



# **Inquiry into the impact of changes to service delivery models on the administration and running of Government programs**

## **VISA PRIVATISATION**

**Community and Public Sector Union (PSU Group)**

**August 2019**

## Overview

The visa processing system is a crucial element of an immigration program that delivers enormous social, cultural, and economic benefits to the nation.

Visa processing must assist Australia to attract tourists, students, workers, and migrants in a competitive international market, while also maintaining high security standards.

For decades, officers of the Australian Public Service have designed, implemented and maintained a visa processing system that works in the national interest. They take care and pride in their work.

These officers process up to 9.5 million visa applications per year, and their work generates around \$2 billion in revenue annually – delivering a substantial return to consolidated revenues.

However, in recent times, administrative and policy changes, and cuts to Department budgets have put the system under pressure. Officers are still processing many claims via paper, and they do not have access to the state-of-the-art IT system that they need.

Given the importance of visa processing to the nation, the irreplaceable knowledge of the officers, and the fact that it is a revenue raiser, the Government should make the necessary capital investment for an upgraded or new publicly owned visa IT platform.

But that is not what is being proposed by the Morrison government.

What is being proposed is the privatisation of a core government function.

It would be a privatisation that starts with low risk visas and ends up with citizenship applications being made to a corporation.

It would be a privatisation that poses substantial risks to the purpose and integrity of the visa system, would create data and national security risks, and have far reaching negative commercial impacts. It would be detrimental to the nation's interests.

It would be a privatisation that would cost thousands of public sector jobs.

It would be a privatisation that delivers a monopoly asset into private hands.

It would be a privatisation that could never be undone.

This is a privatisation that should not proceed. It is not in the interests of Australians.

### **There is no case for the privatisation of the visa and citizenship program.**

Functions in scope for this privatisation include digital client services, digital data collection and verification, simple assessments, client notification and provision of information for reviews and nudges towards self-resolution, ongoing revalidation and engagement.<sup>1</sup>

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<sup>1</sup> Commonwealth of Australia (2017) 2017-18 Budget Paper No. 2 Budget Measures 2017-18. Retrieved from <http://www.budget.gov.au/2017-18/content/bp2/html/>

The visas initially in scope are shorter term visas including for visitors, students, temporary skilled workers, a range of special purpose temporary visas and one longer term visa.

However, the Request for Tender indicates that the Australian Government will retain the option to extend the scope of the Platform to citizenship in the future, and the Department has made clear that it is their preference to do so.<sup>2</sup>

The total value in 2026-27 of the bundles of services the Department is looking at privatising is estimated to be up to \$8.8 billion.<sup>3</sup>

**Given the scope of this tender, and the sums of money involved, it is concerning that the Morrison Government has not put forward a case to justify the privatisation.**

The initial proposal to privatise visa processing was made by the Abbott Government's National Commission of Audit.<sup>4</sup>

The Commission of Audit called for *“the development of a business case and scoping study for the outsourcing of visa processing functions. This study should identify and group functions that are suitable for outsourcing and include a strategy for approaching the market to maximise savings.”*<sup>5</sup> The Commission suggested call centres, shop fronts, counter services, data entry, payment collection, design and operation of web sites and the processing of low and medium risk visa applications could all be outsourced.

The rationale given by the Commission was limited to cost savings in processing and related functions, and the avoidance of future capital outlays.<sup>6</sup> The Commission gave no consideration to other factors. It cannot therefore be judged as providing a complete rationale or detailed business case.

It is worth noting that the Commission did not countenance total privatisation, warning of security risks.

The Government is now proposing the full privatisation of the visa and citizenship program, but the justification for doing so has become no more sophisticated.

One argument being advanced is the need to replace an ageing system that is no longer fit for purpose and has increasing limitations.<sup>7</sup> This is not however a justification for privatisation. A new system could be built in house or, using the common public sector model, built by external vendors and then managed by the Department.

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2 Mosiqi Acharya (2018, 26 February). Government plans to privatise the visa application system. SBS Hindi. Retrieved from <https://www.sbs.com.au/language/english/government-plans-to-privatise-the-visa-application-system>

3 Department of Immigration and Border Protection (2017, June). Delivering visa services for Australia Market Consultation Paper

4 Australian Government (2014, February). The Report of the National Commission of Audit: Phase One. National Commission of Audit. Retrieved from <http://www.ncoa.gov.au/report/phase-one/recommendations.html>

5 Australian Government (2014, February). Appendices to the Report of the National Commission of Audit: Volume 2. National Commission of Audit. Retrieved from <http://www.ncoa.gov.au/report/appendix-vol-2/10-11-outsourcing-visa-processing.html>

6 Australian Government (2014, February). Appendices to the Report of the National Commission of Audit: Volume 2. National Commission of Audit. Retrieved from <http://www.ncoa.gov.au/report/appendix-vol-2/10-11-outsourcing-visa-processing.html>

7 Department of Immigration and Border Protection (2017). Reforms to modernise Australia's visa system—Q&As. Retrieved from <https://www.border.gov.au/Trav/visa-reform/general-q-a>

Another argument being advanced by the Department<sup>8</sup> is that privatisation will avoid Government incurring a capital cost for a new IT platform. This is not an argument that withstands scrutiny. The visa system currently returns approximately \$500m per annum to revenue and this would easily justify the capital outlay.

Furthermore, the private owner will simply pass their costs onto consumers, and money that would have been spent by those consumers into the economy will now go to the monopoly holder.

The Department has also argued that a projected increase in visa numbers requires a privatised new system. However, a new Medicare system is being built to cater for increased transaction numbers, yet that system remains in public hands.<sup>9</sup> Furthermore there is no clear evidence that the projected increase is accurate, and the Department's projections have been challenged.<sup>10</sup>

Concerns about processing delays due to ageing systems, and cost blow outs from the future growth of visa numbers, are also cited as a rationale for privatisation. It has been reported that *"The Department told private operators in a consultation paper that applications had reached unprecedented numbers and it wanted to avoid cost blow-outs by involving them more"*<sup>11</sup> to administer tests, detect fraud and recommend decisions to grant or refuse visas.<sup>12</sup> However, CPSU members advise that the increased costs of applications and increased processing times are caused by staffing cuts and are also the results of case law and its flow-on effects. CPSU submits that current delays and the anticipated increase in visa numbers would be best dealt with by way of upgrading the Department's IT, and increasing staff numbers.

Finally, the Department claims that there is a national security benefit from allowing the private provider to do the processing work and thereby freeing up existing staff to do high level vetting work. This argument founders on the fact that the 2018 Federal Budget contains large reductions in Departmental funding which would lead, on CPSU's assessment, to approximately 2000 job cuts in the Department's visa area. The timing of the job cuts matches the privatisation timetable – strongly suggesting the privatisation will not "free staff up" but see them made redundant.

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- 8 Senate Legal and Constitutional Affairs Legislation Committee (2018, 22 May). Senate Estimates - Home Affairs Portfolio: Department of Home Affairs. Retrieved from <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;db=COMMITTEES;id=committees%2Festimate%2F75507344-48f1-4665-8f23-623c6eb5c20d%2F0002;query=id%3A%22committees%2Festimate%2F75507344-48f1-4665-8f23-623c6eb5c20d%2F0000%22>
  - 9 Justin Hendry (2017, 18 December). Medicare payments system given \$17m to keep the lights on. ITNews. Retrieved from <https://www.itnews.com.au/news/medicare-payments-system-given-17m-to-keep-the-lights-on-480057>
  - 10 Abul Rizvi (2018, 27 September). Privatising visa processing – the alarm bells are ringing (Part 1). Pearls and Irritations. Retrieved from <https://johnmenadue.com/abul-rizvi-privatising-visa-processing-the-alarm-bells-are-ringing-part-1/>
  - 11 Doug Dingwall (2017, 12 July) Immigration Department moves to outsource visa system to avoid cost blow-outs. Canberra Times. Retrieved from <http://www.canberratimes.com.au/national/public-service/immigration-department-moves-to-outsource-visa-system-to-avoid-cost-blowouts-20170712-gx9mo2.html>
  - 12 Doug Dingwall (2017, 12 July) Immigration Department moves to outsource visa system to avoid cost blow-outs. Canberra Times. Retrieved from <http://www.canberratimes.com.au/national/public-service/immigration-department-moves-to-outsource-visa-system-to-avoid-cost-blowouts-20170712-gx9mo2.html>

The Department and Government have both argued that the visa system is not being privatised. Their argument is that this is not a privatisation because the Department will retain final decision-making powers. It is not an argument that stands up to scrutiny.

The issue here is what constitutes a ‘decision’. What the Department refers to as a decision is the administrative act of an officer, authorised under the Act, to formally accept or reject a visa application. The ‘decision’ of the authorised officer is based on a series of assessments of the applicant against assessment criteria mandated in regulations. Currently those assessments are made by highly skilled Department staff who then refer the matter to an authorised officer for ‘decision’. If the system is privatised the assessments would be made by the private provider. The ‘decision’ would be an administrative process made by the Department that gives effect to the substantive assessment made by the private provider. The table below - based on the assessment process for a student visa – illustrates the point:

## Student Visa Assessment: Who “decides”?

Task	Private Provider/ The Department of Home Affairs
Identity determination	Private Provider
If they are a risk to Australia’s National Security *	Private Provider
If they are involved in Proliferation of weapons of mass destruction *	Private Provider
If they have a substantial criminal record *	Private Provider
If they have been associated with an organisation involved in criminal activity *	Private Provider
If they have been involved in human trafficking *	Private Provider
If they have been involved in genocide, a crime against humanity, a war crime, a crime involving torture or slavery *	Private Provider
The likelihood the person would be involved in criminal activity if granted a visa *	Private Provider
If they have been convicted of any child sex offences *	Private Provider
If they have a Interpol red notice *	Private Provider
If they have a valid Confirmation of Enrolment (CoE)	Private Provider
If they have valid prerequisite education documentation	Private Provider
If they have any health conditions that would exclude them from the visa	Private Provider
If they have private health insurance	Private Provider
If they are a genuine temporary entrant	Private Provider
If they have a spouse or a child	Private Provider
If the child is their child	Private Provider
If they have a de facto partner	Private Provider

Task	Private Provider/ The Department of Home Affairs
If they have satisfactory English level	Private Provider
If they have satisfactory financial viability	Private Provider
If they have previously submitted fraudulent documents	Private Provider
If they have previously provided incorrect information	Private Provider
If they have a debt to the commonwealth	Private Provider
If they hold a valid passport	Private Provider
If they are subjected to a bar as they previously left Australia as an Unlawful Non-Citizen (UNC)	Private Provider
If they are subjected to a bar as they previously left Australia on a Bridging visa E	Private Provider
If they are subjected to a bar due to a previous cancellation	Private Provider
Enter the client's details automatically into an authorised system for the purpose of s65 Delegation (Grant delegation)	The Department of Home Affairs

\* The private provider would do the initial assessment and if they were determined to not meet the public interest criteria then the application would be forwarded to the Department's NCCC Section for further assessment

The Department's argument that this is not privatisation is based on a technicality. It is clear that the private provider will have immense discretion to determine who is issued a visa. It is certainly privatisation.

A business case for privatisation has not been made. CPSU suggests that this is because there is not one to be made. Indeed, the Secretary of the Department of Home Affairs has suggested that the privatisation of the visa processing platform is not necessary, stating to Senate Estimates that "*whether delivered in the end by public or private means is almost a secondary consideration.*"<sup>13</sup>

13 Senate Legal and Constitutional Affairs Legislation Committee (2019, 8 April). Senate Estimates - Home Affairs Portfolio: Department of Home Affairs. Retrieved from <https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;db=COMMITTEEES;id=committees%2Festimate%2Fc8f3598e-22ce-4abf-9cf9-293706c7a0c4%2F0002;query=Id%3A%22committees%2Festimate%2Fc8f3598e-22ce-4abf-9cf9-293706c7a0c4%2F0000%22>

# The integrity of our visa and citizenship system

Currently, our visa and citizenship processing system works to the national interest.

Privatisation introduces a profit motive that brings risks to the integrity of the system.

There are many examples of how the profit motive distorts, and even corrupts, the provision of public services. One recent case is whistle-blowers from inside Australia's employment services industry saying that profits are being prioritised over the needs of vulnerable welfare recipients<sup>14</sup>.

We do not need to speculate about how this could play out in visa privatisation, as the United Kingdom's privatised visa processing provides a real time case study.

In the UK, visa privatisation has been disastrous to the standards and integrity of the system:

- Visa applicants are price gouged through extortionate fees.<sup>15</sup>
- Vulnerable applicants are being exploited.<sup>16</sup>
- The private provider is accused of using long delays in processing free applications in order to drive business to a quicker premium price product<sup>17</sup>, and
- The privatised system has been plagued with administrative errors and delays, and there are reports of applicants being inundated by a range of additional services that may not seem optional.<sup>18</sup>

The privatisation of immigration related functions in the United Kingdom has however been extremely profitable for private firms.<sup>19</sup>

The integrity of the visa system is important to the maintenance of public support for our migration program. The Australian public are well educated on the risks and outcomes of privatisation, and the public's negative perceptions of privatisation could have serious negative impacts on public faith in the visa system and migration program.

One particular concern of this nature arises from introduction of a two-speed applications system that includes a premium stream.

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14 Background Briefing (2019, 4 August). Welfare to worse. ABC Radio National. Retrieved from <https://www.abc.net.au/radionational/programs/backgroundbriefing/2019-08-04/11374998#transcript>

15 May Bulman (2019, 23 June). MPs and lawyers call for investigation into privatised visa system which allows firms to make millions. The Independent. Retrieved from <https://www.independent.co.uk/news/uk/home-news/home-office-sopra-steria-immigration-visa-applications-fees-hostile-environment-a8967761.html>

16 May Bulman and Margot Gibbs (2019, 19 August). How Home Office makes millions a week from outsourcing visas to Dubai-based firm accused of exploitation. Retrieved from <https://www.independent.co.uk/news/uk/home-news/home-office-vfs-visas-profit-subcontracted-contract-outsourcing-premium-services-exploited-a9056446.html>

17 May Bulman (2019, 23 June). MPs and lawyers call for investigation into privatised visa system which allows firms to make millions. The Independent. Retrieved from <https://www.independent.co.uk/news/uk/home-news/home-office-sopra-steria-immigration-visa-applications-fees-hostile-environment-a8967761.html>

18 May Bulman and Margot Gibbs (2019, 19 August). How Home Office makes millions a week from outsourcing visas to Dubai-based firm accused of exploitation. Retrieved from <https://www.independent.co.uk/news/uk/home-news/home-office-vfs-visas-profit-subcontracted-contract-outsourcing-premium-services-exploited-a9056446.html>

19 May Bulman (2019, 16 June). Private firms raking in millions as people forced to pay 'extortionate' fees to apply for UK status. The Independent. Retrieved from <https://www.independent.co.uk/news/uk/home-news/private-firms-immigration-fees-home-office-application-sopra-steria-a8948846.html>

The purpose of the premium stream is to reward those paying extra with a quicker and possibly more certain path to visa approval. This seems central to the privatised business model, but raises a number of serious integrity and perception concerns:

- It creates an incentive for the private provider to stream customers to the premium stream. The UK experience shows that one way this is done is by making the cheaper options less attractive.
- It would be damaging to public confidence in the system if the public thought that the privatisation was a cash for visas scheme or that relaxed standards would be applied to those who could pay more. An Australian version of the UK's cash for visas scandal experiences would be disastrous to public confidence.

A two-speed system - with higher service standards for those who can afford it – seems deeply at odds with Australia's egalitarian ethos. VIP treatment and added benefits for those who pay more is common consumer practice, in private health insurance, and private education, but it is not an approach adopted to date with federal government public services. The introduction of that approach via visa processing may well have wider ramifications.

A further privatisation risk to public confidence in the migration system stems from the privatisation tender and decision-making process.

**There are a several issues here.**

Firstly, there has only been a limited tender process. The Department selected two Shortlisted Respondents to participate in a co-design and invited those two Shortlisted Respondents to participate in Phase One of this RFT as Tenderers. This seems inadequate for a project of this size and importance.

Secondly, there are concerns about the design of the procurement process which seems to be using preferred suppliers to develop emerging technologies. This makes for an opaque procurement process – and may well limit the ability of some potential bidders, including SMEs offering niche solutions, to be involved. There is also the question as to whether this design approach effectively means that it would be the chosen bidder rather than the Commonwealth who would control access to future tenders for further design work. This design approach also makes it very difficult for the Department to change providers once the new system is established.

In addition to the fact that there are only two bidders for this major contract is the issue that both bidders have extensive links to the Government.

One of the tendering consortiums, Australia Visa Processing (AVP) Consortium, is led by Scott Briggs who is a Liberal Party official, and close personal associate of Prime Minister Scott Morrison and Immigration Minister David Coleman. Given the connection the Prime Minister and the Immigration Minister have had to recuse themselves from the process.

The second bid is a joint venture by Accenture and Australia Post<sup>20</sup>, whose board has numerous political appointees from the Coalition.<sup>21</sup>

These political connections open the tender process to accusations of political patronage. There have been numerous media articles highlighting the extensive connections and shared interests of Mr Briggs, the Prime Minister and others involved. These connections could see public confidence in the probity process eroded, and this could flow on to a lack of public confidence in the visa system and migration program. The risk is increased given a number of other recent procurement decisions that attracted very levels of public concern.

Corruption and fraud should not be underestimated as serious risks to the integrity of a privatised visa system.

In 2014, the National Audit Commission warned that *“not all visa related tasks are suitable for outsourcing. The high risk of fraud associated with some visa applications and the complexity required in resolving these cases require that at least a residual processing capability should be retained by the Department”*.<sup>22</sup>

Former Department of Immigration Deputy Secretary Abul Rizvi has also raised concern about visa integrity if the profit motive is driving decisions by privatised providers, risking fraudulent visas as Australian visas can be worth a significant sum.<sup>23</sup>

The corruption dangers are also illustrated by the UK’s ‘cash for passports’ scandal.<sup>24</sup>

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- 20 Sally Whyte (2019, 5 April). Home Affairs releases visa privatisation details right before election. Sydney Morning Herald. Retrieved from <https://www.smh.com.au/politics/federal/home-affairs-releases-visa-privatisation-details-right-before-election-20190405-p51bbl.html>
- 21 Michael Sainsbury and Michael West (2019, 14 August). Mate Versus Mate: Inside ScoMo’s billion-dollar visa privatisation. Michael West. Retrieved from <https://www.michaelwest.com.au/mate-versus-mate-inside-scomos-billion-dollar-visa-privatisation/>
- 22 Australian Government (2014, February). Appendices to the Report of the National Commission of Audit: Volume 2. National Commission of Audit. Retrieved from <https://www.ncoa.gov.au/report/appendix-volume-2/10-11-outsourcing-visa-processing>
- 23 Abul Rizvi (2018, 10 October). What could go wrong as Australia privatises visa processing. The Mandarin. Retrieved from <https://www.themandarin.com.au/99686-privatising-visa-processing-the-alarm-bells-are-ringing/>
- 24 The Sunday Times (2019, 21 July). Golden visas: Home Office in cash-for-passports scandal. Retrieved from <https://www.thetimes.co.uk/article/golden-visa-scandal-home-office-in-cash-for-passports-probe-x8ll9xps2>

# The commercial impacts of a privatised monopoly

The CPSU's other submissions to this inquiry have outlined how privatisation and outsourcing in the Australian Public Service has resulted in poorer quality services and increased costs to the public. The risks and likelihood of this occurring with visa processing is increased because this privatisation would create a privately-owned profit driven monopoly.

Australian Competition and Consumer Commission chairman Rod Sims has said that "Selling public assets has created unregulated monopolies that hurt productivity and damage the economy."<sup>25</sup> Mr Sims cited the sale of ports and electricity infrastructure and the opening of vocational education to private companies as examples of these outcomes. CPSU submits that it would be appropriate for this Committee to inquire deeply into the likely impacts of a monopoly visa and citizenship provider.

One such impact will be on visa application charges.

Australia operates in a competitive market for visitors, students, tourists, workers and immigrants. Applicants can be sensitive to price and wait times. The Productivity Commission has already noted that charges for Australian visas appear to be higher than our competitors.<sup>26</sup> Visa prices would rise further under the privatised model. Tourism and higher education are two sectors that could be negatively impacted if an increase in visa costs reduced visitor demand.

The initial price rise would be through the new providers processing fee. The Service Fee will be set by the Department. There is an indicative service fee on applications for temporary visas of up to \$AUD35 on average. Costs of providing Core Government Services will be allowed in the calculation of the proposed Service Fee on Applications.

Based on the 2016-17 intake, the \$35 fee would deliver some \$315 million to the new provider, and under the predicted 13 million visa applications to be made in 2028-29, revenue would increase to \$455 million a year.<sup>27</sup> While that \$415m is of course a very tidy revenue return for the provider, it is also a substantial new impost on applicants and could impact on demand, in particular on low cost visa classes such a tourist visas.

**A monopoly provider may also be tempted to seek super profits from some categories of applicants** – particularly those who are vulnerable or have limited options. Partnership and family reunion visas are two possible categories for price gouging behaviour.

While the request for tender indicates some intention by government to instigate price controls, there is always the prospect of the new provider using its market power and political leverage to seek regular fee increases. Australians are already familiar with annual ritual of governments talking tough about keeping a lid on price increases in

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25 Patrick Hatch (2016, 26 July). Privatisation has damaged the economy, says ACCC chief. Sydney Morning Herald. Retrieved from <https://www.smh.com.au/business/privatisation-has-damaged-the-economy-says-accc-chief-20160726-gqe2c2.html>

26 Productivity Commission (2016, April). Migrant Intake into Australia, Inquiry Report No. 77, Canberra. p.21

27 Sally Whyte (2018, 8 December). Millions on the table as government looks to privatise visa system. Canberra Times. Retrieved from <https://www.canberratimes.com.au/politics/federal/millions-on-the-table-as-government-looks-to-privatise-visa-system-20181207-p50kxv.html>

the privatised energy or private insurance markets. Australians are equally familiar with annual above-CPI price increases.

Further information should be made publicly available as to the circumstances in which the privatised provider can seek additional fees or compensatory payments from government. There may be events, for example, that could significantly reduce the demand for visa applications or impact the costs to provide the Core Government Services. While the RFT states that the tenderers will bear the risk of lower volumes, the Phase Two Documentation does set out that Adjustment Events could apply that would revise Service Fees.

The UK experience has been one of excessive priority visa service fees, some upwards of £1,500. Fees were also introduced for applicants wishing to make a query about their application, at £5.48 per query for the email service and £1.37 per minute for the phone helpline.<sup>28</sup>

## Impacts of privatisation on competition

A further area of concern is the impacts of this privatisation on competition.

A feature of the proposed business model is allowing the provider to offer “wrap around services.”

The commercial benefit to the privatised provider is obvious – the opportunity to market products or services to more than 10 million prospective customers a year at the point at which they commence a visa application is likely to be highly lucrative.

Visa applicants will typically need health assessments, travel, accommodation, health insurance, banking, a car, job seeker services, etc. It cannot be coincidental that one of the bidders for the visa contract, Australian Visa Processing (AVP), is a consortium that includes a provider of each of the products/services a visa applicant would typically require.

A further commercial advantage may be that, as the UK experience suggests, there is a perceived government endorsement of the products and services offered during the visa application process.

CPSU submits that there are potential serious implications for competition if the successful bidder turns their monopoly on visa processing into market dominance in the provision of a wide range of products and services for visa applicants. CPSU believes this is an issue that requires further analysis by this Inquiry and may warrant referring to the ACCC to further investigate the potential for anti-competitive outcomes from this privatisation.

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28 May Bulman, Margo Gibbs (2019, 19 August). How Home Office makes millions a week from outsourcing visas to Dubai-based firm accused of exploitation. <https://www.independent.co.uk/news/uk/home-news/home-office-vfs-visas-profit-subcontracted-contract-outsourcing-premium-services-exploited-a9056446.html>

## Privatisation will lead to job losses

The CPSU estimates that visa privatisation would lead to the loss of at least 2,000 jobs of people who work in visa and citizenship processing nationally. The privatisation would lead to job losses with some locations such as Adelaide, where three in five staff work on visa processing, feeling the brunt.



The Department of Home Affairs has claimed it intends to pursue redeployment of staff as the privatisation of visa processing occurs as new roles that undertake higher value, more complex work will be required and that it will continue to have a state office and overseas network. The Department has stated that *“This process is not being driven by a desire to reduce departmental staffing or cut costs...Claims that this process will lead to wholesale job losses and office closures are simply false.”*<sup>29</sup> However, Federal Budget papers seem to indicate otherwise.

According to the 2019-20 Portfolio Budget Statement for the Department of Home Affairs, spending on employee benefits are set to fall over the forward estimates. The new privatised visa processing platform is scheduled to begin in 2020-2021 when the big fall in employee benefits occurs.

	2018-19 (\$m)	2019-20 (\$m)	2020-21 (\$m)	2021-22 (\$m)	2022-23 (\$m)	Change (\$m)	Change %
Employee Benefits	1,512,861	1,532,999	1,382,554	1,370,331	1,384,583	-128,278	-8.5%

<sup>29</sup> Geoff Chambers (2019, 31 July). Visa system overhaul: ALP talk of job losses rejected. The Australian. Retrieved from <https://www.theaustralian.com.au/nation/politics/visa-system-overhaul-alp-talk-of-job-losses-rejected/news-story/345405d73f4fb936dac85eae7cd2a1ff>

Our projection is based on the average cost per Average Staffing Level (ASL) (with indexation of 2% factored in). It shows an ASL decline from 14,545 in 2019-20 to 12,860 in 2020-21; or by 1,685 or 11.6%. When extend it over the forward estimates, Department of Home Affairs' ASL falls to 12,379 in 2022-23; or a loss of 2,166 or 14.9% of ASL. This is in line with figures on how many staff currently work on visa processing.

The Department of Home Affairs has been unable to explain how this saving would be achieved, stating only that it was *"attributable to numerous ceasing measures and estimate variations."*<sup>30</sup>

The CPSU estimates the cut equates to a loss of about 2,200 departmental jobs within four years - 15 per cent of the total workforce. This is a conservative calculation based on the staffing costs through to 2022-23 that are provided as usual in the budget papers and assuming a 2% rise in annual staffing costs. The timing of these cuts and the expected implementation of the privatisation of visa processing means there is no other credible reason to explain a drop of this magnitude.

These budget numbers fundamentally contradict and undermine the assurances the Department has given to their staff that there will be no job losses. Further, these numbers go against the Department's stated intentions and rationale for privatisation of visa processing. The Department has stated that the privatisation will not result in job losses and will free up existing staff to do more high level work, however their failure to explain the numbers included in the budget undermines this claim.

## The impacts of privatisation on data security

International experience shows that privatisation creates data security risks.

In 2015, the operations of VFS Global, which acts for approximately 45 governments around the world, were temporarily suspended after a technical glitch allowed visa applicants to access other people's private information.<sup>31</sup> This was not the first instance of privacy breaches occurring. In 2007, the British Foreign and Commonwealth Office shut down its online visa application service, also provided by VFS Global, after a security breach was discovered that allowed personal information including claimant addresses, dates of birth, and passport numbers, to be easily accessible for over a year.<sup>32</sup>

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30 Nicole Hasham (2019, 9 May). Fears of Home Affairs job losses as government cuts staff budget by \$150 million. Sydney Morning Herald. Retrieved from <https://www.smh.com.au/federal-election-2019/fears-of-home-affairs-job-losses-as-government-cuts-staff-budget-by-150-million-20190509-p51lok.html>

31 Saeed Kamali Dehghan (2015, 18 July). Users' data compromised after technical glitch at Home Office contractor. The Guardian. Retrieved from <https://www.theguardian.com/technology/2015/jul/17/users-data-compromised-after-technical-glitch-at-home-office-contractor>

32 Fiona Raisbeck (2007, 23 May). UK Foreign Office shuts down visa service after security lapse. ITNews. Retrieved from <https://www.itnews.com.au/news/uk-foreign-office-shuts-down-visa-service-after-security-lapse-81770>

The size and complexity of the visa processing privatisation also brings risks:

- The RFT states the Platform will need to integrate with departmental systems via Application Programming Interfaces (APIs) that will be developed by the Department. These will include, but are not limited to, systems relating to payments, identity and the management of risk and threat in visa and citizenship services.
- The Platform will also need to collect and provide information to, and receive information from, visa intelligence and risk management systems. Providers would need to be able to read and, in some instances, have editing access to TRIM which has basic personal information, Trips Movement which records passports numbers and Movements Alerts which is a watchlist. Data is likely to be stored in two places.
- The bundling of services into eight separate bundles means that it is possible that up to eight different companies will have access, drastically increasing the risk of data security breaches and errors.

The Department is offering the usual assurances of an appropriate data security regime. However, the CPSU is not reassured given the current handling of sensitive personal information by some outsourced providers and contractors. There have been numerous data security breaches. In 2017, personally identified information about government employees was left publicly available by a third party contractor engaged to provide expense management services.<sup>33</sup> In the most recent case, documents released under FOI have revealed incidents such as subcontractors sending names, passport details and other information to an unknown Gmail address. Only after this incident did the Department discover that contractors were removing data from government systems, against government policy and without the Department's knowledge.<sup>34</sup>

The primary responsibility for data security would rest with the new provider. The experience of privatisation elsewhere, and documented in the CPSU's other submission to this inquiry, is of service standards and work quality being undermined by the employment practices of the outsourced providers, in particular in call centres, which feature low pay, insecure employment, and inadequate training and supervisory support.

There are also significant ethical concerns when the data people have to provide to access a government decision is in fact consumed for a commercial purpose.

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<sup>33</sup> Doug Dingwall, Finbar O'Mallon and Tom McIlroy (2017, 2 November). Data breach sees records of 50,000 Australian workers exposed. Sydney Morning Herald. Retrieved from <https://www.smh.com.au/public-service/data-breach-sees-records-of-50000-australian-workers-exposed-20171102-gzdef3.html>

<sup>34</sup> Olivia Willis, Ariel Bogle and Scott Mitchell (2019, 15 August). Sensitive personal data of hundreds of visa applicants accidentally leaked in email mishap. ABC News. Retrieved from <https://www.abc.net.au/news/health/2019-08-15/bupa-immigration-medical-data-breach/11413740>

## Concerns with automated processing and AI

The RFT states the platform will enable a fully digital, largely automated visa application process, with the aspiration of more than 90 per cent of visa processing to be done automatically.<sup>35</sup>

Currently around 50% of visa applications are automated. CPSU understands that a March 2018 review of current Simplified Student Visa Framework model raised serious concerns about the largely automated process.

Increasing the rate of automated decisions would be attractive to a profit driven provider. There are inherent risks that automation decisions will be driven by cost saving and profit maximising motives to the detriment of quality and assurance.

Further, it is unclear how an automated system will address or respond to some of the issues that Department officers deal with now – such threats of self-harm, domestic violence, or employers with a history of non-compliance with laws. The assumption that the new platform would be a simple transactional process underestimates the complexity of client services provided by the Department.

CPSU notes from the RFT that it is suggested that visa applications would be initially assessed by an algorithm against *“a range of criteria specific to the visa. This can also include assessing application validity, genuineness, health, security, character, identity, relationship to Australian citizens or permanent residents, skills and sponsorship.”*

While the Department does currently use algorithms, the complex and subjective nature of visa decision combined with the scale of use proposed present several particular issues around the use of algorithms.

One issue is inherent bias. Algorithms are often opaque, are not neutral and can reinforce existing human biases built in over decades of decisions.<sup>36</sup> There is an added danger when scale and secrecy are added.<sup>37</sup>

In the UK, the use of a visa algorithm by the Home Office has led to concerns about visa decisions being biased against certain races or nationalities. The Law Society, which represents solicitors in England and Wales, has said that algorithmic decision-making *“may well disadvantage certain groups of people based on generic markers such as age, country of origin or whether they have travelled before”* with a *“a real risk of...discrimination or bias that may be unwittingly built into an algorithm or introduced by an operator.”*<sup>38</sup>

35 Justin Hendry (2017, 25 September). DIBP searches for partner to process 90 percent of visas. ITNews. Retrieved from <http://itnews.com.au/news/dibp-searches-for-partner-to-process-90-percent-of-visas-474050>

36 Cathy O’Neil (2017, 16 July). How can we stop algorithms telling lies? The Guardian. Retrieved from <https://www.theguardian.com/technology/2017/jul/16/how-can-we-stop-algorithms-telling-lies>

37 Cathy O’Neil (2016, 1 September). How algorithms rule our working lives. The Guardian. Retrieved from <https://www.theguardian.com/science/2016/sep/01/how-algorithms-rule-our-working-lives>

38 Helen Warrell (2019, 9 June). Home office under fire for using secretive visa algorithm. The Financial Times. Retrieved from <https://www.ft.com/content/0206dd56-87b0-11e9-a028-86cea8523dc2#targetText=Home%20Office%20under%20fire%20for%20using%20secretive%20visa%20algorithm&targetText=The%20department’s%20%E2%80%9Cstreaming%20tool%E2%80%9D%20%E2%80%94,to%20caseworkers%20for%20further%20processing>

The Home Office's use of the visa algorithm drew strong condemnation from politicians and community leaders. There were calls for the HO to reveal its algorithm, which the HO declined to do on security grounds. The episode appears to have damaged public confidence in the Home Office and stoked community concerns about racism and discrimination.

The use of algorithms also raises issues about the quality of decision making. Algorithms are not infallible.

The Centrelink robodebt debacle is a case in point – where the flaws in the selection and assessment of data, and the removal of human oversight, produced high error rates, and substantial negative impacts on citizens.

Robodebt has caused deep and sustained damage to the community's perceptions of the competence and motivations of both Centrelink and the Government. The community's hostility and dismay is driven by the fact that the wrong decisions were being made and that the decisions were being made by a robot – which creates the sense of an uncaring Big Brother type of government with little regard for the welfare of some citizens. Episodes like Robodebt diminish trust in government and democracy. A wise government would seek to avoid a Robodebt with visa and citizenship decisions.

Few algorithms and scoring systems have been vetted with scientific rigour. Their popularity relies on the notion that algorithms are objective, but they are based on choices made by fallible human beings which can be replicated. Algorithms look for and follow patterns, algorithms do not attempt to understand patterns. With algorithms, the best is a repetition of the past. This would leave our visa system open to groups who could game the algorithm to obtain visas for non-genuine purposes

In the UK a report by the Independent Chief Inspector of Borders and Immigration found that the use of a visa algorithm created “*a risk that the streaming tool becomes a de facto decision-making tool*” He also raised concerns about “confirmation bias” where the visa caseworker may unconsciously dismiss information that contradicts the algorithm's streaming rating.<sup>39</sup>

CPSU is not opposed to the wider use of technology-enabled decision making, as long as it has human oversight, and is part of an upgraded or new visa platform operated by the Department.

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39 Independent Chief inspector Borders and immigration *Inspection of entry clearance processing* retrieved from [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/631520/An-inspection-of-entry-clearance-processing-operations-in-Croydon-and-Istanbul1.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/631520/An-inspection-of-entry-clearance-processing-operations-in-Croydon-and-Istanbul1.pdf)

## Conclusion and recommendations

The privatisation of visa processing would undermine the purpose and integrity of the visa system, create data and national security risks, and have far reaching negative commercial impacts. It would cost thousands of public sector jobs. And deliver a public asset into private hands.

The Australian people do not support privatisation. They know privatisation means lower service and lower standards in return for higher prices.

This is a privatisation that should not proceed. It is not in the interests of Australians.

In contrast to the damage and dangers of privatisation, there would be substantial benefits from the Australian government either in upgrading the Department's existing capability, or investing in a new publicly owned global digital platform.

– End.