





Consultation on Immigration Fees and Levies

**Seeking your views on adjusting immigration fees and
levies**

The Ministry of Business, Innovation and Employment is consulting on a package of changes to the structure and levels of immigration fees and levies (Part 1), as well as a future option to broaden the levy base through a Border Clearance Levy (Part 2).

Submissions are due by Sunday 22 July 2018 (see page 2 for details)

The authority for the Ministry of Business, Innovation and Employment (MBIE) to recover costs for the immigration system is provided for in the Immigration Act 2009 (the Act). Section 400 (f) of the Act allows for the making of regulations by Order in Council to prescribe fees and levies. Section 393 of the Act (fees) and section 399 (levy) set out how fees and an immigration levy can be prescribed under those regulations.

The current levels of fees and levies are set out in the Immigration (Visa, Entry Permission, and Related Matters) Regulations 2010. These Regulations can be viewed here: <http://legislation.govt.nz/regulation/public/2010/0241/latest/DLM3148101.html>

MBIE is accountable through annual reports to Parliament and the public on memorandum account balances. This accountability also requires MBIE to regularly review fees and levies to ensure they remain fit for purpose.

The consultation process

The Ministry of Business, Innovation and Employment (MBIE) seeks written submissions on the questions raised in this document by 22 July 2018. The questions seek your views on the proposed changes to immigration fees and levies.

Your submission may respond to any or all of the questions raised. Where possible, please include evidence to support your views, for example, references to independent research, facts and figures, or relevant examples.

Please include your name, or the name of your organisation, and contact details. You can make your submission by:

- attaching your submission as an attachment and emailing it to FeesConsultation@mbie.govt.nz
- mailing your submission to:

MBIE Immigration Policy

PO BOX 1473

Wellington 6140

If you are also submitting on another topic (either or both of the Electronic Travel Authority or the International Visitor Levy proposal), you may submit all of your comments in one email. Please title it "Joint submission".

Use of information

The information provided in submissions will be used to inform MBIE's policy development process. We may contact submitters directly if we require clarification of any matters in submissions.

Release of information

Submissions are subject to the Official Information Act 1982. Please set out clearly if you have any objection to the release of any information in your submission, and in particular, which part(s) you consider should be withheld and the grounds for doing so.

If your submission contains any confidential information, please indicate this on the front of the submission. Any confidential information should be clearly marked within the text.

Private information

The Privacy Act 1993 establishes certain principles with respect to the collection, use and disclosure of information about individuals by various agencies, including MBIE. Any personal information you supply to MBIE in the course of making a submission will only be used for the purpose of assisting in the development of policy advice in relation to the proposals in this document.

Please clearly indicate in your submission if you do not wish your name or contact details to be posted on MBIE's website or included in any summary of submissions that MBIE may publish.

Executive Summary

Immigration fees and levies should be reviewed regularly to ensure that they remain fit for purpose. The Office of the Auditor General recommends a three-year review cycle and the last review was in 2015. It is therefore timely to review immigration fees and levies this year.

Since 2015, the costs of maintaining an effective immigration system, as well as the structure of these costs, have changed. This is the result of a changing operating context with increasing traveller flows and a growing focus on risk, compliance and verification, as well as the continuous improvements Immigration New Zealand (INZ) is making to its operating model.

This consultation takes the principle of *full cost recovery*¹ as a starting point. However, there are choices about how to recover these costs. Part 1 proposes a package of changes that MBIE thinks best satisfies the principle of *full cost recovery*. The overall changes proposed by this package are summarised below, assuming the implementation of all of Components 1 to 3 below and recovering the memorandum account deficit within a 3-year timeframe. Your feedback will help shape the final decisions on the overall level of changes as well as the individual components.

This package is made up of a number of individual components:

1. Rebalancing of visa fees to address under and over recovery across visa categories;
2. Investing in better border security and regulation of immigration advisers;
3. Funding demand-driven pressures;
4. Recovering the memorandum account deficit either in three or five years.

Two additional minor changes are also proposed: removing a \$20 online discount for certain visas and increasing the employer accreditation fee by 20%.

The proposed changes in broad visa categories are as follows:

- Work visa fees increasing by 54%² (excluding Recognised Seasonal Employer scheme, Working Holiday visas and work visas granted on humanitarian grounds);
- Student visa fees decreasing by 6.5%;
- Group visitor visa fees decreasing by 45%;
- Business visa fees decreasing by 1%;

¹ Full cost recovery in this context means the costs of providing services and managing risks associated with visa applicants are recovered from these applicants. The Crown makes a contribution for those services which have a public benefit.

² Total impact reflects cumulative percentage changes of the components applied on top of the preceding component, rather than the sum of percentages for each component.

- Other visa fees increasing by 10% (including specific work visas excluded above);
- All levy rates increasing by 43%.

In Part 1 of this document, the Government is seeking your views on the impacts of the package as well as its individual components, and any alternative ways to achieve cost recovery.

In Part 2 of this document, the Government has identified a future option to recover more of the costs of immigration border functions from people crossing the border through an increase in the Border Clearance Levy. This consultation is also seeking your input on this option.

The cumulative impacts of the proposed changes to immigration fees and levies, and Introduction of an Electronic Travel Authority and an International Visitor Conservation and Tourism Levy

The Government is also consulting separately on proposals to introduce an Electronic Travel Authority (ETA) and an International Visitor Conservation and Tourism Levy (IVL). We seek your views on the impacts of these three proposals. We have provided on MBIE's website www.mbie.govt.nz/border-changes a document with a set of personas that help to illustrate what the changes may mean financially for different traveller types.

Part 1 Immigration Fees and Levies

Purpose

Part 1 of this document seeks your input on a package of proposals to change immigration fees and levies.

Introduction

The immigration system supports New Zealand's economic and social prosperity. It provides access to global markets to enable our firms to grow, enables New Zealand to access skilled employees to fill skills shortages, and supports New Zealand's social and cultural connectedness to the rest of the world.

In addition, the immigration system is a first gateway to preventing trafficking and protecting migrants from exploitation. It is often the first experience that visitors and migrants have with New Zealand people and New Zealand government services.

The immigration system also allows New Zealand to meet its global responsibilities and obligations to accept settlement of refugees, and protect our borders from risk.

The immigration system is paid for in large part by fees and levies recovered from migrants. This recognises the private benefits migrants receive, such as from compliance, border and regulatory activities as well as public benefits.

Fees make up the biggest component of third-party revenue at around \$200 million per year while levies provide about \$26 million. They are collected for different purposes:

- fees are charged on a full cost-recovery basis for the costs and associated overheads of visa decision making;
- levies contribute to immigration system costs which can't be directly attributed to a specific applicant, including border processing, compliance, and activities of the Immigration Advisers Authority.

The Crown also contributes to the cost of running the immigration system, recognising that there are public benefits to New Zealanders from a secure border and a well-functioning labour market. The burden ultimately falls on New Zealand taxpayers. It is important that the funding mix should be kept at an appropriate level. The following table outlines the current funding arrangements and split between Crown and third-party (fee & levy) funding.

Funding for	2017/18 Appropriation (Final Budget 18)	Sources of funding
Assessment and Processing Services	\$243.420 million	95% fee funded – subject to review in this consultation
Integrity and Security of the New Zealand Immigration System	\$53.460 million	79% Crown funded – subject to review in this consultation
Services for the Attraction of Immigrants	\$11.669 million	65% Levy funded – not subject to review in this consultation
Settlement and Integration of Refugees and Other Immigrants	\$38.476 million	86% Crown funded – not subject to review in this consultation
Regulation of Immigration Advisers	\$2.572 million	100% funded by levy and licensing fees – funding level subject to consultation but not the split between fee and levy
Total funding	\$347.025 million	

As fees and levies are set by regulation at intervals, over and under recoveries are not unusual, both in terms of overall costs and relativity between visa categories. This may be because actual visa volumes or service costs have changed compared to forecast. It may also be because of the impact of policies introduced between fee and levy cycles.

The last time fees and levies were reviewed and adjusted was 2015. The Office of the Auditor General recommends a three-year review cycle.

For this review, MBIE has taken the need to fully recover the costs of the immigration system that can be attributed to migrants as a starting point. However, there are choices of how this can be carried out and differing impacts on visa applicants and others. This consultation seeks your input into the assessments of impacts and ideas about different approaches to cost recovery.

Overview of the Issues

Immigration New Zealand (INZ) has undergone significant transformation to improve the efficiency of its operation. It is continuing with this work, and the expected efficiency gains are factored into this review of fees and levies.

Since the last review of fees and levies in 2015 there have been considerable changes to the internal and external operating context of INZ. These changes meant the revenue from fees is insufficient to match the required resourcing levels.

In spite of the efficiency gains made by INZ, the 2016/17 year saw a shortfall between visa revenue and costs of \$11.3 million, which is reflected in an increasing deficit in the fee memorandum account³. This deficit is forecast to reach \$50 million by the end of 2017/18. This is not sustainable.

In addition to the overall under recovery, some visa fees are higher than they should be and some are lower than they should be, compared to how much they cost to process. These variances are underpinned by changes in the time taken and resources required to process different types of visa. Specific policy decisions can also change the cost structure. The reasons for these changes are complex. This review provides an opportunity to correct these variances.

The package and its component parts are based on assumptions about future visa volumes. If actual volume differs from the forecast, the impact of the package will also differ from prediction. There will be under recovery if the volume is lower than forecast and over recovery if the volume is higher. The forecast used for this consultation document is listed below, by visa categories:

By Visa Product Group:	Base volume 2016/17	Year 1 2017/18	Year 2 2018/19	Year 3 2019/20	Year 4 2020/21
Residence	32,992	-20.0%	-5.0%	-3.0%	0.0%
Visitor	402,079	12.0%	10.0%	10.0%	10.0%
Student	118711	-10.0%	-3.0%	0.0%	0.0%
Work	242,737	4.0%	-1.0%	-2.0%	0.0%
Other Temporary	32,704	0.0%	0.0%	0.0%	0.0%

³ A number of public sector entities provide services that are not funded by the Crown but by third-party users of those services. Sometimes, this is referred to as "user pays". If entities provide services on a full cost-recovery basis and revenue and expenses might not be equal in each financial year, the entity must operate a memorandum account that records the accumulated surplus or deficit arising from providing the service.

Principles for the Fees and Levies Review

To address the problems identified in the previous sections, this consultation uses a principle-based approach to reviewing fees and levies, drawing on the best practice guidelines published by the Treasury and the Office of the Auditor-General⁴:

Principles	Description
Full cost recovery	The full costs, and not just the direct costs, of providing goods and services to migrants are used to calculate cost recovery.
Equity	The impacts of the proposed cost recovery are identified so that stakeholders are treated equitably, that impacts over time are considered, and cross-subsidisation between payer types is avoided.
Equitable apportionment	The apportionment of costs between the Crown and third parties recognises that there are both private and public benefits generated by the immigration system.
Effectiveness	The level of funding generated by the cost recovery should provide for a level of service that is appropriate for the circumstance (i.e. not gold plated, nor a low level of service) while taking into account difficulties in forecasting visa numbers over a number of years while being prudent managers of public funds.
Administrative efficiency	Decisions on when and what to recover are consistent with the efficient allocation of resources.
Accountability	The regime as a whole is subject to regular reviews and consultation with stakeholders around changes to settings or the broader context, any surpluses or deficits from cost recovery, and on the performance of the system.

⁴ The guidelines can be found at <http://www.treasury.govt.nz/publications/guidance/planning/charges/settingcharges-apr17.pdf> and <https://oag.govt.nz/2008/charging-fees/docs/charging-fees.pdf>.

The Overall Package

The Government proposes to fully recover the costs of services provided to third parties through fees and levies. For those services with both public and private benefits, it is proposed that the third-party related costs are fully recovered, and that the costs are apportioned appropriately between Crown and third parties. There are options in how cost is recovered, and over what time period, for the different components of the cost recovery. These are discussed in the following five sections.

The Government is proposing a package of proposals with five components that, collectively, will result in:

- Work visa fees increasing by 54%⁵ (excluding Recognised Seasonal Employer scheme, Working Holiday visas and work visas granted on humanitarian grounds);
- Student visa fees decreasing by 6.5%;
- Group visitor visa fees decreasing by 45%;
- Business visa fees decreasing by 1%;
- Other visa fees increasing by 10% (including specific work visas excluded above);
- All levy rates increasing by 43%.

This package is based on the assumption that the under and over recovery across visa categories are fully corrected and that a three-year timeframe is chosen to make up for past funding shortfalls. The Government is seeking your feedback on the impacts of these two components and may decide on different levels of changes depending on the outcomes of this consultation.

The current and proposed new fee and levy schedules are attached as Appendix One and Two, alongside brief comments on the reasons for proposed changes to fees and levies.

Overall questions

- 1.1 What impacts do you think that the package as a whole would have on individual visa applicants?
- 1.2 Can you think of any other issues or factors that should be considered for this fee and levy review?
- 1.3 Do you have any information or data that can inform our assessment of the issues or impacts?
- 1.4 Are there any matters regarding any individual visa type that you would like to bring to our attention?

⁵ Total impact reflects cumulative percentage changes of the components applied on top of the preceding component, rather than the sum of percentages for each component.

Component 1: Addressing over and under recovery across visa categories

Problem definition

The current visa fee schedule no longer reflects the actual time and resource needed to process them. This means that the fees are too high for some visa applicants and too low for others, resulting in cross-subsidisation. This is not in line with the *full cost recovery* or *the equity* principle.

The roots of the problem are complex, and it is difficult to pinpoint a specific cause. Under recovery in the work visa category is likely generated by a greater focus in recent years on managing risks associated with processing work visas. For example, INZ is doing more to ensure the sustainability of work offers. This increases the time taken to process these visas, and as processing time is the single largest component of cost. This lifts the average cost per visa. It is possible too that the initial estimates of the individual processing time for work visa were over ambitious. When aggregated, this can create large variance at the category level given the high volume of work visas.

Over recovery in the student, group visitor and business residence visa categories is likely a result of internal operating efficiencies, new online tools and automation introduced as part of the \$140 million 2015 visa change programme and new management practices to triage low-risk visas.

For 2016/17, the costs of processing work visas, based on current assumptions about processing time and resources, were \$78.7 million. However, revenue from fees was only \$58.6 million. This results in a shortfall of around \$20 million.

By contrast, it is estimated that the over recovery is around \$5.1 million in temporary student, \$7.0 million in the business/skilled residence category, and \$5.1 million in the temporary group visitor category.

The following table shows the extent of the over and under recovery for different visa categories based on the actual revenue and costs for the 2016/17 year.

Category	Application Type	NZ*	Pacific*	Other*	REVENUE/COST (\$m)		(Deficit)/ Surplus	Deficit or Surplus as a percentage of Revenue
					Revenue	Costs		
Residence	Business / Skilled	\$1,985	\$1,620	\$2,504	\$33.4	\$26.4	\$7.0	21%
Temporary	Group Visitors	-	\$85	\$85	\$8.3	\$3.3	\$5.1	61%
Temporary	Student	\$260	\$205	\$280	\$21.6	\$16.5	\$5.1	24%
Temporary	Visitor	\$170	\$135	\$170	\$51.0	\$49.7	\$1.4	3%
Temporary	Work	\$280	\$240	\$280	\$47.0	\$64.8	(\$17.8)	(38%)
Temporary	Work online	\$230	\$230	\$230	\$11.6	\$13.9	(\$2.4)	(21%)
Residence	International / Humanitarian	\$658	\$785	\$1,451	\$1.1	\$7.0	(\$5.8)	(519%)
Residence	Uncapped Family Sponsored Stream	\$970	\$970	\$1,670	\$11.1	\$7.9	\$3.2	29%
Total							-\$4.2	

*The first column is for applications lodged in New Zealand. The other two columns are for applications lodged outside New Zealand. The Pacific column applies to citizens of Australia,

American Samoa, Cook Islands, Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Papua New Guinea, Pitcairn Islands, Tonga, Tuvalu, Vanuatu, and Western Samoa. Citizens of other countries are charged according to the third column.

The visa types shaded in blue are not considered as part of the rebalancing calculations. However, they will be affected by the general increases proposed below.

For the international and humanitarian category, the large deficit in terms of fees is technical in nature. This reflects the fact that most of the costs are recovered from the Crown and therefore are recorded here without matching fee revenue. The effort to process these visas relative to other visas has not changed materially since 2015.

For the uncapped family sponsored stream category, processing efficiency made since 2015 has resulted in a small surplus. However, additional verification effort will be needed in the coming period to manage emerging and increasing risks which will offset that efficiency gain. This means that the overall relative effort for the coming period will not change materially, compared to 2015.

The Parent and Sibling Adult Child stream, Returning Resident, Transit, Section 61, APEC cards, Student (Provider Direct) Visas are also excluded from the rebalancing. This is because the changes are not material both in terms of absolute value and in variance between cost and recovery. Including these categories in the rebalancing would not be efficient.

Proposal: Rebalancing of visa fees to address over and under recovery across visa categories

To address the under and over recovery issues, the proposal is to change the structure of visa fees across four categories by:

- increasing most work visa fees by 40%
- decreasing most student visa fees by 15%
- decreasing group visitors visa fees by 50%
- decreasing business residence visa fees by 10%.

It is proposed that visas related to the Recognised Seasonal Employer Scheme (RSE), Working Holiday visas and work-related visas granted with humanitarian visas will only be subject to the general increases discussed in the following sections. This is because the effort of processing these visas relative to other visas has not increased.

A more detailed schedule is attached in Appendix One, which also incorporates the changes proposed in the next two sections.

The INZ resourcing model estimates relative effort to process different visa types. However, the resource model was not designed for use in setting fees and is not currently fully mature or tested internally. MBIE has therefore moderated the results produced by the resourcing model for the purpose of rebalancing fees. The results produced by the model and the moderation is summarised in the table below. The model is available on request.

	Unmoderated changes to fee settings	Moderated changes to fee settings	Explanation
Work Category	Increase by 40%	40% increase is appropriate overall. (excluding RSE, Working Holiday and Humanitarian work visas)	Verification effort for work-tested visa applications has increased substantially from 2015 in order to reflect policy changes. It is likely that this additional effort in processing will be maintained in the coming period to manage verification risks, including as a result of policy reviews for work-tested visas.
Group visitor	Decrease by 60%	50% decrease is appropriate	A revised, more conservative decrease is appropriate given uncertainties in visitor forecasts and impending operational changes to the group visitor category.
Student	Decrease by 25%	15% decrease is appropriate	Efficiencies in processing student visas since 2015 have been moderated to reflect the additional verification effort to manage known risks for student applications.
Business residence	Decrease by 20%	10% decrease is appropriate	Processing efficiencies since 2015 need to be moderated against increases in verification effort in processing these visas.

Impacts

The rebalancing proposals will give effect to the *full cost recovery* and *equity* principles, by treating different visa applicants fairly based on the costs of the particular categories of visas they applied for.

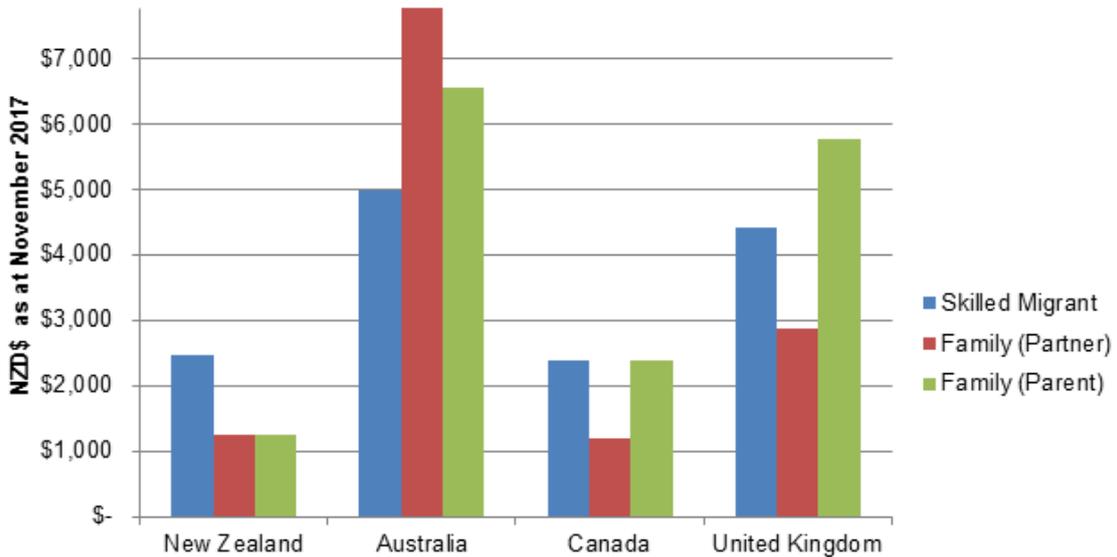
The impact of the rebalancing should be considered alongside other proposed changes in this document. While there will be significant changes in the prices of work visas and levies, MBIE considers there will be negligible impacts on the incentives for people to visit, study and work in New Zealand.

New Zealand visa fees and levies, which are based on a cost recovery basis, are significantly lower than comparable overseas jurisdictions such as the United Kingdom and Australia. They are on par with Canada. The charts below illustrate the differences in current costs (excluding proposed changes).

New Zealand's temporary visa fees are comparable to other countries in some categories



New Zealand's residence visa fees are competitive by international standards



Note: This includes one adult secondary applicant (a partner) in the Skilled Migrant and Family Parent categories. New Zealand does not charge extra for additional applicants, but the other three countries do.

New Zealand and global evidence also suggests that the proposed changes to fees and levies are not likely to have a measurable impact on international visitor volume or international student numbers.

There is limited research on whether increased costs would influence skilled migrants' decisions to work in New Zealand. Industry responses to fee increases in other countries, such as Australia, have suggested fee increase could impact on the ability to

fill skill shortages. However, the impact of visa costs related to other factors, such as attractiveness of job offers and living conditions, remains an open question.

There is also very limited evidence on the impact of visa costs for international students wishing to study in New Zealand. However, the available evidence does suggest that it is not a major influence. The visa-related costs are a very small portion of the total cost of education and travel for international students. International students are much more likely to make decisions based on substantive considerations about their educational outcomes than visa fees.

Finally, while international literature suggests the effort and cost required to obtain a visa can influence tourists' travel decisions, there is very little New Zealand evidence to suggest that the decisions of tourists, including group visitors, are influenced by visa costs. Other factors, such as exchange rates, are likely to overshadow changes to visa costs.

Consultation Questions: Rebalancing of visa fees to address over and under recovery across visa categories

- 2.1 Do you support the proposed changes across different visa categories? If not, can you explain why?
- 2.2 What impacts do you think that the rebalancing would have on individual applicants for different classes of visas?
- 2.3 Are there any alternative approaches that should be considered? How would that impact on visa applicants?

Component 2: Improving border security and the regulation of immigration advisers

Problem definition

The Government has agreed to investments in improving border security and migrant protection and the regulation of immigration advisers. This is essential to ensure the integrity of the immigration system, in light of the growing volume and complexity of migration.

For example, over last two years, the number of airlines flying to New Zealand has increased from 19 to 31. Some of these flights are from high-risk ports. While the increase in volume brings a proportional increase in revenue through an increased number of visas applied for, it does not compensate for changes in risk profiles. There is a pressing need for INZ Border Services to lift the assessment of travellers on high-risk routes and boost compliance activities.

Additional investment has also been agreed so that the Immigration Advisers Authority can increase regulatory activities to improve the standards of immigration advice.

The need for providing these services arises from the need to manage potential risks presented by the migrants as a whole. It is fair that levy payers should pay for such services.

Proposal: Improving border security and regulation of immigration advisers

MBIE proposes to increase levies by 38% to enhance border security and the regulation of immigration advisers. Increases in individual levies are set out in Appendix Two.

Different levies are based on the immigration services that may be accessed by each category of visa applicants (as opposed to individual applicants). Investment in border security and the regulation of immigration advisers cannot be attributed to broad categories of applicants, unlike, for example, settlement services. A proportional increase across all levy classes is therefore appropriate.

Impacts

The proposed investment will provide \$39.576 million over five years to be funded by levy revenue including \$33.181 million for border and compliance related activities, \$0.795 million for border-related depreciation and ICT operating costs, and \$5.600 million for increased regulatory activity for immigration advisers.

The increase in levy will give effect to the *full cost recovery and equitable apportionment* principles. At the global level, the additional third party funding will see the share of Crown to levy funding change to an almost equal ratio: the levy will provide 51% of funding, and the Crown share will fall to 49% of funding.

The investment in border and compliance-related activities will be targeted at managing the growing quantity and complexity of immigration risk for New Zealand,

and support a stronger border and compliance regime. Specifically, the investment will:

- support INZ's contribution to the development of a cross-agency investigation case management system;
- provide an additional 29 full-time equivalent employees to the INZ Border Operations team that will allow INZ to monitor 30% of air passengers on high-risk routes, rising to 60%;
- address health and safety issues resulting from shift work at the border;
- introduce immigration screening of outbound travellers;
- fund the costs of the current project to improve the amount and precision of Passenger Name Records data provided to INZ border profilers;
- provide additional resources to regional offices to address health and safety issues (specifically related to lone working).

The additional investment of \$5.600 million over four years for the Immigration Advisers Authority will lift advice and compliance in the immigration advice industry, and by doing so, improve outcomes and protections for migrants.

While the increase is significant in percentage terms, the immigration levy for temporary visas is relatively low in absolute terms, ranging from \$10 per applicant for visitor visas and \$38 per applicant for work visas. For resident visa applicants the levy is higher (either \$280 or \$580 depending on visa type). However, the proposed increases are not considered material compared to the benefits of gaining New Zealand residency, or compared to the costs of residency applications in other jurisdictions (see p.12-14).

On this basis, the proposed increases in levies are not expected to have significant impacts overall on visa applicant numbers or migration patterns based on available evidence.

Consultation Questions: Improving border security and regulation of immigration advisers

- 3.1 What impacts do you think the proposed levy increase would have for immigration levy payers?
- 3.2 Are there any alternative approaches to cost recovery that should be considered? How would that impact on levy payers?

Component 3: Responses to demand pressures

Problem definition

INZ has cost pressures associated with providing visa and other services that have risen since fees and levies were last reviewed. The Government has agreed to increase funding to meet these costs.

These cost pressures result from the complex and increasingly challenging context INZ operates in. In 2016/17, almost 5.5 million people arrived by air, compared to 5 million in 2015/16. The growth in migration volumes is expected to slow for some migrants, but continues strongly for short-term visitors who make up more than half of the total volume. There are also increasing risks relating to illegal activities, such as people trafficking and exploitation, and as evasion methods more sophisticated.

Against this backdrop, there remains a growing public expectation of improving standards of service and providing good value for money, which ultimately benefits all migrants as well as New Zealanders. New initiatives and investments have been agreed to improve, rather than simply maintain, service levels, especially in the face of increasing volumes and evolving risk profiles. It is appropriate that those who receive an enhanced service at the border should help meet the cost of these investments.

Since 2015, significant investment and improvements have been made to manage increasing costs. The \$140 million transformation project delivered a modern fit-for-purpose migration system with digital and online visa application and identity verification capability. It delivered a range of benefits including improved operational performance, a more responsive customer-centric approach to service delivery and improved consistency, quality and accuracy in visa decision making. This means INZ is better placed to respond to future challenges. It is enabling a substantial reduction in INZ's global footprint and improved productivity and efficiency.

INZ is continuing to improve its new operational model. It is committed to making material efficiency gains as it improves the utilisation of online technology to deliver core visa processing services. This has, in turn, allowed the Visa Service Change 2020 Programme to progressively consolidate offices, and to decrease processing staff levels. The new operating model will enable a range of non-financial benefits, including a more flexible operating environment and better services for customers, and will reduce staffing and associated costs by a forecast \$10.3 million per annum from 2021/22 (and in outyears) compared to the cost structure that would otherwise materialise. The costs and benefits associated with the new operating model have been factored into the changes to the fees and levies proposed in this document.

However, these efficiency gains will not fully offset the risk- and demand-driven cost pressures. A \$119.774 million increase in operating funding⁶ has been agreed over the next five years to meet critical capability and capacity costs, fund a number of previous

⁶ The Crown will also provide \$32.669 million in capital expenditure.

policy changes, invest in ongoing changes to visa processing services as well as provide for depreciation and ICT costs associated with capital investments.

The table below provides a breakdown of how agreed additional funding will be invested (a more detailed 5-year breakdown is provided in Appendix Three).

Demand-driven cost pressures		Total 5 year 2017/18-2021/22 (\$m)
Critical Capability and Capacity Costs		72.551
	Increase in funding to address cost pressures in maintaining INZ's ICT systems caused by additional systems coming on stream and general increases in maintenance costs	17.450
	Consolidated costs for new teams already established within INZ to ensure that the regulatory system is effectively operating (including the Business Strategy and Governance team, additional Service Design and Performance resources and higher direct and indirect corporate costs)	23.525
	Costs to improve staff retention and to lift productivity by salary increases and for technical training	27.576
	Payroll remediation to address taxation issues identified with incorrect payment of offshore staff	4.000
Consolidated Visa Change Process*		-\$0.704
	<p>As part of the ongoing Vision 2020 transformation programme, Visa Services are undergoing a significant restructure and reduction in offshore footprints as they move to a more consolidated and specialised model.</p> <p>This change process is expected to deliver a significant reduction in baseline from 2019/20 totalling around \$31.333 million over three years and around \$10 million per year for outyears. INZ has also committed to significant processing efficiency improvements as part of this change process.</p> <p>An upfront investment of \$34.629 million over two years is necessary to achieve the savings from 2019/20 outlined above, reducing the net cost pressure to -\$0.704 million over five years. This will enable a lower operating cost pressure in outyears than what would otherwise occur without the changes.</p> <p>Detailed breakdown of this cost by line items is provided in Appendix Three</p>	-\$0.704

Policy changes which impact on operating costs		11.081
	Boosting of capacity for Visa Services verification activity required for implementation of changes made to the Skilled Migrant Category and Essential Skills visa policies	4.196
	Funding of cost recovery of Police vetting checks	3.050
	Funding for error in Settlement Unit funding approved by Cabinet which has created cost pressures*	3.068
Depreciation and ICT costs associated with the initiatives above		36.846
	An additional \$ 37.613 million in cost required for depreciation and ICT operating costs associated with initiatives described above, and additional capital investments in Secure Real-Time Platform and INZ online technological platform. These additional costs should be provided for when the associated capital investments are made as a matter of prudent management Detailed breakdown of this cost by line items is provided in Appendix Three	
Total		119.774

*the Government has already provided funding of \$4.767 million, including \$4 million related to the consolidated visa change process and \$0.767 million related to funding for error in Settlement Unit funding.

It is appropriate that the additional funding for these investments should be met with additional revenue through increased fees and levies, as set out below.

Proposal: Responses to Demand Pressures

The proposal is to increase all visa fees by 5% and levies by 6% to address demand-driven pressures. These are reflected in Appendix One and Appendix Two for individual fee and levy classes.

Impacts

The proposal will give effect to the *full cost recovery* principle.

It also provides for *equitable apportionment*, as the cost of funding shortfalls will otherwise fall on the Government, and ultimately New Zealand taxpayers, rather than non-New Zealanders who use and benefit from the immigration system.

Timely adjustment of fees and levies in light of demand also contributes to better management of resources, and therefore better *accountability* and *effectiveness*.

MBIE considers that the increases in fees and levies will have a minimal impact on migration volumes and pattern.

Consultation Questions: Responses to Demand Pressures

- 4.1 What impacts do you think the proposed fee and levy increases would have on visa applicants?
- 4.2 Are there alternative approaches to generate additional revenue that should be considered? How would that impact on visa applicants?

Component 4: Recovery of the fee memorandum account deficit

Problem definition

Revenue from fees and levies and the costs of operating the immigration system are sensitive to volume change since the rates are set in advance based on forecast volumes of travellers. Over and under recovery may occur when actual volume differs to forecast. This is managed through the INZ fees and levies memorandum accounts.

The fee memorandum account is currently in deficit due to past funding shortfalls. This deficit is forecast to grow significantly further without additional revenue. While deficits and surpluses in the memorandum account help to manage short-term fluctuations between costs and revenue, good practice requires memorandum accounts to balance over the long term. Allowing the deficit to persist would mean that the full costs of the immigration system are not being recovered, and the financial burden would, therefore, be shifted to future visa applicants. This is not considered desirable or equitable. However, there is a choice over the speed of recovery.

Proposal: Recovering the memorandum account deficits

We propose to recover the memorandum account deficit over three years. This will require a 4% increase for all fees (assuming proposed changes in previous pages are made). The table below shows the forecast trajectory for the fee memorandum account under this proposal.

Fee memorandum account balances	2017/18	2018/19	2019/20	2020/21	2021/22
- Opening balance	-11,709	-50,310	-68,347	-52,235	-25,599
- Surplus / deficit	-38,601	-18,037	16,112	26,636	31,934
- Closing balance	-50,310	-68,347	-52,235	-25,599	6,335

There is an alternative option to adopt a five-year timeframe. This would mean a smaller increase (around 2%) and a different memorandum account trajectory as outlined in the table below:

Fee memorandum account balances	2019/20	2020/21	2021/22	2022/23	2023/24
- Opening balance	-76,931	-74,002	-61,058	-43,378	-19,875
- Surplus / deficit	2,929	12,944	17,680	23,503	32,217
- Closing balance	-74,002	-61,058	-43,378	-19,875	12,342

The levy memorandum account is not in significant deficit, and is likely to track close to balance over time, as shown in the following table. There is no specific proposal to recover that deficit.

Levy memorandum account balances	2017/18	2018/19	2019/20	2020/21	2021/22
Opening balance - Levy memorandum account	825	-1,442	146	810	446
Surplus / deficit - Levy memorandum account	-2,267	1,588	664	-364	553
Closing balance – Levy memorandum account	-1,442	146	810	446	999

Impacts

Both options would give effect to the *full cost recovery* principle. A longer timeframe will mean slightly smaller increases for future visa applicants would be needed (though more applicants would be affected). Faster recovery – particularly in instances where there is a significant memorandum account deficit and an existing imbalance between existing costs and revenue – will result in generally higher fee settings. Faster recovery is a more cautious approach to fee settings, as it is based on shorter term forecasts which may be more accurate. Slower recovery will generally lead to smaller changes in fees but is more susceptible to over or under recovery as the longer forecast periods may be less accurate.

Both options imply that future visa applicants will pay for the costs of past visa applicants. This is not ideal, from an equity perspective, but inevitable because forecasts are never perfect. Faster recovery may have a slightly larger equity impact but limited to a smaller group of people than slower recovery, if the same volume assumption is applied to both.

Consultation Questions: Recovering the fee memorandum account deficit

- 5.1 Do you support a three-year or a five-year timeframe to recover the current fee memorandum account deficit?
- 5.2 What impacts do you think your preferred timeframe will have on fee payers?

Component 5: Other matters

Problem definition: online discounts for certain visas

The online discount in certain work, visitor and student visa categories was introduced in 2015 as a part of an initiative to encourage faster adoption of online channels. These channels are more efficient and provide better quality of decision making. Modelling at the time also indicated a modest reduction in workload was expected for INZ in processing these visas.

The speed and convenience of the online channels provide considerable benefits for applicants, reflected in the strong uptake of online channels since 2015. The expected reduction in workload has, however, not occurred. The discounts are therefore no longer needed to encourage uptake, or appropriate when measured against the *full cost recovery* principle.

Problem definition: employer accreditation fees

Employers who regularly recruit skilled overseas workers can apply to become an INZ Accredited Employer. These accredited employers can employ skilled migrant workers without first having to check, for each individual worker, if any New Zealanders can do the work.⁷ There are also a number of other benefits to employers and to their migrant workers of being a part of the scheme. As part of the accreditation process, INZ does a variety of checks and investigations into the employer, and these activities are cost recovered through an application fee.

Policy decisions made in 2017 changed the accreditation renewal period from annually to two years for the initial application, and either two or five years for subsequent applications. The changes require INZ to apply a more rigorous assessment regime which requires greater time and resource. The decision on any fee change following this policy change was deferred for this fee and levy review. It has been assessed that the accreditation fee will need to be increased by around 20% to cover the additional costs related to the strengthened assessment regime. However, employers will be significantly better off due to the longer periods of validity for accreditation.

Proposal: Other matters

The proposals are to:

- remove online discounts for certain work visitor and student visas (average \$20)
- increase fees for employer accreditation by 20%.

⁷ To take advantage of this process, skilled migrant workers must meet a minimum income requirement.

Impacts

Both options give effect to the *full cost recovery* principle. Reviewing fee and levy settings in these two areas help to ensure that, as a whole, the system is fit for purpose.

Consultation Questions: Other Matters

- 6.1 Can you think of any reason why the online discount should not be removed?
- 6.2 Can you think of any reason why the employer accreditation fee should not be increased?
- 6.3 What impacts do you think the proposed changes will have on visa applicants and employers?
- 6.4 Can you think of any other issues or factors that you would like to bring to MBIE's attention?

Part 2: Future option of a border clearance levy

Purpose

This part of the consultation document seeks input from interested parties on the concept of recovering INZ border costs using the existing Border Clearance Levy (BCL).

Introduction

INZ is a key border agency that facilitates the travel of genuine visitors while managing immigration risk at the border. INZ's main border role is to identify those who meet the requirements to enter New Zealand, and to prevent those who pose an unacceptable immigration risk from entering.

INZ's total border funding, following Budget 2018 decisions, is around \$20.156 million per annum. This funding allows INZ to:

- provide pre-departure screening and assessment in order to identify passengers to be prevented from boarding their aircraft
- provide on-arrival assessment of passengers, including those referred by other border agencies in order to determine whether they are to be refused entry
- engage with airlines to ensure they are compliant with immigration legislation, including training, issuing infringements and prosecuting where appropriate training
- share information and collaborate with domestic and international partners.

INZ border activities are complementary to those of other partner border agencies, particularly the New Zealand Customs Service (Customs) and the Ministry of Primary Industries (MPI). Appendix Four provides a breakdown of border activities by agency.

However, INZ's border funding arrangements are inconsistent with those of its partner border agencies. Following the proposed increases to third-party funding discussed in pages 15-16, INZ's border activities will be funded 49% by the Crown and 51% by the immigration levy. In 2016, MPI and Customs replaced 100% of Crown funding for their border activities by recovering these costs from travellers, including New Zealanders, via the BCL which is paid at the time of ticket purchase.

The BCL's stated objectives are to:

- improve equity in funding of border clearance costs, as the travellers who generate the costs of border clearance activities would make a fair contribution to these services
- provide a funding source that keeps pace with increases in the volume of travellers
- support the provision of robust border clearance services on a sustainable basis, with minimal impact on travellers.

Problem Definition

All travellers create risk and border costs for INZ

In 2017, there were a total of 6.7 million air passengers entering and leaving New Zealand. All of these passengers were screened by INZ's Advanced Passenger Processing system (the APP) to rule out any potential immigration risks.

In 2017, the APP system prevented around 2,800 passengers from boarding their aircraft. Most of these passengers were on visa waiver and visa-required passports, but some were also New Zealanders to confirm their identity. By screening for risk early, INZ is preventing further costs at the border. INZ also provides advanced information to other agencies to manage their border risks.

In addition to APP, INZ has risk management processes to manage the immigration risk presented by non-New Zealanders. Around another 1,000 non-New Zealand passengers were prevented from boarding their aircraft as a result of risk assessments performed by INZ's border team in 2017. A further 1,300 non-New Zealand passengers were refused entry at the border. The large majority of these passengers refused entry at the border were on visa waiver passports. Visa waiver nationals do not apply for a visa prior to travel, so INZ had not been able to assess them until they checked in for their flight.

Only visa required travellers are directly contributing the cost they create

INZ border clearance funding is not currently shared equitably between those who exacerbate immigration risks that give rise to INZ border costs. MBIE considers that is inequitable that taxpayers (including those who do not travel) are funding the costs exacerbated by travelling New Zealanders as well as visa waiver visitors. Only a small minority of travellers are visa required, and they are directly contributing to the costs via the immigration levy.

Proposals

To improve equity in funding arrangements, the Government is considering whether INZ passenger clearance costs should be funded by an increase to the BCL. This consultation seeks your views, at an early stage, on the following:

- who should be charged through the BCL
- what services should be funded by the resulting increases to the BCL
- implementation and timing.

Who should be charged?

It is proposed that a future immigration Border Clearance Levy, as far as possible, adopt the existing limited exemption criteria as under the MPI and Customs legislation.

Most travellers, including New Zealand and Australian citizens, pay the existing BCL when they pay for their tickets. Legislation exempts a limited range of travellers from the levy, including but not limited to:

- travellers under the age of 2 years
- aircraft and cruise ship crew
- transiting passengers
- travellers arriving in New Zealand Defence Force, New Zealand Government or other Government craft on official business.

Consultation Questions: Exemptions criteria to BCL

7.1 What are your views on the proposal to recover immigration-related border clearance costs from most travellers that cross the border, including New Zealanders, with only the existing BCL limited exemption criteria?

What services should be funded by increases to the BCL?

This consultation seeks your views on recovering 100% of INZ's border services through an increase to the BCL (see table in Appendix Four for a breakdown of all existing services). These services currently cost \$20.156 million per annum to deliver.

Table 1 below outlines the BCL rates as at 1 July 2018 and the estimated impact the proposal to fund INZ border services would have on the BCL combined rate. The proposed rates are only estimates based on existing INZ costs and traveller numbers. If this proposal is taken forward, exact rates would be determined using INZ costs at the time of setting the rate.

Table 1: BCL revised rates as at July 2018 and indicative rates if INZ border costs were included					
	BCL rates as at July 2018			Indicative INZ rates	Indicative Total
	Customs	MPI	Combined	INZ	Combined Total
Non-cruise ship travellers					
Arrivals	\$6.43	\$7.30	\$13.73	\$2.98	\$16.71
Departures	\$2.56	\$0.00	\$2.56	\$0 ⁸	\$2.56
Cruise ship travellers					
Arrivals	\$10.40	\$5.34	\$15.74	\$0 ⁹	\$15.74
Departures	\$4.10	\$0.00	\$4.10	\$0	\$4.10

Consultation Question: Cost Recovery for INZ border costs

7.2 What are your views on recovering all INZ border costs through increases to the BCL? If not, which services would you suggest are excluded, and why do you think they should be excluded?

⁸ The indicative INZ non-cruise ship departure rate is currently zero as INZ is primarily concerned with the risk posed by incoming passengers. While INZ has some departure costs, the per passenger rate is likely to be negligible.

⁹ The indicative INZ cruise rates are zero because INZ do not currently interact with cruise arrivals or departures. We estimate the rate would increase to around \$1-\$2 should INZ interact with this passenger type in the future.

Implementation and timing

If the proposal goes forward, there will need to be further consideration of implementation and timing.

Cost of collection: While further policy and legislative work will be required to introduce an INZ border clearance levy, MBIE considers implementation would otherwise be limited in cost and highly efficient. INZ would leverage existing administrative and reporting systems used by MPI and Customs to collect the levy.

Legislation: Legislative amendment will be needed for INZ to charge a levy for all passenger clearance costs. The current levy provisions under the Immigration Act 2009 are restricted to visa applicants only. New Zealand citizens have an absolute right to enter and be in New Zealand at any time and any new legislation cannot contravene this right. However, New Zealand citizens are also legally required to present themselves, confirm their citizenship, establish identity and otherwise be processed.

Timing: Given the preliminary proposed changes require legislative change, MBIE estimates that any proposals, if agreed, would be unlikely to come into force before 2020. This timing would ensure there is enough lead time to engage stakeholders before implementation.

Consultation Questions: Implementation timing

- 7.3 What are your views on the proposed timing and legislative aspects of implementation?
- 7.4 To industry: Do you see any other challenges to implementation of the preliminary proposed changes?

Impacts

MBIE's preliminary assessment is that this proposal aligns with the objectives of the BCL and meets the cost recovery principles set out by the Treasury and the Office of the Auditor General.

The proposal would primarily enhance the *equity* principle. The proposal is more equitable than current funding arrangements, as the cost of providing INZ border services would be spread across those that give rise to the cost by presenting a risk to New Zealand. At present, costs are met by charges to applicants for visas (through the Immigration Levy) and the New Zealand taxpayer, who between them pay for costs generated by border crossers who do not apply for visas. In addition to reducing costs to general taxpayers, many of whom do not travel overseas, it would enable a reduction in charges to applicants for visas.

The proposal is also the most administratively efficient, as it would use an existing mechanism to achieve these equity gains. It would allow INZ to recover costs from New Zealanders and Australians who cross the border and therefore incur costs, as well as from visitors travelling on visa waiver passports. New Zealanders and Australians between them are more than half of border arrivals annually. It would not be feasible to create a separate mechanism to charge New Zealanders and Australians only.

Consultation on the International Visitor Conservation and Tourism Levy (IVL) and the Electronic Travel Authority (ETA)

The Government is also seeking feedback on the proposal to introduce an International Visitor Conservation and Tourism Levy and Electronic Travel Authority. The consultation documents can be found on MBIE's website: www.mbie.govt.nz/border-changes.

The addition of these proposals is not expected to change the Government's assessment of the potential impacts, discussed on page 12-14, of this document. However, we are interested in your views in this respect.

8.1 Do you have any comments on the potential cumulative impacts of the fees and levies, Electronic Travel Authority and International Visitor Conservation and Tourism Levy proposals under consultation on visa-required travellers or your industry?

Consolidated Questions

Overall questions

- 1.1 What impacts do you think that the package as a whole would have on individual visa applicants?
- 1.2 Can you think of any issues or factors that should be considered for this fee and levy review?
- 1.3 Do you have any information or data that can inform our assessment of the issues or impacts?
- 1.4 Are there any matters regarding any individual visa type that you would like to bring to our attention?

Part 1 Proposed changes to immigration fees and levies

Component 1: Rebalancing of visa fees to address over and under recovery across visa categories

- 2.1 Do you support the proposed changes across different visa categories? If not, can you explain why?
- 2.2 What impacts do you think that the rebalancing would have on individual visa applicants?
- 2.3 Bearing in mind the principles of *full cost recovery* and *equity*, are there any alternative approaches that should be considered? How would that impact on visa applicants?

Component 2: Improving border security and regulation of immigration advisers

- 3.1 What impacts do you think the proposed levy increase would have for immigration levy payers?
- 3.2 Are there any alternative approaches to cost recovery that should be considered? How would that impact on levy payers?

Component 3: Responses to demand pressures

- 4.1 What impacts do you think the proposed levy increase would have for visa applicants?
- 4.2 Are there alternative approaches to generate additional revenue that is required? How would that impact on visa applicants?

Component 4: Recovering the fee memorandum account deficit

- 5.1 Do you support a three-year or a five-year timeframe to recover the current fee memorandum account deficit?
- 5.2 What impacts do you think your preferred timeframe will have on levy payers?

5.3 Are there any alternative approaches to recover the current memorandum account deficit?

Component 5: Other matters

- 6.1 Can you think of any reason why the online discount should not be removed?
- 6.2 Can you think of any reason why the employer accreditation fee should not be increased?
- 6.3 What impacts do you think the proposed changes will have on visa applicants and employers?
- 6.4 Can you think of any other issues or factors that you would like to bring to MBIE's attention?

Part 2 Border Clearance Levy

- 7.1 What are your views on the proposal to recover immigration-related border clearance costs from most travellers that cross the border, including New Zealanders, with only the existing BCL limited exemption criteria?
- 7.2 What are your views on recovering all INZ border costs through increases to the BCL? If not, which services would you suggest are excluded and why do you think they should be excluded?
- 7.3 What are your views on the proposed timing and legislative aspects of implementation?
- 7.4 To industry: Do you see any other challenges to implementation of the preliminary proposed changes?

Cumulative impacts of changes to immigration fees and levies, and the introduction of an IVL and ETA

- 8.2 Do you have any comments on the potential cumulative impacts of the fees and levies, Electronic Travel Authority and International Visitor Conservation and Tourism Levy proposals under consultation on visa-required travellers or your industry?

Appendix One: Proposed changes to individual immigration fees

Note: Proposed fees are rounded up to the nearest \$5 for fees under \$100 or the nearest \$10 for fees above \$100. As a result, the actual percentage change may be slightly different to the change described in the 'comments' column in the table below.

Fee (NZ\$)	Current fees			Proposed fees			Comment on change
	New Zealand	Pacific	Rest of World	New Zealand	Pacific	Rest of World	
Residence class visa application—Skilled Migrant Category	1,890	1,620	2,505	1,880	1,610	2,480	1% overall decrease for Business Residence visas
Residence class visa application—Investor Plus (Investor 1 Category)	4,280	4,165	4,165	4,240	4,130	4,130	1% overall decrease for Business Residence visas
Residence class visa application—Investor (Investor 2 Category)	4,280	4,165	4,165	4,240	4,130	4,130	1% overall decrease for Business Residence visas
Residence class visa application—Entrepreneur Residence Category	3,340	3,340	3,340	3,310	3,310	3,310	1% overall decrease for Business Residence visas
Residence class visa application—Family Category	970	970	1,670	1,070	1,070	1,840	10% increase for all other visa categories
Residence class visa application—Samoan Quota scheme	740	720	-	820	800	n/a	10% increase for all other visa categories

	2017			2018			Comment on change
	New Zealand	Pacific	Rest of World	New Zealand	Pacific	Rest of World	
Residence class visa application—Pacific Access Category	805	785	-	890	870	n/a	10% increase for all other visa categories
Residence class visa application—Refugee Family Support Category	605	595	835	670	660	920	10% increase for all other visa categories
Residence class visa application—Employees of Relocating Businesses Category	970	970	1,670	970	970	1660	1% overall decrease for Business Residence visas
Residence class visa application—Residence from Work Category	970	-	-	970	n/a	n/a	1% overall decrease for Business Residence visas
Residence class visa application—Parent Retirement Category	3,340	3,340	3,340	3,310	3,310	3,310	1% overall decrease for Business Residence visas
Residence class visa application—any other residence category	970	970	1,670	1,070	1,070	1,840	10% increase for all other visa categories
Permanent resident visa application by person holding resident visa	190	190	190	210	210	210	10% increase for all other visa categories
Permanent resident visa application by person who previously held resident visa	190	190	190	210	210	210	10% increase for all other visa categories
Resident visa application by person who previously held resident visa	190	190	190	210	210	210	10% increase for all other visa categories
Variation of travel conditions of visa by person holding resident visa	190	190	190	210	210	210	10% increase for all other visa categories

	ees						Comment on change
	New Zealand	Pacific	Rest of World	New Zealand	Pacific	Rest of World	
Notification of expression of interest in applying for residence class visa—Skilled Migrant Category (physical)	680	680	680	680	680	680	1% overall decrease for Business Residence visas
Notification of expression of interest in applying for residence class visa—Skilled Migrant Category (electronic)	530	530	530	680	680	680	Removal of online discount – applies hard-copy rate
Notification of expression of interest in applying for residence class visa—Investor 2 Category	620	620	620	620	620	620	1% overall decrease for Business Residence visas
Notification of expression of interest in applying for residence class visa—Parent Category (physical)	440	440	440	490	490	490	10% increase for all other visa categories
Notification of expression of interest in applying for residence class visa—Parent Category (electronic)	345	345	345	490	490	490	Removal of online discount – applies hard-copy rate
Notification of expression of interest in applying for residence class visa—Pacific Access Category (first year of notification)	75	75	75	85	85	85	10% increase for all other visa categories
Notification of expression of interest in applying for residence class visa—Pacific Access Category (subsequent year of notification)	30	30	30	35	35	35	10% increase for all other visa categories
Temporary visa application—visitor visa	170	135	170	190	150	190	10% increase for all other visa categories

	2019			2020			Comment on change
	New Zealand	Pacific	Rest of World	New Zealand	Pacific	Rest of World	
Temporary visa application—visitor visa (online)	151	116	151	190	150	190	Removal of online discount – applies hard-copy rate
Temporary visa application—student visa	260	205	280	250	200	270	6.5% reduction for student visa categories
Temporary visa application—student visa (online)	233	178	253	250	200	270	Removal of online discount – applies hard-copy rate
Temporary entry class visa application—limited visa: limited student visa	260	205	280	250	200	270	6.5% reduction for student visa categories
Temporary entry class visa application—limited visa: limited visa for recognised seasonal employer	280	240	280	310	270	310	10% increase for all other visa categories
Temporary entry class visa application—limited visa: any other category	170	135	170	190	150	190	10% increase for all other visa categories
Temporary visa application—student visa made online by education provider	100	-	-	110	n/a	n/a	10% increase for all other visa categories
Temporary visa application—group visitor visa per person (made offshore only): approved destination status (China)	n/a	n/a	50	n/a	n/a	30	45% reduction for group visitor visa category
Temporary visa application—group visitor visa per person (made offshore only): other	85	85	85	50	50	50	45% reduction for group visitor visa category

	ees						Comment on change
	New Zealand	Pacific	Rest of World	New Zealand	Pacific	Rest of World	
Temporary visa application— Retirement Category visitor visa	3,340	3,340	3,340	3,310	3,310	3,310	1% overall decrease for Business Residence visas
Temporary visa application—work visa under Silver Fern Job Search immigration instructions	260	260	260	410	410	410	54% increase for work visa categories
Temporary visa application—work visa under working holidaymaker extension	170	-	170	190	n/a	190	10% increase for all other visa categories
Temporary visa application—work visa under Work Partnership/Work to Residence (Talent (Arts, Culture, and Sports), Talent (Employer Accreditation), or Talent (Long-term Skills Shortage List))	375	375	375	580	580	580	54% increase for work visa categories
Temporary visa application—work visa under Work Partnership/Work to Residence (Talent (Arts, Culture, and Sports), Talent (Employer Accreditation), or Talent (Long-term Skills Shortage List)) (online)	355	355	355	580	580	580	Removal of online discount – applies hard-copy rate
Temporary visa application—work visa under any other category of immigration instruction	280	240	280	440	370	440	54% increase for work visa categories
Temporary visa application—work visa under any other category of immigration instruction (online)	260	220	260	440	370	440	Removal of online discount – applies hard-copy rate
Temporary visa application—Entrepreneur Work Visa	3,340	2,820	3,340	3,680	3,110	3,680	10% increase for all other visa categories

	2017			2018			Comment on change
	New Zealand	Pacific	Rest of World	New Zealand	Pacific	Rest of World	
Temporary visa application—work visa under working holiday scheme	170	-	170	270	n/a	270	54% increase for work visa categories
Application for reconsideration of decision to decline further temporary visa	195	-	-	220	n/a	n/a	10% increase for all other visa categories
Transit visa application	145	145	145	160	160	160	10% increase for all other visa categories
Transit visa application—group Chinese nationals per person	85	-	85	95	n/a	95	10% increase for all other visa categories
Request for special direction	195	195	195	220	220	220	10% increase for all other visa categories
Residence class visa granted under section 61 of the Immigration Act	870	-	-	960	n/a	n/a	10% increase for all other visa categories
Temporary entry class visa granted under section 61 of the Immigration Act	365	-	-	410	n/a	n/a	10% increase for all other visa categories
Application for variation of conditions imposed on any type of temporary entry class visa	170	170	170	190	190	190	10% increase for all other visa categories
Request under immigration instructions by employer for approval in principle to recruit overseas workers	400	-	-	620	n/a	n/a	54% increase for work visa categories
Labour hire company accreditation (Essential Skills Category immigration instructions)—first year of	1,775	-	-	1,960	n/a	n/a	10% increase for all other visa categories

	ees						Comment on change
	New Zealand	Pacific	Rest of World	New Zealand	Pacific	Rest of World	
accreditation							
Labour hire company accreditation (Essential Skills Category immigration instructions)—subsequent year of accreditation	500	-	-	550	n/a	n/a	10% increase for all other visa categories
Reconsideration of application from labour hire company for accreditation (Essential Skills Category immigration instructions)	195	-	-	220	n/a	n/a	10% increase for all other visa categories
Request under immigration instructions by an employer for approval in principle to recruit overseas workers under foreign crew of fishing vessels instructions	5,115	-	-	5,630	n/a	n/a	10% increase for all other visa categories
Request under immigration instructions for supplementary seasonal employment approval in principle	260	-	-	290	n/a	n/a	10% increase for all other visa categories
Call-out fee where office is opened outside normal working hours in order to process immigration matter	290	290	290	320	320	320	10% increase for all other visa categories
Registration under Refugee Family Support Category	90	-	-	100	n/a	n/a	10% increase for all other visa categories
Employer accreditation (under talent work immigration instructions)—initial accreditation	1,775	-	-	2,130	n/a	n/a	20% increase for Employer accreditation applications
Employer accreditation (under talent work immigration	500	-	-	600	n/a	n/a	20% increase for employer accreditation

	2017			2018			Comment on change
	New Zealand	Pacific	Rest of World	New Zealand	Pacific	Rest of World	
instructions)—subsequent accreditation							applications
Reconsideration of application from employer for talent employer accreditation	195	-	-	240	n/a	n/a	20% increase for Employer accreditation applications
Entertainment industry accreditation (under specific purpose or events immigration instructions)—first year of accreditation	1,775	-	-	1,960	n/a	n/a	10% increase for all other visa categories
Entertainment industry accreditation (under specific purpose or events immigration instructions)—subsequent year accreditation	500	-	-	550	n/a	n/a	10% increase for all other visa categories
Recognised Seasonal Employer status	870	-	-	960	n/a	n/a	10% increase for all other visa categories
Agreement to recruit under Recognised Seasonal Employer work immigration instructions	230	-	-	260	n/a	n/a	10% increase for all other visa categories
Confirmation of immigration status	110	110	110	130	130	130	10% increase for all other visa categories
Transfer fee where visa stamp or label transferred from one passport or certificate of identity to another	110	110	110	130	130	130	10% increase for all other visa categories
First endorsement of New Zealand citizenship in foreign passport	135	135	135	150	150	150	10% increase for all other visa categories

	2018/19			2019/20			Comment on change
	New Zealand	Pacific	Rest of World	New Zealand	Pacific	Rest of World	
Second or subsequent endorsement of New Zealand citizenship in foreign passport	85	85	85	95	95	95	10% increase for all other visa categories

Appendix 1: Proposed changes to individual immigration levies

Note: Proposed levies are rounded up to the nearest \$1 for first seven.

Proposed levies are rounded up to the nearest \$10 for remaining categories.

The figures assume that the increases proposed in this paper are agreed in full.

Category of applicant	Current Levy (NZD\$)	Proposed Levy (NZ\$)
Applicant for group visitor visa	10	15
Applicant for visitor visa: any other category	14	21
Applicant for student visa	17	25
Applicant for work visa	38	55
Applicant for limited visa: limited visa for recognised seasonal employer	10	15
Applicant for limited visa: limited student visa	17	25
Applicant for limited visa: any other category	14	21
Applicant for resident visa—Skilled Migrant Category	580	830
Applicant for resident visa—Investor Plus (Investor 1 Category)	580	830
Applicant for resident visa—Investor (Investor 2 Category)	580	830
Applicant for resident visa—Entrepreneur Residence Category	580	830
Applicant for resident visa—Residence from Work Category	580	830
Applicant for resident visa—Employees of Relocating Business Category	580	830
Applicant for resident visa—Family Category	280	410
Applicant for resident visa—Pacific Access Category	280	410
Applicant for resident visa—Parent Retirement Category	280	410
Applicant for resident visa—Pitcairn Islanders	280	410
Applicant for permanent resident visa—Family Category	280	410
Applicant for permanent resident visa—Residence from Work Category	580	830

Appendix Three: Breakdown of Demand-Driven Cost Pressure

	Total 5 year financial impact from 2017/18-2021/22 (\$m)	2017/18	2018/19	2019/20	2020/21	2021/22 & Outyears
Critical Capability and Capacity Costs	72.551	2.539	15.290	17.196	17.955	19.571
Increase in funding to address cost pressures in maintaining INZ's ICT systems caused by additional systems coming on stream and general increases in maintenance costs	17.450	0.050	3.900	4.500	4.500	4.500
Consolidated costs for new teams already established within INZ to ensure that the regulatory system is effectively operating (including the Business Strategy and Governance team, additional Service Design and Performance resources and higher direct and indirect corporate costs)	23.525	0.125	5.850	5.850	5.850	5.850
Costs to improve staff retention and to lift productivity by salary increases and for technical training	27.576	1.564	4.740	6.046	6.805	8.421
Payroll remediation to address taxation issues identified with incorrect payment of offshore staff	4.000	0.800	0.800	0.800	0.800	0.800
Consolidated Visa change process	-0.704	15.679	14.950	-8.706	-12.286	-10.341

Redundancy costs associated with realignment and consolidation of visa processing activities	\$7.877	\$7.877	\$6.250	\$0.000	\$0.000	\$0.000
Realignment and consolidation of visa processing activities (benefits of ERD approved funding - assumes 3% weighted average growth in visas - moderated for change period)	-\$65.858	\$0.382	-\$6.818	-\$16.206	-\$21.608	-\$21.608
Realignment and consolidation of visa processing activities (additional funding needed to achieve benefits)	\$20.871	\$6.952	13.918	0	0	0
Additional processing capacity for volume growth (assumes 3% weighted average growth in visas - absorbed in efficiency process for change period)	\$5.589	\$0.000	\$0.000	\$0.000	\$1.822	\$3.767
Property related-new sites (already committed)	\$31.020	\$0.920	\$7.600	\$7.500	\$7.500	\$7.500
Policy changes which impact on operating costs	10.314	1.196	2.267	2.277	2.287	2.287
Boosting of capacity for Visa Services verification activity required for implementation of changes made to the Skilled Migrant Category and Essential Skills visa policies	4.196	0.586	0.890	0.900	0.910	0.910
Funding of cost recovery of Police vetting checks	3.050	0.610	0.610	0.610	0.610	0.610
Funding for error in Settlement Unit funding approved by Cabinet which has created cost pressures*	3.068	0	0.767	0.767	0.767	0.767
Depreciation and ICT costs associated with the initiatives above	37.613	1.500	7.768	9.806	9.581	8.958
Depreciation of MBIE funded Vision 2015 Assets	13.810	1.500	3.078	3.078	3.078	3.078
Depreciation associated with enhanced work streams to further improve technical platform to	12.888	0.000	3.222	3.222	3.222	3.222

process visio online including investment in the Secure Real-Time Platform.						
Depreciation associated with capital investment in the Visa 2020 programme	10.368	0.000	1.447	3.252	3.146	2.523
Previously unfunded depreciation related to the maintenance of the ICT system	0.547	0.000	0.022	0.255	0.135	0.135
Total	119.774	20.914	40.276	20.573	17.537	20.475

Appendix 1: Pre-border clearance activities by Agency

Stage of the process	Customs activities	MPI activities	INZ activities (both for departures and arrivals)
Pre border	<ul style="list-style-type: none"> • Undertaking risk assessments of all passengers and crew through Advanced Passenger Information to identify persons of interest. • Intelligence gathering and information sharing with other domestic and international agencies (including Customs' Overseas Posts) to inform risk identification and operational activity. • Tracking of all marine craft and vessels, and aircraft before their arrival in New Zealand. • Co-ordination of resourcing and tasking of border activities. • En-route processing of cruise passengers. • Forecasting and supporting analysis. • Liaison with social and welfare agencies such as Ministry of Health for potential passenger health issues. • Planning processes for major operations, events and natural disasters. 	<ul style="list-style-type: none"> • Screening for targeted interventions - identifying travellers of biosecurity interest. • Co-ordination of resourcing and tasking of border activities. • En-route biosecurity clearance - where possible. • Management of craft applications for arrival at non-approved Places Of First Arrival. 	<ul style="list-style-type: none"> • Provision of boarding directives at check-in for all travellers, including New Zealanders, using the Advanced Passenger Processing system. • Assessment of travellers and flights – prioritised using data analysis and intelligence (ie. the Risk Targeting Programme). • Identification of persons of interest for interview by phone or on arrival • Immigration decisions made on boarding based on visa eligibility, identity and risk assessment. • Facilitating inadmissible travellers to and through New Zealand airports. • Raising electronic visas and facilitating for urgent travel requests . • Preparation by Onshore team in anticipation for passengers from Risk Targeting Programme. • Intelligence/information sharing with other partners.
At border/ onshore	<ul style="list-style-type: none"> • Primary-line processing (manual and via SmartGate): validation of identity, completion of immigration processes, and identification of persons of interest. • Secondary activities and processes i.e. interaction with persons of interest, questioning and search activities. • Alongside processing of cruise passengers. • Collection of revenue and/or duty where 	<ul style="list-style-type: none"> • Assessment of arrival documentation against biosecurity requirements. • Verification of compliance to biosecurity requirements of travellers. • Application of intervention tools e.g. communications, searches, detector dogs, x-ray. • Collection of information relating to pathways and effectiveness of 	<ul style="list-style-type: none"> • On arrival assessment of, and entry decisions for, high-risk travellers. • Interviewing travellers referred by the Risk Targeting Programme and the primary line. • Undertaking forensic document examination of questioned passports and other travel documents. • Pastoral care and facilitation of travellers refused entry.

	<p>required:</p> <ul style="list-style-type: none"> • On-site support to secondary and verification activities and processes (i.e. more involved questioning and intervention with persons of interest, assistance around examination of electronic devices). • Customer service functions. • Departure processing for passengers. 	<p>interventions:</p>	<ul style="list-style-type: none"> • Management of people on reporting conditions awaiting departing flights in the community. • Facilitating people being deported from New Zealand by Compliance Operations.
Post-border	<ul style="list-style-type: none"> • Investigative activity (including surveillance and monitoring of persons of interest once they move beyond the border process). • Processing of the reporting that is completed (i.e. activity and information reports) including review and management of entities/alerts/profiles. • Post-seizure analysis (including supporting frontline briefing processes). • Debriefing processes for significant operations/events. • Information-sharing with other agencies/administrations. • Storage and disposal of seized goods • More involved analysis and intelligence processes (i.e. strategic assessments, analysis and refinement of profiles and alerts.) 	<ul style="list-style-type: none"> • Review and management of high-risk travellers. • Verification of the process for the disposal of risk goods seized from travellers. • Investigations into non-compliance • Compliance monitoring and analysis to measure performance of pathways. 	<ul style="list-style-type: none"> • Operational activity with other agencies e.g. NZ Police and custody of a passenger. • Training new Border Officers and conducting regular training for existing Border Officers. • Reporting on time-specific operations conducted at the offshore and onshore border. • Operational planning (INZ and multi-agency). • Carrier Infringement considerations - education/fining/prosecutions of airlines who have not met agreed standards. • Information sharing and intelligence reporting.