household Expenditure Survey.

When confronting the category to migrant relativity calculations for sponsored temporary business residents, we opted not to include this migrant group in the overall benchmark for migrants. In other words, sponsored temporary business residents were assumed not to be sufficiently numerous to affect the characteristics of the total migrant population. Sponsored temporary business residents (category 'c') were compared to a weighted average of permanent migrants (category 'm'), rather than to a weighted average of temporary and permanent migrants.

The following examples illustrate the implications for the category to migrant relativities of excluding, or alternatively including, sponsored temporary business residents from the overall migrant group benchmark. The first example, shown below, calculates category-to-migrant units of usage relativities for TAFEs under the two scenarios. Full workings are shown to aid comprehension. The calculations are taken from the Victorian model, however category to migrant relativities do not vary from State to State.

### Category to migrant relativity for TAFEs, year 1. Migrant average drawn from permanent migrants' model

$$\frac{33,324 \times 1 \times 0.71\% / 37,082}{73,822 \times 1 \times 2.80\% / 89,680} = 0.275$$

where:

33,324 = eligible population of sponsored temporary business residents (classified by age-group), year 1

1 = attrition parameter, based on principal applicants, and is unity for year 1

0.71% = proportion of eligible population of sponsored temporary business residents attending vocational education

37,082 = total intake of sponsored temporary business residents, 2000-01, year 1.

73,822 = eligible population of all migrants (classified by age-group), year 1

1 = attrition parameter, based on principal applicants, and is unity for year 1

2.80% = proportion of eligible population of permanent migrants attending vocational education

89,680 = total number of migrants, temporary and permanent in the financial model, year 1.

The take-up rate of 0.71% is for sponsored temporary business residents in the relevant age cohorts. It is based on the estimate for permanent business migrants from wave 1 of the LSIA. In contrast, the take-up rate of 2.80% is a weighted average of all permanent migrant categories, and is drawn from the permanent migrants' State Budget impact model. The weights reflect those used in the LSIA.

It should be noted that the temporary business resident population referred to in these calculations is distinct from the assumed migrant modelling number, which is one thousand.

The assumed migrant modelling number is the number of additional sponsored temporary business residents for whom we wish to measure impacts.

**Category to migrant relativity for TAFEs, year 3. Migrant average drawn from permanent migrants' model**

$$\frac{33,324 \times 0.508 \times 2.75\% / 18,054}{73,822 \times 0.827 \times 4.78\% / 67,967} = 0.600$$

where:

0.508 = attrition parameter for temporary entrants, based on principal applicants, for year 3

2.75% = proportion of eligible population of sponsored temporary business residents attending vocational education in year 3

18,054 = remaining number of sponsored temporary business residents, from 2000-01 intake, year 3

0.827 = attrition parameter for all migrants, based on principal applicants, for year 3

4.78% = proportion of eligible population of permanent migrants attending vocational education in year 3

67,967 = remaining number of sponsored temporary business residents and permanent migrants in the financial model, year 3, and other variables are as before.

The take-up rate of 2.75% is for sponsored temporary business residents in the relevant age cohorts. Following our established modelling conventions, it is based on an average of the estimates for permanent business migrants from waves 2 and 3 of the LSIA. In contrast, the take-up rate of 4.78% is a weighted average of all permanent migrant categories, and is drawn from the permanent migrants' State Budget impact model. The weights reflect those used in the LSIA.

*If sponsored temporary business residents were included in the weighted average for all migrants, then the category to migrant relativities would be as follows:*

**Category to migrant relativity for TAFEs, year 1. Migrant average based on permanent migrants and temporary entrants**

$$\frac{33,324 \times 1 \times 0.71\% / 37,082}{73,822 \times 1 \times 1.98\% / 89,680} = 0.387$$

where:

1.98% = proportion of eligible population of permanent migrants and sponsored temporary business residents attending vocational education,

and all other variables are as defined previously.

The weighted average take-up rate of 1.98% is lower than the 2.80% take-up rate used previously and based exclusively on permanent migrants. The reason for this is that large numbers of sponsored temporary business residents – with a low take-up rate themselves – dominate the weighted average and bring it down.

**Category to migrant relativity for TAFEs, year 3. Migrant average based on permanent migrants and temporary entrants**

$$\frac{33,324 \times 0.508 \times 2.75\% / 18,054}{73,822 \times 0.827 \times 3.85\% / 67,967} = 0.732$$

where:

3.85% = proportion of eligible population of permanent migrants and sponsored temporary business residents attending vocational education,

and all other variables are as defined previously.

The weighted average take-up rate of 3.85% is lower than the 4.78% take-up rate used previously and based exclusively on permanent migrants.

A further set of category to migrant relativities based on average incomes is presented below. These relativities are used to approximate the capacity for sponsored temporary business residents to pay State taxes such as gambling taxes, financial institutions duty, debits tax and taxes on insurance. The average incomes used in the calculations are weighted average individual incomes for principal applicants, migrating unit spouses and other adult members of the migrating unit. The estimated incomes for permanent migrants were derived from the LSIA.

**Category to migrant relativity for gambling taxes, year 1. Migrant average drawn from permanent migrants' model**

$$\frac{33,384 \times 1 \times \$59,320 / 37,082}{74,881 \times 1 \times \$17,401 / 89,680} = 3.68$$

Note that the "eligible population" is broader than that used in the TAFE calculations because it now encompasses the entire adult population.

**Category to migrant relativity for gambling taxes, year 3. Migrant average drawn from permanent migrants' model**

$$\frac{33,384 \times 0.508 \times \$59,736 / 18,054}{74,881 \times 0.827 \times \$21,841 / 67,967} = 2.82$$

*If sponsored temporary business residents were included in the weighted average for all migrants, then the category to migrant relativities would be as follows:*

**Category to migrant relativity for gambling taxes, year 1. Migrant average based on permanent migrants and temporary entrants**

$$\frac{33,384 \times 1 \times \$59,320 / 37,082}{74,881 \times 1 \times \$36,131 / 89,680} = 1.77$$

**Category to migrant relativity for gambling taxes, year 3. Migrant average based on permanent migrants and temporary entrants**

$$\frac{33,384 \times 0.508 \times \$59,736 / 18,054}{74,881 \times 0.827 \times \$30,667 / 67,967} = 2.01$$

## Appendix B: Detailed accrual operating results for States

|                                 | Year 1                                    | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|---------------------------------|---|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| Values in \$ million            | Net operating results per capita, × 1,000 |        |        |        |        |        |        |        |        |         |
| New South Wales                 |   |        |        |        |        |        |        |        |        |         |
| Revenue                         | \$ 7.5                                    | \$ 7.1 | \$ 6.9 | \$ 6.9 | \$ 6.7 | \$ 6.9 | \$ 7.1 | \$ 7.3 | \$ 7.5 | \$ 7.7  |
| Expense                         | \$ 1.7                                    | \$ 1.8 | \$ 1.9 | \$ 2.0 | \$ 3.3 | \$ 3.5 | \$ 3.6 | \$ 3.7 | \$ 3.8 | \$ 4.0  |
| Net Operating Surplus (deficit) | \$ 5.8                                    | \$ 5.3 | \$ 5.0 | \$ 4.9 | \$ 3.3 | \$ 3.4 | \$ 3.5 | \$ 3.6 | \$ 3.7 | \$ 3.7  |
| % Change on Previous Year       | na  | -8.2%  | -5.2%  | -2.1%  | -32.1% | 2.2%   | 2.4%   | 2.3%   | 2.1%   | 2.0%    |
| Victoria                        |   |        |        |        |        |        |        |        |        |         |
| Revenue                         | \$ 6.9                                    | \$ 6.5 | \$ 6.2 | \$ 6.1 | \$ 6.5 | \$ 6.7 | \$ 6.8 | \$ 7.0 | \$ 7.2 | \$ 7.5  |
| Expense                         | \$ 1.5                                    | \$ 1.6 | \$ 1.6 | \$ 1.7 | \$ 2.9 | \$ 3.0 | \$ 3.1 | \$ 3.3 | \$ 3.4 | \$ 3.5  |
| Net Operating Surplus (deficit) | \$ 5.4                                    | \$ 4.9 | \$ 4.6 | \$ 4.5 | \$ 3.5 | \$ 3.6 | \$ 3.7 | \$ 3.8 | \$ 3.9 | \$ 3.9  |
| % Change on Previous Year       | na  | -8.4%  | -6.6%  | -3.2%  | -20.9% | 2.3%   | 2.5%   | 2.3%   | 2.2%   | 2.0%    |
| Queensland                      |   |        |        |        |        |        |        |        |        |         |
| Revenue                         | \$ 5.2                                    | \$ 5.4 | \$ 5.4 | \$ 5.5 | \$ 6.0 | \$ 6.2 | \$ 6.4 | \$ 6.6 | \$ 6.8 | \$ 7.0  |
| Expense                         | \$ 1.8                                    | \$ 1.8 | \$ 2.0 | \$ 2.1 | \$ 3.1 | \$ 3.3 | \$ 3.5 | \$ 3.7 | \$ 3.8 | \$ 4.0  |
| Net Operating Surplus (deficit) | \$ 3.5                                    | \$ 3.6 | \$ 3.4 | \$ 3.4 | \$ 2.8 | \$ 2.8 | \$ 2.9 | \$ 2.9 | \$ 3.0 | \$ 3.0  |
| % Change on Previous Year       | na  | 1.9%   | -3.3%  | -1.7%  | -15.9% | 0.0%   | 1.8%   | 1.5%   | 1.2%   | 0.9%    |
| South Australia                 |   |        |        |        |        |        |        |        |        |         |
| Revenue                         | \$ 5.9                                    | \$ 5.8 | \$ 5.7 | \$ 5.7 | \$ 6.2 | \$ 6.4 | \$ 6.6 | \$ 6.8 | \$ 7.1 | \$ 7.3  |
| Expense                         | \$ 2.0                                    | \$ 2.0 | \$ 2.1 | \$ 2.2 | \$ 3.6 | \$ 3.8 | \$ 3.9 | \$ 4.1 | \$ 4.2 | \$ 4.4  |
| Net Operating Surplus (deficit) | \$ 4.0                                    | \$ 3.8 | \$ 3.6 | \$ 3.5 | \$ 2.6 | \$ 2.6 | \$ 2.7 | \$ 2.8 | \$ 2.8 | \$ 2.9  |
| % Change on Previous Year       | na  | -5.2%  | -5.5%  | -2.7%  | -25.0% | 1.7%   | 2.5%   | 2.3%   | 2.1%   | 2.0%    |
| Western Australia               |   |        |        |        |        |        |        |        |        |         |
| Revenue                         | \$ 7.2                                    | \$ 6.9 | \$ 6.6 | \$ 6.6 | \$ 6.9 | \$ 7.1 | \$ 7.3 | \$ 7.5 | \$ 7.7 | \$ 7.9  |
| Expense                         | \$ 2.6                                    | \$ 2.6 | \$ 2.7 | \$ 2.8 | \$ 4.3 | \$ 4.4 | \$ 4.5 | \$ 4.6 | \$ 4.8 | \$ 4.9  |
| Net Operating Surplus (deficit) | \$ 4.6                                    | \$ 4.2 | \$ 3.9 | \$ 3.8 | \$ 2.6 | \$ 2.7 | \$ 2.8 | \$ 2.9 | \$ 2.9 | \$ 3.0  |
| % Change on Previous Year       | na  | -9.0%  | -6.6%  | -3.4%  | -30.8% | 3.1%   | 3.0%   | 2.8%   | 2.7%   | 2.6%    |
| Tasmania                        |   |        |        |        |        |        |        |        |        |         |
| Revenue                         | \$ 4.3                                    | \$ 4.6 | \$ 4.8 | \$ 5.0 | \$ 4.9 | \$ 5.1 | \$ 5.3 | \$ 5.5 | \$ 5.6 | \$ 5.8  |
| Expense                         | \$ 1.2                                    | \$ 1.3 | \$ 1.4 | \$ 1.5 | \$ 2.3 | \$ 2.6 | \$ 2.7 | \$ 2.9 | \$ 3.2 | \$ 3.4  |
| Net Operating Surplus (deficit) | \$ 3.1                                    | \$ 3.4 | \$ 3.4 | \$ 3.5 | \$ 2.6 | \$ 2.5 | \$ 2.5 | \$ 2.5 | \$ 2.5 | \$ 2.4  |
| % Change on Previous Year       | na  | 7.1%   | 1.7%   | 2.3%   | -24.9% | -3.2%  | 0.0%   | -0.7%  | -1.5%  | -2.5%   |
| Australian Capital Territory    |   |        |        |        |        |        |        |        |        |         |
| Revenue                         | \$ 7.7                                    | \$ 7.6 | \$ 7.6 | \$ 7.7 | \$ 7.0 | \$ 7.2 | \$ 7.4 | \$ 7.6 | \$ 7.9 | \$ 8.1  |
| Expense                         | \$ 1.8                                    | \$ 1.9 | \$ 2.0 | \$ 2.1 | \$ 3.9 | \$ 4.0 | \$ 4.2 | \$ 4.4 | \$ 4.6 | \$ 4.8  |
| Net Operating Surplus (deficit) | \$ 5.9                                    | \$ 5.7 | \$ 5.6 | \$ 5.6 | \$ 3.1 | \$ 3.2 | \$ 3.2 | \$ 3.3 | \$ 3.3 | \$ 3.3  |
| % Change on Previous Year       | na  | -2.5%  | -2.3%  | -0.1%  | -43.7% | 1.0%   | 1.6%   | 1.2%   | 0.9%   | 0.5%    |

Source: Temporary business resident State financial models. 0% interest rate. 1,000 sponsored temporary business residents at start of period. Normal rates of attrition or out-migration assumed. Current prices.

|                                 | Year 1                                    | Year 2  | Year 3  | Year 4  | Year 5  | Year 6  | Year 7  | Year 8  | Year 9  | Year 10 |
|---------------------------------|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Values in \$ million            | Net operating results per capita, × 1,000 |         |         |         |         |         |         |         |         |         |
| Northern Territory              |   |         |         |         |         |         |         |         |         |         |
| Revenue                         | \$ 9.6                                    | \$ 10.6 | \$ 10.9 | \$ 11.3 | \$ 12.3 | \$ 12.7 | \$ 13.1 | \$ 13.6 | \$ 14.0 | \$ 14.5 |
| Expense                         | \$ 3.1                                    | \$ 3.2  | \$ 3.4  | \$ 3.6  | \$ 5.5  | \$ 5.8  | \$ 6.1  | \$ 6.4  | \$ 6.8  | \$ 7.1  |
| Net Operating Surplus (deficit) | \$ 6.5                                    | \$ 7.3  | \$ 7.6  | \$ 7.7  | \$ 6.8  | \$ 6.9  | \$ 7.0  | \$ 7.1  | \$ 7.3  | \$ 7.3  |
| % Change on Previous Year       | na  | 12.2%   | 2.8%    | 2.5%    | -12.0%  | 0.7%    | 2.2%    | 1.9%    | 1.6%    | 1.2%    |
| State average                   |   |         |         |         |         |         |         |         |         |         |
| Revenue                         | \$ 7.2                                    | \$ 6.9  | \$ 6.7  | \$ 6.6  | \$ 6.6  | \$ 6.8  | \$ 7.0  | \$ 7.2  | \$ 7.4  | \$ 7.6  |
| Expense                         | \$ 1.8                                    | \$ 1.8  | \$ 1.9  | \$ 2.0  | \$ 3.3  | \$ 3.5  | \$ 3.6  | \$ 3.7  | \$ 3.8  | \$ 4.0  |
| Net Operating Surplus (deficit) | \$ 5.4                                    | \$ 5.0  | \$ 4.8  | \$ 4.7  | \$ 3.3  | \$ 3.4  | \$ 3.4  | \$ 3.5  | \$ 3.6  | \$ 3.7  |
| % Change on Previous Year       | na  | -7.6%   | -5.4%   | -2.3%   | -29.2%  | 2.1%    | 2.4%    | 2.3%    | 2.1%    | 1.9%    |
| Whole-of-government             |   |         |         |         |         |         |         |         |         |         |
| Revenue                         | \$ 25.0                                   | \$ 28.6 | \$ 30.1 | \$ 31.9 | \$ 32.8 | \$ 34.0 | \$ 35.3 | \$ 36.6 | \$ 38.0 | \$ 39.5 |
| Expense                         | \$ 2.0                                    | \$ 1.9  | \$ 1.9  | \$ 1.9  | \$ 4.4  | \$ 4.6  | \$ 5.1  | \$ 5.3  | \$ 5.6  | \$ 5.8  |
| Net Operating Surplus (deficit) | \$ 23.0                                   | \$ 26.8 | \$ 28.2 | \$ 30.0 | \$ 28.4 | \$ 29.5 | \$ 30.2 | \$ 31.3 | \$ 32.5 | \$ 33.7 |
| % Change on Previous Year       | na  | 16.1%   | 5.6%    | 6.1%    | -5.4%   | 3.9%    | 2.5%    | 3.7%    | 3.7%    | 3.7%    |

Source: Temporary business resident State financial models. 0% interest rate. 1,000 sponsored temporary business residents at start of period. Normal rates of attrition or out-migration assumed. Current prices.

## Appendix C: Detailed financial statements, accruals and cash flow basis

**Table A: Impact of 1,000 sponsored temporary business residents, State and Territory weighted average results, operating statement, current price \$ million**

| Operating Statement  |        |        |        |        |        |        |        |        |        |         |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
|  | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
| Values in \$ million   |        |        |        |        |        |        |        |        |        |         |
| <b>Revenue</b>   | 7.203  | 4.113  | 3.200  | 2.500  | 1.658  | 1.706  | 1.756  | 1.807  | 1.859  | 1.914   |
| Own-source revenues  | 6.049  | 3.276  | 2.482  | 1.905  | 1.145  | 1.174  | 1.204  | 1.235  | 1.266  | 1.298   |
| Grants   | 1.154  | 0.836  | 0.718  | 0.595  | 0.512  | 0.532  | 0.552  | 0.572  | 0.593  | 0.615   |
|  |        |        |        |        |        |        |        |        |        |         |
| <b>Expenses</b>  | 1.759  | 0.920  | 0.489  | 0.143  | 0.074  | -0.006 | -0.076 | -0.151 | -0.231 | -0.316  |
| Operating expenses   | 1.759  | 1.096  | 0.912  | 0.745  | 0.830  | 0.861  | 0.889  | 0.919  | 0.951  | 0.985   |
| Interest expense   | 0.000  | -0.175 | -0.424 | -0.604 | -0.759 | -0.870 | -0.970 | -1.076 | -1.190 | -1.312  |
| Depreciation expense   | 0.000  | 0.000  | 0.000  | 0.001  | 0.002  | 0.003  | 0.005  | 0.006  | 0.008  | 0.011   |
|  |        |        |        |        |        |        |        |        |        |         |
| <b>Net operating surplus (deficit)<br/>(= revenue less expenses)</b> | 5.444  | 3.192  | 2.711  | 2.357  | 1.584  | 1.712  | 1.832  | 1.958  | 2.090  | 2.229   |
|  |        |        |        |        |        |        |        |        |        |         |
| <i>Less</i>  |        |        |        |        |        |        |        |        |        |         |
| <b>Net Acquisition of non-financial assets</b>                       | 0.000  | 0.010  | 0.016  | 0.018  | 0.019  | 0.024  | 0.029  | 0.033  | 0.038  | 0.043   |
| Purchases of non-financial assets                                    | 0.000  | 0.010  | 0.016  | 0.020  | 0.021  | 0.027  | 0.033  | 0.040  | 0.047  | 0.054   |
| <i>Less Depreciation expense</i>                                     | 0.000  | 0.000  | 0.000  | 0.001  | 0.002  | 0.003  | 0.005  | 0.006  | 0.008  | 0.011   |
|  |        |        |        |        |        |        |        |        |        |         |
| <b>GFS net lending (+)/borrowing (-)</b>                             | 5.444  | 3.182  | 2.695  | 2.339  | 1.565  | 1.688  | 1.803  | 1.925  | 2.052  | 2.186   |

Source: Sponsored temporary business resident State financial models. 0% interest rate. 1,000 sponsored temporary business residents at start of period.

**Table B: Impact of 1,000 sponsored temporary business residents, State and Territory weighted average results, cash flow statement, current price \$ million**

| Cash flow statement, values in \$ million |        |        |        |        |        |        |        |        |        |         |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| Statement                                 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|   |        |        |        |        |        |        |        |        |        |         |
| <b>Operating activities</b>               |        |        |        |        |        |        |        |        |        |         |
| Operating receipts                        | 4.537  | 5.124  | 3.517  | 2.767  | 1.930  | 1.679  | 1.728  | 1.779  | 1.830  | 1.884   |

|   |        |        |        |        |        |        |        |        |        |        |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Operating payments  | 1.613  | 0.976  | 0.504  | 0.155  | 0.064  | -0.011 | -0.083 | -0.160 | -0.242 | -0.329 |
| <b>Net cash received from operating activities</b>              | 2.924  | 4.148  | 3.013  | 2.612  | 1.866  | 1.691  | 1.811  | 1.939  | 2.072  | 2.213  |
|   |        |        |        |        |        |        |        |        |        |        |
| <b>Investing in non-financial assets</b>                        |        |        |        |        |        |        |        |        |        |        |
| Sales of non-financial assets                                   | -      | -      | -      | -      | -      | -      | -      | -      | -      | -      |
| Purchases of non-financial assets                               | 0.000  | 0.010  | 0.016  | 0.020  | 0.021  | 0.027  | 0.033  | 0.040  | 0.047  | 0.054  |
| <b>Net cash received from investing in non-financial assets</b> | 0.000  | -0.010 | -0.016 | -0.020 | -0.021 | -0.027 | -0.033 | -0.040 | -0.047 | -0.054 |
|   |        |        |        |        |        |        |        |        |        |        |
| <b>Financing activities</b>                                     |        |        |        |        |        |        |        |        |        |        |
| Net disposals of financial assets                               | -      | -      | -      | -      | -      | -      | -      | -      | -      | -      |
| Net acquisition of financial liabilities                        | -2.924 | -4.138 | -2.997 | -2.592 | -1.845 | -1.664 | -1.778 | -1.899 | -2.026 | -2.159 |
| <b>Net cash received from financing transactions</b>            | -2.924 | -4.138 | -2.997 | -2.592 | -1.845 | -1.664 | -1.778 | -1.899 | -2.026 | -2.159 |
|   |        |        |        |        |        |        |        |        |        |        |
| <b>Net increase in cash balances</b>                            | -      | -      | -      | -      | -      | -      | -      | -      | -      | -      |
| <b>Overall surplus (deficit)</b>                                | 2.924  | 4.138  | 2.997  | 2.592  | 1.845  | 1.664  | 1.778  | 1.899  | 2.026  | 2.159  |

Source: Sponsored temporary business resident State financial models. 0% interest rate. 1,000 sponsored temporary business residents at start of period. Current prices.

**Table C: Impact of 1,000 sponsored temporary business residents, State and Territory weighted average results, balance sheet, current price \$ million**

| <b>Balance sheet, values in \$ million</b> |        |        |         |         |         |         |         |         |         |         |
|--|--------|--------|---------|---------|---------|---------|---------|---------|---------|---------|
|  | Year 1 | Year 2 | Year 3  | Year 4  | Year 5  | Year 6  | Year 7  | Year 8  | Year 9  | Year 10 |
| <b>Assets</b>                              | 0.000  | 0.010  | 0.026   | 0.044   | 0.063   | 0.086   | 0.115   | 0.148   | 0.187   | 0.230   |
| Financial assets                           | -      | -      | -       | -       | -       | -       | -       | -       | -       | -       |
| Physical assets                            | 0.000  | 0.010  | 0.026   | 0.044   | 0.063   | 0.086   | 0.115   | 0.148   | 0.187   | 0.230   |
|  |        |        |         |         |         |         |         |         |         |         |
| <b>Liabilities</b>                         | -5.444 | -8.626 | -11.321 | -13.660 | -15.225 | -16.913 | -18.716 | -20.641 | -22.693 | -24.879 |
| Gross debt                                 | -2.924 | -7.062 | -10.059 | -12.651 | -14.496 | -16.159 | -17.937 | -19.836 | -21.862 | -24.021 |
| Other non-equity liabilities               | -2.520 | -1.564 | -1.262  | -1.009  | -0.729  | -0.753  | -0.779  | -0.804  | -0.831  | -0.858  |
|  |        |        |         |         |         |         |         |         |         |         |
| <b>Net worth</b>                           | 5.444  | 8.636  | 11.347  | 13.704  | 15.288  | 16.999  | 18.831  | 20.789  | 22.879  | 25.109  |
| <b>Net financial worth</b>                 | 2.924  | 7.062  | 10.059  | 12.651  | 14.496  | 16.159  | 17.937  | 19.836  | 21.862  | 24.021  |
| <b>Net debt</b>                            | -2.924 | -7.062 | -10.059 | -12.651 | -14.496 | -16.159 | -17.937 | -19.836 | -21.862 | -24.021 |

Source: Sponsored temporary business resident State financial models. 6% prevailing rate of interest. 1,000 sponsored temporary business residents at start of period.

**Table D: Impact of 1,000 sponsored temporary business residents, State and Territory weighted average results, transactions of the general government sector, current price \$ million**

| <b>Transactions of the General Government Sector</b>    |        |        |        |        |        |        |        |        |        |         |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
|   | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
| <b>TRANSACTIONS AFFECTING NET WORTH</b>                 |        |        |        |        |        |        |        |        |        |         |
| <b>Revenue (transactions increasing net worth)</b>      |        |        |        |        |        |        |        |        |        |         |
| Own-source revenues                                     |        |        |        |        |        |        |        |        |        |         |
| current year's income received                          | 4.537  | 2.457  | 1.861  | 1.429  | 0.859  | 0.881  | 0.903  | 0.926  | 0.950  | 0.974   |
| current year's income receivable                        | 1.512  | 0.819  | 0.620  | 0.476  | 0.286  | 0.294  | 0.301  | 0.309  | 0.317  | 0.325   |
| previous year's income received                         | 0.000  | 1.512  | 0.819  | 0.620  | 0.476  | 0.286  | 0.294  | 0.301  | 0.309  | 0.317   |
| Grants  |        |        |        |        |        |        |        |        |        |         |
| current year's income received                          | 0.000  | 0.000  | 0.000  | 0.000  | 0.000  | 0.000  | 0.000  | 0.000  | 0.000  | 0.000   |
| current year's income receivable                        | 1.154  | 0.836  | 0.718  | 0.595  | 0.512  | 0.532  | 0.552  | 0.572  | 0.593  | 0.615   |
| previous year's income received                         | 0.000  | 1.154  | 0.836  | 0.718  | 0.595  | 0.512  | 0.532  | 0.552  | 0.572  | 0.593   |
| <b>Expense (transactions decreasing net worth)</b>      |        |        |        |        |        |        |        |        |        |         |
| Operating expenses                                      |        |        |        |        |        |        |        |        |        |         |
| current year's expenses paid                            | 1.613  | 1.004  | 0.836  | 0.683  | 0.761  | 0.789  | 0.815  | 0.842  | 0.872  | 0.903   |
| current year's expenses payable                         | 0.147  | 0.091  | 0.076  | 0.062  | 0.069  | 0.072  | 0.074  | 0.077  | 0.079  | 0.082   |
| previous year's expenses paid                           | 0.000  | 0.147  | 0.091  | 0.076  | 0.062  | 0.069  | 0.072  | 0.074  | 0.077  | 0.079   |
| Interest expense  | 0.000  | -0.175 | -0.424 | -0.604 | -0.759 | -0.870 | -0.970 | -1.076 | -1.190 | -1.312  |
| Depreciation expense                                    | 0.000  | 0.000  | 0.000  | 0.001  | 0.002  | 0.003  | 0.005  | 0.006  | 0.008  | 0.011   |
| <b>TRANSACTIONS IN NON-FINANCIAL ASSETS</b>             |        |        |        |        |        |        |        |        |        |         |
| Net acquisition of non-financial assets                 |        |        |        |        |        |        |        |        |        |         |
| Capital expenditure                                     | 0.000  | 0.010  | 0.016  | 0.020  | 0.021  | 0.027  | 0.033  | 0.040  | 0.047  | 0.054   |
| Disposals   | 0.000  | 0.000  | 0.000  | 0.000  | 0.000  | 0.000  | 0.000  | 0.000  | 0.000  | 0.000   |
| <b>TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES</b> |        |        |        |        |        |        |        |        |        |         |
| Net disposals of financial assets                       | 0.000  | 0.000  | 0.000  | 0.000  | 0.000  | 0.000  | 0.000  | 0.000  | 0.000  | 0.000   |
| Net borrowing   | -2.924 | -4.138 | -2.997 | -2.592 | -1.845 | -1.664 | -1.778 | -1.899 | -2.026 | -2.159  |

Source: Sponsored temporary business resident State financial models. 6% prevailing rate of interest. 1,000 sponsored temporary business residents at start of period.