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The Defence Teaming Centre (DTC) welcomes the Hon. Clare O'Neil's announcement to conduct a comprehensive review of Australia's migration system. We enclose for your consideration the DTC's summary of reforms needed to develop a migration system that meets the challenges and needs of Australia's defence industry sector.

Based in South Australia, the DTC is a not-for-loss industry association connecting, developing, and advocating for Australia's defence industry. Our organisation has 280 member companies spanning small to medium sized businesses, defence primes and academia across Australia. We are the only defence industry association developing and supporting industry to grow and fill the void of medium-sized businesses noticeably lacking from the defence sector.

The enclosed report summarises written submissions provided by member companies and feedback gathered through targeted interviews with members including defence primes, SMEs and researchers. The report can be summarised into three key recommendations:

1. Reform the wait periods for Permanent Residency and Citizenship for skilled migrants entering the defence sector;
2. The Departments of Home Affairs and Defence jointly devise a skilled migration scheme and policies that addresses the unique needs of the defence sector, specifically security clearances;
3. Reform departmental migration processes to realise departmental efficiencies and remove red tape for both employers and applicants.

The DTC welcomes the Hon. Clare O'Neil's acknowledgement this review needs to be multi-departmental. Accordingly, we will provide copies of our recommendations to the Department of Defence.

We will also advocate for bipartisan support for this review. The reforms needed to Australia's migration system cannot be realised within Australia's standard three-year election cycle and Australia's

defence industry sector cannot afford to operate within the current system. It is, in our view, not fit-for-purpose and it does not support the sense of urgency industry needs to support Defence in the current geopolitical environment.

We would be grateful if you would please consider the submissions contained within the report and contact us should you have any questions.

Yours sincerely



Audra McCarthy
Chief Executive Officer

DTC Member Submission

A Migration System for Australia's Future 2022

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Executive Summary

Australia's current migration system was designed in 1996 at a time when Defence procurement was dominated by Foreign Military Sales (FMS) and Defence's dependency on industry to deliver and sustain capability was significantly less than what it is today.

Today, Defence has rightfully grown dependent upon industry to deliver the necessary capability such that industry has been identified as a Fundamental Input to Capability by Defence. This means the needs and capabilities of industry must be accounted for by Defence when planning to deliver a capability effect and keep Australians safe.

The current system does not support Australia's international interests for Defence. Since 1996, Australia's economy has become globalised and integrated into the wider global community. Diplomatic networks have been created to support bilateral trade, and security agreements have been established to support multilateral cooperation and defence mechanisms. Agreements and security pacts such as the QUAD, AUKUS and Five-Eyes Countries formally acknowledge the trust and collaboration Australia is prepared to have with its allies, however the same level of trust has not been factored into Australia's migration system. It is too slow to meet industry's needs. It is dominated by dated, manual processes preventing cross-departmental information exchange between agencies such as Defence; and it fails to acknowledge the security and bilateral agreements Australia has in place and which have been designed to promote international cooperation.

This submission summarises the issues which are impacting DTC members' ability to support Defence preparedness efficiently and effectively in a rapidly changing strategic environment. It highlights areas within Australia's migration system requiring reform and the need for the Defence and Home Affairs Departments to jointly develop security clearance policy and visa processes. The defence industry sector needs a system that supports the attraction and retention of the best talent from around the world, with priority treatment given to Australia's allies and foreign nationals delivering defence capability to Australia's Defence.

Following an extensive interview and consultation process with our members, the DTC recommends the following reform initiatives:

1. Reform the wait periods for Permanent Residency and Citizenship for skilled migrants entering the defence sector so that Australian industry can access security cleared highly skilled professionals more quickly;
2. The Departments of Home Affairs and Defence jointly devise a skilled migration scheme and policies that addresses the unique needs of the sector, specifically security clearances;
3. Reform departmental migration processes to realise departmental efficiencies; and
4. Establish bipartisan support for the necessary reforms to Australia's migration system.

Citizenship & Security Clearances

Industry provides the technical expertise, intellectual property, and skills to sustain and build Australia's defence capability.

As of 30th June 2021, Defence had 21 programs valued at a cumulative \$58bn to acquire new capability. Approximately 80% of these programs are being delivered by primes with origins from UK, US, Germany, France, and Spain. Australia's defence industry is therefore dominated by foreign defence primes charged with the responsibility of transferring technology and know-how to Australians to deliver Defence capability and help Australia build a sovereign defence industrial sector.

Defence primes and specialist foreign SMEs frequently send staff to Australia to support the delivery of Defence capability, however the efficiency and effectiveness of major programs is directly impacted by the Australian citizenship issue and security clearances.

In most cases, Defence supply chains require key project delivery personnel to have security clearances. This requirement extends down the supply chain to subcontractors who are typically small to medium sized enterprises (SMEs). To gain a security clearance, applicants must first have Australian Citizenship, which requires applicants to have permanent residency first which takes four years. This requirement extends to all applicants, irrespective of their home country, existing security clearance or whether they come from a Five-Eyes country.

The Five Eyes Alliance enables Defence to effectively operate with its national allies and personnel can discuss highly sensitive information. However, when these individuals change jobs and move to Australia, the same level of information cannot be shared due to a lack of Australian citizenship. Affected people are not only ex-service personnel, but also civilians working in defence industry or academics, and others with an interest in relevant research. This is a disincentive for highly talented individuals to move to Australia and hence an impediment to the development of Australia's sovereign capability. It is our recommendation that people holding high level security clearances from Five Eyes partners should be granted a clearance of a similar level by AGSVA upon application by an authorised sponsor, without needing the requirement for an Australian citizenship. This will remove the bureaucratic requirements currently impacting Australia's defence industry to access the skilled workforce desperately needed to support the delivery capability to Defence.

Case 1

- **Background:** Canadian senior military officer with 26 years of service desires to move to Australia to serve in the Australian defence industry sector. Member holds a current Canadian Top Secret Special Access (TSSA) clearance, a flawless record of employment with glowing references from high-ranking military and civilian executives. Background in Mechanical Engineering, with post-secondary education, fellowship with Engineers Associations, and current commercial pilot license.
- **2010-18.** Member applies through the DoD Overseas Lateral Transfer Scheme (OLTS). Simultaneously, he is granted a temporary Skilled Shortage visa subclass 582 to work on contract in the mining industry.

- **2008-19.** Member passes through OLTS selection in Canberra. However, the process is put on hold as policy does not grant a permanent residency (PR) to a member transferring to SERCAT 5. Consequently, member initiates a separate request for PR through Skilled Visa program (subclass 189).
- **2002-20.** Member approaches an Australian company with request to sponsor security clearance. Despite numerous attempts, the Australian company is unable to convince AGSVA to proceed with the clearance.
- **2001-21.** Member achieves Permanent Residency subclass 189. As a result, the OLTS is no longer on hold, and a NV1 Security Clearance request is initiated by DoD
- **2004-21.** The member is enlisted in the Australian Defence Forces (ADF) as Service Category (SERCAT) five but is effectively not allowed to work due to a lack of NV1.
- **2011-21.** NV1 is finally granted, and the member is allowed to work in the ADF and Defence Industry.

In summary, from the period of Oct 2018 to Nov 2021, this highly skilled member was *willing* but *not allowed* to work in support of Australian defence industry simply due to process. The clear problems were:

- AGSVA did not recognise any current Five-Eyes security clearances or prior records of service
- Department of Home Affairs does not accord a Permanent Residency to members transferring to SERCAT 5
- Extraordinarily long process to obtain a subclass 189 visa (20 months)

Case 2

- Retired United States senior defence officer with 20 years experience leading, managing, planning and consulting defence programs
- Holds a US Top Secret equivalent to TS/PV
- Bachelor's degree in History, Diploma in Project Management, Project Management Professional Certification, Enrolled in Masters Program for Security of the Asia Pacific - China Track
- Recognised by VETASSESS and awarded Skilled status for Management Consultant
- Subject Matter Expert in leading, teaching, coaching, planning, project management, management consultancy, policy advising, stakeholder engagement, business development, critical thinking, and effective written and verbal communication

Individual intends to immigrate to Australia on an employer nominated skills visa as a permanent resident on a pathway to dual-citizenship. As a retired US military officer and management consultant with extensive experience in both US and Australian defence systems, it is the member's goal to advise the Australian government and defence industry on how best to enhance Australia's national security and deepen the alliance with the US. The pathway from permanent residency to citizenship is a multi-year process, typically 4-5 years minimum with no guarantees of final approval. As citizenship is a requirement for an Australian security clearance, the member is ineligible to work in any positions requiring a clearance or directly for the government in most instances.

In this case, the use of skilled migrants to address the immediate skilled workforce shortage in the defence industry sector cannot be realised due to cumbersome and extraneously long wait periods driven by a policy established over 20 years ago. The defence industry sector, technology and business practices have moved on from this time and policy has failed to keep abreast of business' modern needs.

Case 3

- Former British Army Officer with 23 years of experience
- Has held a Security Clearance for over 20 years
- Upon leaving the UK military worked in UK Intelligence with TSPV for a further eight years
- Moved to Australia in 2020
- Although still holding TSPV equivariant in the UK with multiple agencies the candidate is unable to apply for baseline clearance here in Australia because the individual does not have Australian citizenship
- The individual has been recognised by the Australian government as preeminent in defence, space and cyber security sectors.

This case highlights how a global expert in complex, high-tech sectors, which the Australian Government recognises is in short supply, is unable to gain a basic level of access which would enable Australia to exploit his talents.

Case 4

An Australian company providing sustainment services to Defence's land vehicles hired a New Zealand Engineer with a PhD qualification. The engineer had lived in Australia for six years, however needed three-star within Defence to sign a waiver application to start the security clearance process.

In this case, the individual was from New Zealand, a Five-Eyes nation country. The individual had lived in Australia for over six years, however, must technically still apply for citizenship before being able to commence the security clearance process. In this case, the individual incurred additional costs to go through the citizenship application process, whilst the company, a subcontractor to Defence, was required to navigate an administratively burdensome process to secure the necessary waiver. In this case, securing approval for the waiver took 12 months to get.

Case 5

An OEM now based in Australia delivering sustainment services for a land-based asset sponsored a Field Service Technician to migrate to Australia. The Field Service Technician was brought to Australia due to his extensive experience in working on the OEM's products overseas and therefore was considered essential in transferring knowledge to an Australian based workforce. Despite the individual coming from the US, another five-eyes country and working on the OEM's asset for the US Department of Defence and holding a US Clearance, the business must navigate the waiver process to get the security clearance in place to enable the Technician to work on the equipment.

When it comes to the waiver process, it is easier for prime contractors to access the necessary three-star signature approval because this can be facilitated by their Defence Contract Manager. However, for

SMEs the approval process is not clear and is dependent upon the subcontract manager knowing the process themselves and how to access it. One DTC member advised that their defence prime contract manager advised the waiver process was entirely the SME's responsibility and the SME must approach Defence directly themselves.

Reform Processes and Policies to Realise Departmental Efficiency

Waivers are available to defence industry to support the movement of project critical, highly skilled staff. The process is an exception process offered to industry on a case-by-case basis which is time-consuming and requires a three-star approval. With the volume of defence work in Australia increasing, it is expected the volume of waiver applications from industry will also increase. Australia's defence industry cannot afford to operate and become increasingly dependent upon an exception process at a time when our sector is forecast to mobilise and scale-up at short-notice as a result of the deteriorating geopolitical situation currently being faced in the region. The process to assign Australian citizenship therefore must be as efficient as possible to support industry's mobilisation for Defence.

Policy stipulates candidates migrating to Australia must have commenced the visa application process before turning 45, or 55 if the applicant is intending to enter into a Designated Area Migration Agreement (DAMA). DTC members report the defence industry sector has a void of experienced, mature workers in the 50-60 year age category. This age group possess the necessary breadth and depth of experience needed to fast-track the growth of younger, less qualified workers through on the job training programs, however they are excluded from Australia's migration program. Australian industry therefore cannot rely upon Australia's migration system to provide the short-term relief necessary to address the skilled workforce crisis.

Case 6

A company heavily involved in the sustainment of the Collins Class Submarine identified a relatively young mechanical engineer with nuclear experience living in the United Kingdom. The Engineer was interested in moving to Australia and the company arranged to sponsor the Engineer under a 457 visa. The company duly paid to join the scheme, only to discover the scheme was subsequently cancelled, resulting in the company losing their investment. In this case, although the engineer was a UK citizen, his partner (with a UK resident visa) who was not and was pregnant. The immigration challenges were too difficult, and he decided not to accept the offer. The primary issue was that his partner, due to the pregnancy, had to travel before a certain date and the immigration website highlighted visa applications were taking extraordinary longer times. An immigration agency was used to help with the process who felt the visa application could be processed in time, however the applicants considered the risks too high, so a highly desirable skilled engineer was lost by an Australian defence supplier.

This case highlights how Australia's immigration processes do not meet the modern business needs of Australian industry, especially Australia's defence industry. The defence industry sector is desperately trying to secure highly skilled engineers, especially those with nuclear industry experience, to support the nuclear-powered submarine program. We forecast this demand will heighten significantly the moment Government decides upon a preferred solution, and a new foreign owned prime is announced.

Case 7

Ex British Army Officer migrates to Australia in 2020 under Australia’s Global Talent Visa Program. This Program is administered by the Department of Home Affairs and was designed to streamline the pathway for highly skilled applicants from priority sectors, one of which was Defence. Upon arrival to Australia under the Global Talent Visa Program the candidate, who holds a current Top-Secret clearance with the UK Ministry of Defence is unable to qualify or apply for a Baseline clearance because the candidate doesn’t hold an Australian citizenship.

In this case, the Department of Home Affairs and Department of Defence have failed to collaborate and design a visa that appropriately meets the needs of Australia’s defence industry sector. Consequently, a highly skilled and talented individual is prohibited from making a much-needed economic contribution to Australia’s defence industry sector.

The Costs of Permanent Residency

Skilled individuals arriving in Australia on a “Skilled” visa with the intention to become a permanent resident are not fast-tracked to permanent residency. Whilst the individual waits the mandatory qualifying period, they are required to pay premiums on mortgages and additional tax. This approach disincentivises skilled migrants to come to Australia and establish enduring roots by inflicting financial detriment upon the applicants.

Case 8

An SME based in South Australia supporting the delivery of a critical system to the Collins Class Submarine was competing in a highly competitive market for engineering skills. The business was successful in engaging a qualified Engineer on a State Skilled Visa. The Engineer was required to wait an extended time to become a Permanent Resident following application. Whilst the process did not initially impact his ability to work, it impacted his family life. They decided to avoid the additional mortgage charge and wait for the Permanent Residency to be approved. This occurred during a period of significant house price rises, so in hindsight, he should have paid the extra mortgage charge.

Recommendations

In summary, permanent residency and citizenship processes and polices need to be simplified and streamlined. The Departments of Home Affairs and Defence need to embrace appropriate technology to support inter-agency information sharing, including automating background checking where possible. A critical issue for Australia's defence industry is the need for Australia's security clearance process to be integrated into the migration process, making it more streamlined and efficient for skilled migrants to enter Australia's defence industry sector.

The current system places onerous red tape on employers, making the process cost prohibitive and difficult for SMEs to access. Consequently, Australia's competitiveness in global markets is disadvantaged because our industry lack the necessary skilled labour to compete and grow.

The reforms needed to Australia's migration system cannot be realised within the standard three-year election cycle and Australia's defence industry sector cannot afford to operate within the current system which is clearly not fit-for-purpose. It is apparent that a bipartisan approach to migration reform is necessary to develop a migration system which delivers and maximises the economic benefits to Australia in the shortest time possible.

In summary, we recommend:

- 1. Reform the wait periods for Permanent Residency & Citizenship for skilled migrants entering the defence sector. This should commence with challenging the rules established over 25 years, confirming their applicability to today's environment, taking into consideration agreements such as AUKUS, Five-Eyes and the Quad.**
- 2. Department of Home Affairs and the Department of Defence jointly devise a skilled migration scheme that meets the needs of Australia's defence industry sector and Defence's requirement for personnel operating within the sector to hold security clearances.**
- 3. Departmental migration processes need to be reformed to realise efficiencies for the Department and streamline the process for applicants.**