

This proactive release contains two documents:

- Cabinet paper entitled Immigration Fees and Levies Review
- Cabinet Minute Dev-18-MIN-0040

Some information has been withheld under section 9 (2) (f) (ii) of the Official Information Act 1982 as it is necessary to maintain the convention of individual and collective ministerial responsibility.

Please note that the Cabinet paper contains financial recommendations which are dealt with through the Budget 18 process and these recommendations are therefore not reflected from the corresponding Minute.

Chair, Cabinet Economic Development Committee

Immigration Fees and Levies Review

Proposal

- 1 This paper seeks approval to consult on a review of third party fees and levies recovered by Immigration New Zealand (INZ). Approval in principle is sought for Increases in appropriations to meet demand based cost pressures faced by INZ, and to respond to the Government's commitments to increase compliance and verification activities to mitigate risks of migrant abuse.
- 2 To meet demand based cost pressures, the paper seeks approval in principle to increase immigration related appropriations by \$119.774 million in operating funding over five years, with these costs to be recovered, almost entirely, by proposed fees and levies increases. This increase will provide for additional costs (primarily in visa processing) faced by the immigration system, in order to lift capacity and capability, address cost pressures in ICT and depreciation, and address the costs of unfunded policy changes. The proposed increase in operational funding is contingent on Budget 2018 decisions on corresponding Crown capital funding of \$12.532 million. The proposed increases to fees and levies will be set at a level that recovers the projected deficit in the immigration fee and levy memorandum accounts over the next three to five years.
- 3 Subject to Budget 2018 decisions, I am also seeking approval in principle for a further increase in appropriations of \$39.576 million over five years to be recovered entirely through an increase to the immigration levy for border and compliance related activities. The funding comprises \$33.181 million for border and compliance related activities, \$0.795 million for border related depreciation and ICT operating expenditure, and \$5.600 million for greater regulatory activity focussed on immigration advisers.
- 4 Approval is sought for public consultation in May to June 2018. Following consultation I will report back to Cabinet with final proposals for fee and levy changes in August 2018.

Executive Summary

- 5 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 Zealander's social and cultural connectedness with the rest of the world. The system operates a range of visa categories, including visitors, work/business, international, humanitarian, and student.
- 6 Fees and an immigration levy provide for around 71% or \$225 million of the \$315 million annual expenditure for the 2017/18 financial year on the immigration system. A principles-based approach is taken to setting and regularly reviewing immigration fees and levies to ensure appropriate levels of cost recovery from those that benefit from a well-functioning immigration system. Third party charges are managed in a memorandum account, which is currently \$20 million in deficit and forecast to deteriorate further in the near term. This indicates that overall, current fees and levies are not fully recovering costs.
- 7 Immigration fees and levies were last reviewed in 2015, when INZ were in the process of a \$140 million transformation project that increased the use of technology to drive efficiencies,

reduce costs in outyears, and improve customer experiences. Since that time, the operating context for INZ has continued to evolve. Increasing traveller flows, and a growing focus on risk, compliance, and verification has led to cost pressures in the system. INZ has also been undertaking further change processes and investment which will result in a significant reduction to INZ's off-shore footprint, and growing specialisation in visa processing.

- 8 Consequently, as part of the review and subject to Budget 2018 decisions, I am proposing a range of investments in the immigration system to meet emerging risks and demand-based pressures. These investments will meet critical capability and capacity costs, fund a number of previous policy changes, and invest in ongoing changes to visa processing services, as well as depreciation and ICT costs associated with capital investments. The required uplift of \$119.774 million over five years to meet these costs would be recovered almost entirely through third party revenue (with a Crown contribution of \$1.632 million in operating funding in total over the five years and \$12.532 million in Crown capital funding).
- 9 The review also reflects proposals to invest in strengthening our border and improving our screening of people coming to New Zealand. A strong border, supported by good information and analysis of incoming traveller profiles, is a key component of lifting compliance with immigration rules. I am proposing, subject to Budget 2018 decisions, to fund an additional 29 INZ Border Staff to lift profiling from 30% travellers on high risk routes to 60% of travellers, address health and safety concerns around lone working for shift work and regional offices, and meet INZ's costs associated with development of an investigation case management system, and additional regulatory activity focussed on immigration advisers. To fund these initiatives, I am seeking a total of \$39.576 million over five years that will be recovered entirely from third parties through the immigration levy.
- 10 The spending decisions in this paper are subject to final Budget 2018 decisions. This dependency is primarily due to \$12.532 million in Crown-funded capital spending that is being considered through the Budget process, as well as operating expenses of \$1.632 million over five years that require Crown funding in accordance with best-practices funding principles. Final appropriation decisions for the immigration fees and levy review will be reflected in the final Budget Cabinet paper that is expected to be considered on 9 April 2018.
- 11 Officials took a first-principles approach to assessing who should pay for existing costs and the new demand-driven cost pressures. Costs were assessed against the extent to which they were providing services to people who benefit from, or present the risks that are managed by, the immigration system (i.e. private goods), or whether the service provided a public good. Applying these principles across the cost categories does not result in a change to the allocation of Crown and third party funding within each visa fee category.
- 12 However, the additional investment of \$39.576 million over four years to manage border and compliance risks will be recovered entirely from the immigration levy. It is reasonable that these costs are recovered from third parties, as the costs are caused by risks generated by users of the immigration system. The effect of this investment being funded by the immigration levy will raise the share of funding for border and compliance services collected from third parties from around 33:67 (third party:Crown), to around 51:49 (third party:Crown).
- 13 Fully implemented, the changes will result in increases in the fees of most visas in the work visa category by 54%, (other than for work visas granted under the Recognised Seasonal Employer (RSE), Working Holiday or on humanitarian grounds which will increase by 10%). These increases would be offset by decreases of 1% in the skilled business migrant category, 6.5% in the student category and 43% for group visitor visas category.

- 14 The immigration levy would increase by 43%. While the above proposals result in significant percentage increases to fees and levies, officials consider that it is unlikely the absolute level of fee and levy increases involved will have a material impact on visitor or migrant numbers.
- 15 During the review a number of small and consequential policy changes have been identified which I propose to address during any changes to fee and levy settings. They are removal of on-line discounts across visa classes, and an increase in employer accreditation fees. The increase in accreditation fees reflects changes agreed by Cabinet that extend the time between accreditation reviews, but increase the rigour of those reviews when they occurred.
- 16 I propose releasing the attached discussion document following Budget 2018 decisions and consulting on proposed changes from May to June 2018. I intend to report back to Cabinet with final proposals for new fee and levy rates in August 2018, with the intent of having them in place by October 2018.
- 17 I also intend to consult on a possible extension to the Border Clearance Levy (BCL) currently charged by the Ministry for Primary Industries (MPI) and the New Zealand Customs Service (Customs). The BCL meets the costs MPI and Customs face for border clearance. INZ's border costs are currently 70% Crown-funded and 30% immigration levy-funded. Adding approximately \$3 per arrival to the BCL would raise sufficient revenue to replace the Crown funding, and will be in line with other agencies' border cost recovery processes. Consultation on an extension to a BCL would be at a high level, as any changes would require further work including legislative change.
- 18 I will also shortly be bringing proposals to Cabinet on an Electronic Travel Authority that would enable facilitation of bona fide passengers while managing potential risks more effectively and cheaply offshore, and could also help meet wider systems costs. s 9(2)(f)(ii)
- I understand that the Minister of Tourism will be reporting to Cabinet separately on a potential International Visitor Levy.

Background

- 19 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 Zealanders' social and cultural connectedness with the rest of the world. No less importantly, it is the first gateway to prevent trafficking and protecting migrants from exploitation, plays a central role in protecting our borders from global risks. Through the immigration system, New Zealand fulfils its international obligation for refugee settlement and plays a role in supporting our Pacific neighbours' economic well-being through, for example, the RSE Scheme. While varying from year to year due to changes in visitor and migrant flows, the immigration system receives approximately \$315 million in funding per year. The current breakdown¹ of funding is;
- 19.1 \$221 million for processing visas;
 - 19.2 \$45 million for border and compliance activities;
 - 19.3 \$37 million for refugees and migrant settlement supports; and
 - 19.4 \$11 million for attracting immigrants.

¹ As at the 2017 October Baseline Update.

- 20 Cost recovery plays a central role in this funding, and will account for approximately 76% (\$225 million) of all funding for the 2017/18 financial year. Fees totalling around \$200 million a year are charged for the costs of visa processing and overheads attributable to individuals. Levies account for a further \$25 million a year, and pay for costs not directly attributable to specific individuals which includes border processing, compliance and settlement services.
- 21 Activities that provide benefits to, or manage risks caused by, users of the immigration system are subject to nearly 100% cost recovery, such as processing individual visas and regulation of immigration advisers. Activities that largely provide public good benefits such as services for refugees and policy advice are funded solely through Crown funding, and costs are shared for those services where benefits accrue to the Crown and to (or manage risks caused by) visitors or migrants (such as border and compliance activities).
- 22 Immigration fees and levies were last reviewed in 2015. At that time, INZ was undertaking a \$140 million transformation programme. This programme delivered a modern fit-for-purpose immigration system with digital and on-line visa applications 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.
- 23 Since 2015, the fee memorandum account in particular has deteriorated and by the end of 2017/18 is expected to be in deficit by \$50 million. This indicates under-recovery of the costs of the immigration system on current settings even before allowing for new cost pressures, and underscores the timeliness for a review.
- 24 Updated projections of visitor and migrant flows will also impact on revenue and costs. Table 1 below provides a forecast of traveller flows across five broad categories of visas. Forecast reductions in residence, student and work-related visa flows will be offset by ongoing pressure on the immigration system through sustained strong demand for temporary visitor visas.

Table 1: Forecast of visa volumes

Visa Category	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	118,711	-10.0%	-3.0%	0.0%	0.0%
Work	242,737	4.0%	-1.0%	-2.0%	0.0%
Other Temp	32,704	0.0%	0.0%	0.0%	0.0%
Totals	829,223	868,712 (4.8%)	906,696 (4.0%)	950,481 (4.6%)	1,004,971 (5.7%)

- 25 These forecasts are based on current policy settings, and future changes to policy may impact on estimates of visitor flows.

A principles-led approach is taken to setting and reviewing immigration fees and levies

- 26 Following best practice guidelines published by the Treasury and the Office of the Auditor-General, immigration fees and levies are set and reviewed against the following principles:

- *Administrative efficiency* – cost recovery is administratively efficient, and decisions on when and what to recover are consistent with the efficient allocation of resources.
- *Effectiveness* – cost recovery should be set at a level that ensures resources are allocated in a way that contributes to the outcomes being sought. This means that 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 traveler numbers over a number of years and being prudent managers of public funds.
- *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 of costs between the Crown and third parties recognises that there are both private and public benefits generated by the immigration system.
- *Full costs* – the full costs, and not just the direct costs, of providing goods and services to individuals are used to calculate cost recovery.
- *Consultation* – there is meaningful consultation with stakeholders.
- *Accountability* – the regime as a whole needs regular reviews and consultation with stakeholders around changes to settings or the broader context, any surpluses or deficits from cost recovery, and on performance of the system.

Cost recovery is managed through time in a memorandum account

- 27 INZ's cost recovery regime is managed in two memorandum accounts; one for fees collected from specified individuals for visas, and the other for a generally applied levy on foreign travellers. For the 2017/18 financial year, around \$200 million of cost recovery is managed in the fee memorandum account, while around \$25 million is managed in the levy memorandum account².
- 28 A memorandum account allows for variances between forecasts and actual volumes to be managed through time, while providing flexibility and certainty of expenditure to enable INZ to adjust to current visitor dynamics.
- 29 Best practice is for memorandum account balances to trend toward a zero balance over the medium term (3-5 years) which requires active management of costs and revenue, reforecasting of volume flows, and regular reviews of fees and levies. The growing deficit in INZ's memorandum account suggests that costs are not being adequately recovered.

Proposed review of fees and levies

A review of fees and levies is needed

- 30 The last review of fees and levies occurred in 2015. Since then there have been a range of changes to the internal operating environment and the external operating context of INZ that have changed both INZ's expected cost and revenue profile.

² The levy memorandum account is not technically a memorandum account, but it functions the same way. The funds are initially paid to the Crown, then re-allocated for eligible immigration spending as Crown Revenue funding.

- 31 The main cost driver in visa processing is staff time. Increasing cost pressures on INZ – particularly around processing of work visas – has seen overall fee revenue being insufficient to match required resourcing levels. This has caused an unsustainable deficit to emerge in INZ's fee memorandum account – a deficit that is forecast (on current settings and forecasts of visitor and migrant flows) to grow. INZ estimates that by the end of 2017/18, the deficit in the fee memorandum account will reach \$50 million.
- 32 The year 2016/17 saw a shortfall between visa revenue and costs of \$11.3 million. While this points to under-recovery as a whole, at the visa category level both under- and over-recovery is occurring. Of the 14 different visa classes, the most significant under-recovery occurred in the work visa category at \$20.2 million and the humanitarian category of \$6.0 million (under-recovery in humanitarian visa costs is because these visa charges are waived). This was offset by over-recovery in the temporary student (\$5.1 million), the business/skilled residence (\$7.0 million), the group visitor visa (\$5.1 million). The net \$11.3 million shortfall comprised under-recovery from the remaining visa types. Principles around *full cost recovery* and around *equity* indicate that while overall there needs to be an increase in cost recovery through fees, in some areas there also needs to be a rebalancing of charges across visa categories - some visas charges are too low, while others are too high.
- 33 The root cause of under- and over-recovery in the various visa categories is due to a range of complexly related factors. However, general under-recovery in the work visa category is likely to be generated by a more rigorous approach to processing work visas. This has increased the time taken to process these visas, and as processing time is the single largest component of cost, lift the average cost per visa. Given the large number of visas processed, small changes in individual processing times can have magnified impacts on costs at the visa category-level.
- 34 In a similar vein, it is difficult to pin-point the causes of over-recovery in the student and group visitor visa categories. It is likely, however, that internal operating efficiencies, new on-line tools and automation introduced as part of the \$140 million 2015 visa change programme, and new management practices to triage low-risk visas, have seen the average costs for processing these categories of visa decrease.
- 35 The emerging variance between costs and revenue underscores the reasons for ongoing maintenance and regular reviews of fee and levy settings. Further, the offsetting over-recovery in some categories to meet the under-recovery of work visas indicates that there is cross-subsidisation between categories. While the Immigration Act 2009 provides for a lot of flexibility in the way that costs are recovered, generally the guiding principle around *equity* holds that where possible cross-subsidisation should be avoided.
- 36 Simply ending cross-subsidisation and resetting current revenue to current costs across visa categories would result in increases to the prices of work visas of around 40% (the RSE, Working Holiday and work visas granted along humanitarian grounds would not change, as processing effort for these specific visas has not increased in the same way as for other work visas). Over-recovery in the Student, group visitor and Skilled/Business residence categories would suggest they should decrease by around 10-50% at the same time. Those changes would simply halt a further deterioration in the memorandum account. Additional changes to fee levels will be required to meet government commitments, provide for enhancements to the system to meet forecast demand, and recover the existing memorandum account deficit over a reasonable period of time.
- 37 The sorts of options Ministers will have available following consultation are described in more detail below.

There are general cost pressures in the immigration system

- 38 INZ's operating context is large, complex, and continues to change. The growth in migration volume is expected to slow for some migrants, but continues strongly for short-term visitors that make up more than half of the total volume. There are also increasing risks as illegal activities, such as people trafficking and exploitation, become more common and evasion more sophisticated. Against this backdrop, there remains a growing public expectation on improving the standards of service. Continuous improvements and adjustments are necessary to meet these challenges.
- 39 Subject to final Budget 2018 decisions, I propose an increase in INZ appropriations of \$119.774 million in operating funding over five years to meet increased demand-based cost pressures. This will provide for critical capability and capacity costs, a number of policy changes implemented but unfunded, and necessary upfront investment for ongoing changes to visa processing services, as well as depreciation and ICT costs associated with capital investments. This will be recovered almost entirely through increased third party revenue (with a Crown contribution of \$1.632 million in total over the five years). As part of Budget decision I am seeking an increase to capital expenditure of \$12.532 million over five years for initiatives associated with the above increases.
- 40 Investment in new IT systems and on-shoring staff as part of this investment will lead to reduced costs in outyears of approximately \$10.3 million per annum from 2020/21. More detail on the specific elements of these cost pressures appears on page 16 of the draft discussion document and at appendix three of the discussion document.
- 41 An alternative to increasing fees and levies to fund the demand-based pressures would be to allow a significant deterioration in service levels, and put at risk enhancements made as part of the 2015 Visa Services change programme. I consider that these risks are not acceptable.

Growing border risks, the need to lift profiling of travellers on high-risk routes, and better regulatory activity around immigration advisers requires further investment

- 42 Subject to final Budget 2018 decisions, I am also seeking \$39.576 million over five years to be recovered entirely from third parties for new investments to enhance border security and increase funding for regulation of immigration advisers. The bulk of the funding comprises \$33.181 million for border and compliance related activities, \$0.795 million for border related depreciation and ICT operating expenditure, and \$5.600 million for increased regulatory activity around immigration advisers. The main component of \$33.181 million will enable INZ to:
- 43.1 support INZ's costs associated with of MBIE's Investigation Case Management System;
 - 43.2 provide an additional 29 FTE to the INZ Border Operations team that will allow INZ to increase profiling of air passengers on high risk routes from 30% to 60%;
 - 43.3 address health and safety issues resulting from shift work at the Border;
 - 43.4 introduce immigration screening of outbound travellers;
 - 43.5 fund the costs of the current project to improve the amount and precision of Passenger Name Record data provided to INZ border profilers; and
 - 43.6 provide additional resources to regional offices to address health and safety issues (lone working).

- 43 As there are elements of both public and private benefits to a strong border and compliance regime, these activities are funded by a mix of third party and Crown funding. The current annual split of funding for this activity is around 33 percent levy to 67 percent Crown.
- 44 It is reasonable that the additional \$39.576 million investment is recovered from third parties. The costs that the funding will meet are caused by 'risk exacerbators', that is, individuals whose actions make it necessary for the strengthening of the border. Including the additional cost as a levy, rather than a fee, is appropriate as the costs incurred are for a *specified purpose* but not necessarily for a specific good or service.³ At the global level, the additional third party funding will see the share of Crown to third party funding change to an almost equal ratio: the levy will provide 51 percent of funding and the Crown share will fall to 49 percent of funding.
- 45 The additional investment of \$5.600 million over four years for regulatory activities by the Immigration Advisers Authority focussed on immigration advisers will lift advice and compliance in the advisory landscape, and by doing so, improve outcomes and protections for migrants.
- 46 I considered the merits of directing all or part of the increases in third party levy funding to greater investment in investigating migrant exploitation and trafficking. However, I will be reviewing our approach to migrant exploitation over the next year, including appropriate levels of investment and targeting activities to areas with the greatest impact. It is also possible that greater inter-agency cooperation may lead to efficiencies in this area.

MBIE has reviewed the settings for some of the visa classes, and recommends consequential adjustments are made

- 47 As part of the review of fees and levies, INZ identified three areas where minor changes to fee settings are warranted. They are:
- removal of a discount of, on average, around \$20 for work and student visas (depending on type) that are applied for on-line; and
 - changes to employer accreditation visa charges which reflect the costs of two-yearly initial accreditation and the two or five-yearly renewal period.
- 48 As part of a shift to greater use of technology to speed up visa processes (including to improve efficiencies) and improve the quality of decision making, a price differential was introduced in 2015 between on-line applications and traditional paper-based applications (on-line applications are faster and cheaper to process, more convenient for applicants and decisions quality is generally higher). To encourage faster adoption of new on-line channels, a \$20 discount was applied to work and student visa categories.
- 49 The discounts are no longer required. Uptake of the new on-line channel is strong, and it is expected that the speed and convenience of on-line applications will mean that this channel will increasingly be a preferred way for customers to apply for visas.
- 50 Employers who regularly recruit skilled overseas workers can apply to become an Immigration New Zealand Accredited Employer. While accredited, these employers can employ skilled migrant workers without first having to check if any New Zealanders can do the work. There is also a range of other benefits to employers and to their migrant workers of

³ Border and compliance activities are not a specific service but rather are a range of associated but distinct activities: analysis and screening, border operations, and investigation case management. By contrast, visa charges are for a specific service, namely processing visas.

being accredited. As part of accreditation, INZ does a variety of checks and investigations into employers, and these activities are cost recovered through the accreditation fee. Policy decisions made in 2017 changed the accreditation period from annually to an initial accreditation of two years, which can be renewed for either two or five years. I recommend increasing fees charged for accreditation and renewal by 20%, subject to consultation, to reflect the costs of the accreditation system following these policy decisions.

Options available for cost recovery settings

Decisions are required on what costs to recover, how to recover the costs, and over what period

- 51 For the draft consultation document (which will be updated in light of final Budget 2018 decisions) I have included all demand-based cost pressures and the government commitments as outlined above. Officials have undertaken an analysis of the types of costs being met by the Crown and those being met through third party funding, and they consider the proportions as outlined are appropriate given current collection mechanisms. However, if further policy work outlined in paragraphs 59 to 65 results in new collection mechanisms, the ratio of Crown to third party share of costs may change.
- 52 The core option presented in the consultation document involves increases to most visas under the work category of 54% (other than for RSE, Working Holiday and those granted on humanitarian ground), and a slight decrease in the skilled business migrant category of visas of 1%. There are declines in the price of student visas of 6.5% and in group visitor visas of 45%. All other visa categories would increase by 10%. With these fee increases, the memorandum account would return to a zero balance in three years by 2021/22.
- 53 Other approaches are available, and stakeholders will be invited to provide feedback on the implications of changes to fee and levy parameters.
- 54 In final decisions in August 2018, Ministers will be asked to take decisions on the time period to recover the memorandum account deficit. The fee memorandum account is currently in deficit by \$20 million and forecast to reach a deficit of \$50 million by the close of 2017/18. In addition to meeting costs pressures and any further enhancements to the system, recovering the memorandum account deficit will factor into final fee and levy rates.
- 55 There are options available about the speed of recovery. 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 and levy settings. Faster recovery periods are a more cautious approach to fee and levy settings, as they are based on shorter-term forecasts. Slower recovery rates will generally lead to smaller changes in fee and levy settings, but are more susceptible to over- or under-recovery as the longer forecast periods they are based on are usually less accurate. The consultation document presents options around recovery of the memorandum account over three and five years.
- 56 I have elected not to consider options which only stabilise the decline in, but do not recover, the memorandum account deficit. I do not consider it appropriate to set fees and levies below the level needed to fully recover costs, including recovery of the memorandum account deficit. Doing so is contrary to the principles of full cost recovery and equity, and would have the effect of pushing cost recovery from present users onto future users. Further, if at some stage in the future MBIE is unable to manage the memorandum account deficit against its balance sheet, then a temporary, repayable capital injection from the Crown may be required.

57 I am also not consulting on further cost reductions within INZ. The changes made as part of the 2015 transformation programme and ongoing operational changes are embedding a new operating model. Additional cost reductions would require additional changes to the INZ operating model, and further investment in the system. That said, MBIE will continue to examine the efficiency and effectiveness of the immigration system to identify any areas for future improvements.

Proposals for consultation

58 The consultation document sets out the following core option as a starting point for discussion with stakeholders. The core option is made up of a set of individual components, and changes to some components will have impacts on other features of the option. A smaller increase to work visas, for instance, will necessarily require greater increases to other visa types. Slower recovery of the outstanding deficit will reduce overall fee levels, but increase out-year forecasting uncertainty and lengthen the time taken to achieve a zero balance and impact on the headroom in MBIE's balance sheet. Stakeholders will be asked to comment on the core option, and whether there are alternative approaches that will also satisfy the guiding principles.

Table 2: Cumulative impact on visa settings of policy options in the cost recovery review

		Impact on fees by visa categories	Impact on levy rates	Comment
Policy options	Addressing over and under recover across visa categories	Work increase by 40%* Student decrease by 15% Group visitor decrease by 50% Business residence decrease by 10%	N/A (only applies to fees)	Ministers will have choices on rebalancing before taking final decisions Consult over extent of rebalancing
	Meeting demand pressures	All visa fees increase by 5%	Increase by 6%	Options not presented as reflect cost pressures Consult over impacts of increases
	Improving border security and migrant protection	N/A (costs fully allocated to levies)	Increase by 38%	Recommended approach is for Ministers to focus investment in border and Immigration Advisers Authority activity Consult over level of investment and impacts of increases
	Recovery of memorandum account	All visa fees increase by 4%	N/A (only applies to fees memorandum account)	Ministers have choices over speed of recovery Consult over appropriate timeframe and impacts of increases
	Total Impact	Work increase by 54%* (excludes non-changing work visas) Student decrease by 6.5% Group visitor decrease by 45% Business decrease by 1% Other visas increase by 10% *	Increase by 43%	Memorandum account in surplus in 3 years

* Excluding visas related to RSE scheme, Working Holiday visas and work related-visas granted for humanitarian purposes, as the relative effort taken to process them is unchanged, and/or cost increases would be contrary to other policy objectives around seasonal labour supply and/or waivers of costs on humanitarian grounds.

- 59 The largest nominal increases in these categories are presented in the table below. Appendix three sets out all increases to individual fees. Proposed fees are rounded up to the nearest \$5 for fees under \$100 or the nearest \$10 for fees above \$100 once increases or reductions in fee category have been applied. This means that in practice the individual rounded rates may be slightly higher or lower than the percentage increases totalled at the bottom of the table above.

Table 3: Highest nominal impact in each visa class of the consultation option

Visa Category	Visa description	Current	Proposed
Work	Work (Partnership work to residence)	\$375	\$580
Employer accreditation	Employer accreditation	\$1,775	\$2,130
Student	Student (NZ application)	\$260	\$250
Visitor	Group Visitor	\$85	\$50
Business	Business (Residence Investor Plus)	\$4,280	\$4,240
Other	Retirement Category	\$3,340	\$3,310

Other cost recovery mechanisms

- 60 During the review, MBIE considered other ways of resourcing services to people who benefit from, or give rise to risks that are managed by, the immigration system. These include:

- an addition to the existing Border Clearance Levy (BCL) to fund INZ services at the border;
- s 9(2)(f)(ii) [REDACTED]
- the possible introduction of an Electronic Travel Authority (ETA) and/or an International Visitor Levy for visa-waivered travellers, which would enable facilitation of bona fide passengers while managing potential risks more effectively and cheaply offshore.

- 61 I intend to consult on an addition to the BCL to fund INZ border costs during the fee and levy review. Unlike the ETA, IVL s 9(2)(f)(ii) [REDACTED] the BCL is an existing cost recovery mechanism that recovers border-related costs from those who give rise to the risks that are managed by or whom benefit from border services. MPI and the New Zealand Customs Service currently meet 100% of their border clearance costs through this mechanism, and I intend to consult on the potential for INZ to use the BCL in a similar manner. While designated Customs officers largely perform the function of an immigration officer at the border, INZ also have immigration border staff and activities that I will propose be funded via the BCL.

- 62 There are important policy questions to be addressed. Unlike the immigration levy, an expansion of the BCL would involve cost recovery from all users of the border – including those who do not require visas such as New Zealand and Australian citizens and permanent residents as well as visa-waivered nationalities. I consider this appropriate as all travellers entering New Zealand are considered an immigration risk, unless otherwise identified by INZ. It will, however, be important that MBIE works closely with New Zealand Customs to prevent double recovery of costs.
- 63 Because of the very broad base, a BCL to recover all INZ border clearance costs (both those currently funded by the Crown and those funded through the immigration levy, if the BCL replaces the immigration levy for border cost) would be in the order of \$3 per arrival.
- 64 Introduction of an extension to the BCL would require legislative change. As such, any consultation as part of this fee and levy review would be to seek broad feedback on the concept of direct (but very low) charging for border clearance costs.
- 65 Further policy work by officials is required on the ETA, IVL s 9(2)(f)(ii) including an assessment of the cumulative impacts of changes to government fees to visitors. The table below provides an indicative assessment of the possible impacts of policy changes in respect of changes at the border through a combination of increases to visitor visa fees and levies, and the potential introduction of an IVL.

Table 4: Potential range of cumulative impacts of new or revised charges at the border

Charge type	Current	Proposed	Increase
Visa cost*	\$151-\$170	\$190	\$20-\$39
Immigration levy*	\$14	\$21	\$7
Border Clearance levy	\$19	\$19	n/a
International Visitor Levy (IVL) [#]	n/a	\$25-\$40	\$25-\$40
Combined	\$184 - \$203	\$225-\$270	\$52-\$86

* Fees shown are for visitor visas applied for in New Zealand. The lower rate reflects the current on-line discount.

[#] Indicative level of charge pending Ministerial decisions

- 66 In line with standard good regulatory practice, I plan to signal any work early (following Cabinet discussion) and invite stakeholder input into the policy development. I will bring proposals to Cabinet shortly on an Electronic Travel Authority that would enable facilitation of bona fide passengers while managing potential risks more effectively and cheaply offshore, and could also help meet wider systems costs. s 9(2)(f)(ii)
- I understand that the Minister of Tourism will be reporting to Cabinet separately on a potential International Visitor Levy.

Next Steps and Consultation

- 67 I intend to finalise a consultation document and have MBIE, on my behalf, undertake public consultation with stakeholders on the proposed increases to fees and levies, following final Budget 2018 decisions. Consultation will occur from May to June 2018. Treasury guidance encourages an open book approach to setting fees and levies. MBIE will make available, on request, additional detailed information for stakeholders on the drivers of costs and revenue, service volumes and information on service efficiencies and effectiveness.

68 I will report back to Cabinet with final proposals in August 2018, with the aim of amending the Immigration (Visa, Entry Permission, and Related Matters) Regulations 2010 (the regulations) to enable changes to fees and levies to come into effect from 1 October 2018.

69 MBIE consulted with the following departments/ agencies, whose views have been accurately reflected in this paper: the Treasury, DPMC (Policy Advisory Group), the Ministries of Education, Foreign Affairs and Trade (MFAT), Primary Industries, Social Development and Transport, the Ministry for Pacific Peoples (MPP), the New Zealand Customs Service, the Department of Internal Affairs (Office of Ethnic Communities), Police, EducationNZ, NZQA and TEC.

s
9(
2)
(f)
(ii)

[Redacted]

[Redacted]

[Redacted]

s
9(
2)
(f)
(iii)

[Redacted]

[Redacted]

[Redacted]

Financial Implications

73 In relation to demand-based cost pressures on INZ, I seek approval, subject to final Budget decisions, for an increase \$119.774 million in operating funding and \$12.532 million in Crown capital funding over five years. This investment will provide for critical capability and capacity costs, a number of policy changes implemented but unfunded, and necessary upfront investment for ongoing changes to visa processing services, as well as depreciation and ICT costs associated with capital investments. All but \$1.632 million over five years, which is being sought as the Crown contribution to activities that are currently jointly funded by the Crown and third parties, of the operating funding would be met through changes to fee and levy settings. This investment is contingent on approval as part of Budget 2018 for \$12.532 million in Crown capital funding over five years.



- 74 \$20.914 million of the demand-based cost pressures, and in particular costs associated with realignment and consolidation of visa processing activities (\$19.679 million), fall in the current financial year. Should an uplift of appropriations for the current financial year 2017/18 not be approved as part of Budget 2018, there is a high likelihood of a breach of appropriations.
- 75 In addition, I seek approval for further investment of \$39.576 million in operating funding over five years to be funded by increases to the immigration levy for greater compliance and border related activities in the immigration system. This will enable INZ to respond to increasing visitor and migrant flows, and growing and more complex risks.

Human Rights

- 76 The proposals in this paper appear to be consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Legislative Implications

- 77 Increases to appropriations necessary to give effect to the proposals in this paper will, following final Budget decisions, be outlined in the final Budget 2018 package Cabinet paper, and included in the Main and Supplementary Estimate legislation for Budget 2018. Adjustments will be included through October and March Baseline Updates, depending on when final decisions on fees and levies are made by Cabinet, and whether further changes to appropriations are required. The proposed fees and levies increase will require changes to Immigration (Visa, Entry Permission, and Related Matters) Regulations 2010 (the Regulations). I will bring a paper to the Cabinet in September 2018, following consultation, with proposals for changes to the Regulations.

Regulatory Impact Analysis

- 78 A Cost Regulatory Impact Statement (CRIS) is not required at this stage as no policy decisions are being taken. MBIE has worked to ensure a good assessment of the impact of the proposals is included in the consultation document. A CRIS will be completed in August 2018 when I seek Cabinet decisions on the final fee and levy settings.

Gender Implications

- 79 There are no gender implications from the proposals in this paper.

Publicity

- 80 I intend to make a media statement announcing the public consultation following Cabinet confirmation. This Cabinet paper and substantive lead advice will be made publicly available through MBIE's website, subject to any appropriate withholding of information under the Official Information Act 1982. A communications strategy will be developed for the public consultation on fees and levies increases.

Recommendations

The Minister of Immigration recommends that the Cabinet Economic Development Committee:

Background

- 1 **note** that the immigration system has appropriations in Vote Labour Market of \$315 million (in 2017/18, at the October Baseline Update) funded by a combination of Crown revenue

(\$75 million), variable revenue from visa fees (\$200 million for 2017/18) and an immigration levy collected from third parties (\$25 million for 2017/18), and increasing the deficit in the immigration memorandum account by \$15 million;

- 2 **note** that fee and levy revenue varies from year-to-year and is sensitive to volume changes in migrant and visitor volumes, resulting in a deficit or surplus in actual revenue which in turn is managed through memorandum accounts over time;
- 3 **note** that immigration levy and visa fees were last reviewed in 2015 and are periodically reviewed to ensure cost recovery levels are appropriate and that the memorandum account tracks to a zero balance over the medium term;
- 4 **note** that the Immigration New Zealand fees memorandum account is forecast to be in a deficit of \$50 million by the end of the 2017/18 financial year and will deteriorate further on current settings;

Proposed increases in spending from the Fees and Levies Review

- 5 **note** that there is increasing cost pressure on Immigration New Zealand as a result of changing operating context, increasing traveller volumes, and increasing complexity of the risks that the immigration system manages;
- 6 **agree in-principle**, subject to final Budget 2018 decisions, to increase
 - 6.1 operating funding on immigration services by \$119.774 million over 2017/18 to 2021/22 to address cost pressures almost all of which will be met by third parties through increases to visa fees, primarily in visa services processing, and associated Crown capital funding of \$12.532 million;
 - 6.2 operating funding for new investments required to increase protections for migrants and enhance border security by \$39.576 million over 2018/19 to 2021/22, to be funded by third parties through increases to the immigration levy (comprising \$33.181 million for border and compliance related activities, \$0.795 million for border related depreciation and ICT operating expenditure, and \$5.600 million for increased regulatory activities by the Immigration Advisers Authority);
- 7 **note** that the Crown-funded aspects in recommendation 6.1 above are being managed through the Social Wellbeing workstream in Budget 2018;
- 8 **note** that I intend to consult on a core option for changes to immigration fees and levies that, dependent on full approval of proposed additional spending:
 - 8.1 increases the Work visa category fees by 54%, except for Recognised Seasonal Employment scheme visas, Working Holiday Visas, and Work Visas associated with humanitarian visas which would increase by 10% (in line with increases to all other visa category fees);
 - 8.2 reduces Student visa category fees by 6.5%;
 - 8.3 reduces group visitor visas fees by 45%;
 - 8.4 decrease the Business / Skilled Residence visa category fees by 1%;
 - 8.5 increases all other visa category fees by 10%;

8.6 increases all immigration levy rates by 43%;

8.7 increase employer accreditation fees by 20%;

8.8 remove discounts for on-line applications;

9 **note** that the changes in recommendation 8 would return the immigration fee memorandum account to a zero balance in three years by the end of 2021/22;

10 **note** the increased third party revenue collected through the immigration levy in recommendation 8.6 above will result in a change in the overall proportion of funding for border and compliance activity from 33:67 (third party:Crown) to 51:49 (third party:Crown);

11 **note** that final changes to appropriations to reflect decisions on the funding increases in recommendation 6 will be sought through the final Budget Cabinet paper that is expected to be considered on 9 April 2018;

12 **note** that \$20.914 million of the demand-based cost pressures are for the current financial year 2017/18, and should an uplift of appropriations not be approved as part of Budget 2018 there is a high likelihood of a breach of appropriations;

Public consultation on the proposed changes to fees and levies

13 **agree** to consult publicly on the proposed changes to fees and levies following Budget 2018 announcements from May to June 2018;

s
9(
2)
(f)
(ii)

[Redacted]

15 **note** that public consultation will raise the potential for an expansion to the existing Customs Border Clearance Levy (of around \$3) to meet around \$20 million in border related costs currently funded by the Crown;

16 **authorise** the Minister of Immigration to make minor drafting changes to the attached consultation document prior to its release, following Budget 2018 announcements;

17 **note** that this Cabinet paper and substantive lead advice will be made available on the Ministry of Business, Innovation and Employment's website;

18 **invite** the Minister of Immigration to report back to Cabinet in August 2018 with final proposals for changes to immigration fee and levy settings, s 9(2)(f)(ii)

[Redacted]

Authorised for lodgement

Hon Iain Lees-Galloway

Minister of Immigration

Appendix One: Immigration appropriations, fees, levies and memorandum account balances

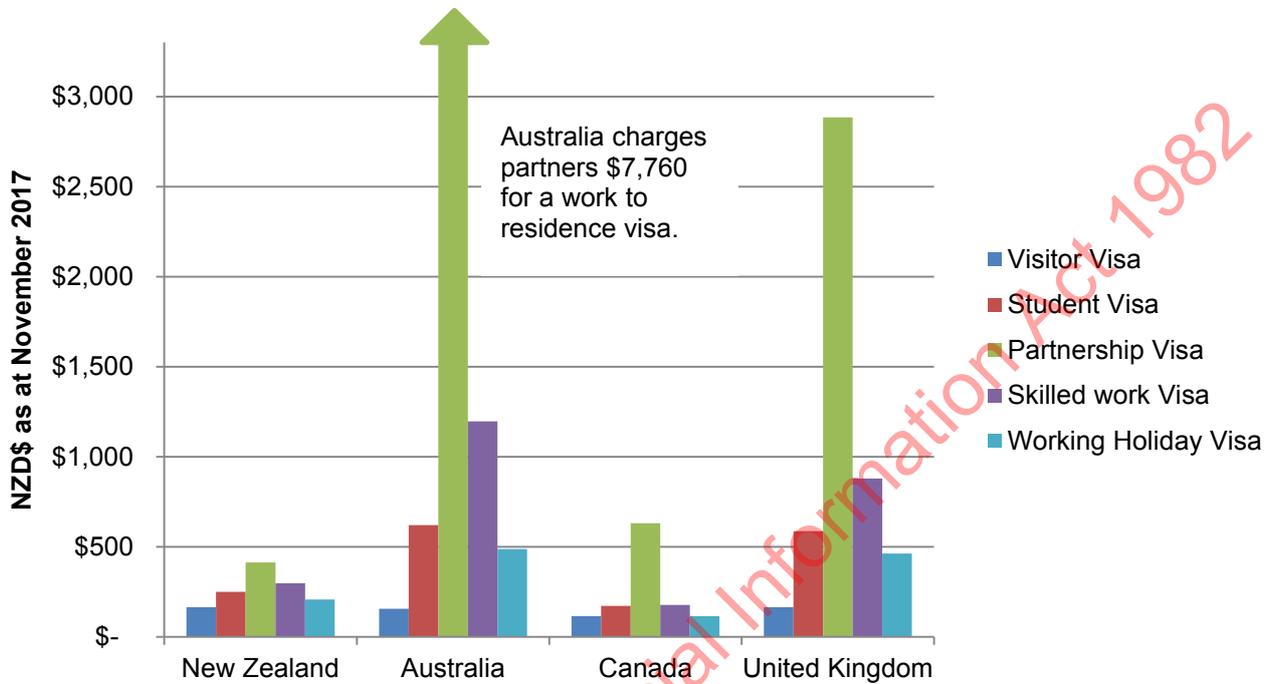
\$000s	Actual figures			Forecast figures				
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22 & Outyears
Appropriations								
Immigration Services appropriations (as at OBU 2017/18)	241,705	284,788	311,875	315,338	299,144	302,905	295,348	295,448
Impact of Fees & Levy review and associated bids	-	-	-	20,914	59,008	44,960	47,995	51,443
Memorandum Account balances								
- Opening balance - Fee memorandum account	-27,917	-14,732	-4,697	-11,709	-50,310	-68,347	-52,235	-25,599
- Surplus / deficit - Fee memorandum account	13,185	10,035	-7,012	-38,601	-18,037	16,112	26,636	31,934
- Closing balance - Fee memorandum account	-14,732	-4,697	-11,709	-50,310	-68,347	-52,235	-25,599	6,335
- Opening balance - Levy memorandum account	-	0	1,282	825	-1,442	146	810	497
- Surplus / deficit - Levy memorandum account	-	1,282	-457	-2,267	1,588	664	-313	717
- Closing balance - Levy memorandum account	-	1,282	825	-1,442	146	810	497	1,214

Sources:

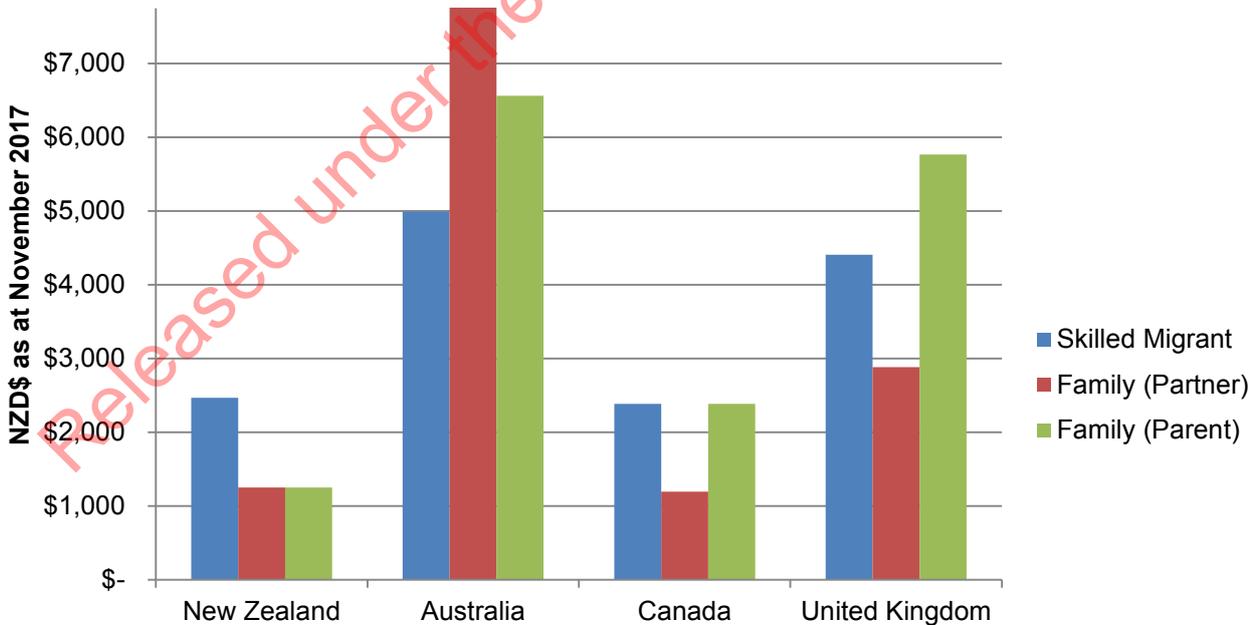
- Actual figures from the Crown Financial information system for 2014/15 to 2016/17
- Forecast figures for 2017/18 based on INZ management information
- Forecast figures for 2018/19 based on volume growth forecasts and the increases in fees and levies proposed in this paper effective from 1 October 2018.

Appendix Two: International comparison of work visa fees

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.

Appendix Three: 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 once increases or reductions in fee category have been applied. As a result, the actual percentage change may be slightly different to the change described in the 'comments' column in the table below.

Increases assume that appropriations sought in this paper are agreed in full.

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
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

Fee (NZ\$)	Current fees			Proposed fees			Comment on change
	New Zealand	Pacific	Rest of World	New Zealand	Pacific	Rest of World	
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
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 on-line 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 on-line 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
Temporary visa application—visitor visa (online)	151	116	151	190	150	190	Removal of on-line discount – applies hard-copy rate

Fee (NZ\$)	Current fees			Proposed fees			Comment on change
	New Zealand	Pacific	Rest of World	New Zealand	Pacific	Rest of World	
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 on-line 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
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 on-line discount – applies hard-copy rate

Fee (NZ\$)	Current fees			Proposed fees			Comment on change
	New Zealand	Pacific	Rest of World	New Zealand	Pacific	Rest of World	
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 on-line 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
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 Act	870	-	-	960	n/a	n/a	10% increase for all other visa categories
Temporary entry class visa granted under section 61 of 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 accreditation	1,775	-	-	1,960	n/a	n/a	10% increase for all other visa categories
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

Fee (NZ\$)	Current fees			Proposed fees			Comment on change
	New Zealand	Pacific	Rest of World	New Zealand	Pacific	Rest of World	
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 instructions)—subsequent accreditation	500	-	-	600	n/a	n/a	20% increase for Employer 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

Fee (NZ\$)	Current fees			Proposed fees			Comment on change
	New Zealand	Pacific	Rest of World	New Zealand	Pacific	Rest of World	
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
Second or subsequent endorsement of New Zealand citizenship in foreign passport	85	85	85	95	95	95	10% increase for all other visa categories

Released under the Official Information Act 1982

Appendix Four: Proposed changes to individual immigration levies

Note: Proposed levies are rounded up to the nearest \$1 for first seven categories once increases or reductions in fee category have been applied.

Proposed levies are rounded up to the nearest \$10 for remaining categories once increases or reductions in fee category have been applied.

Increases assume that both appropriations sought in this paper and appropriations being considered by Budget Ministers 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 Six: Draft consultation document

Released under the Official Information Act 1982



Cabinet Economic Development Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Immigration Fees and Levies Review

Portfolio **Immigration**

On 4 April 2018, the Cabinet Economic Development Committee:

Background

- 1 **noted** that the immigration system has appropriations in Vote Labour Market of \$315 million (in 2017/18, at the October Baseline Update), funded by a combination of:
 - 1.1 Crown revenue (\$75 million);
 - 1.2 variable revenue from visa fees (\$200 million for 2017/18);
 - 1.3 an immigration levy collected from third parties (\$25 million for 2017/18);
 - 1.4 increasing the deficit in the immigration memorandum account by \$15 million;
- 2 **noted** that fee and levy revenue varies from year-to-year and is sensitive to volume changes in migrant and visitor volumes, resulting in a deficit or surplus in actual revenue, which in turn is managed through memorandum accounts over time;
- 3 **noted** that immigration levy and visa fees were last reviewed in 2015 and are periodically reviewed to ensure cost recovery levels are appropriate and that the memorandum account tracks to a zero balance over the medium term;
- 4 **noted** that the Immigration New Zealand fees memorandum account is forecast to be in a deficit of \$50 million by the end of the 2017/18 financial year, and will deteriorate further on current settings;

Proposed increases in spending from the Fees and Levies Review

- 5 **noted** that there is increasing cost pressure on Immigration New Zealand as a result of changing operating context, increasing traveller volumes, and increasing complexity of the risks that the immigration system manages;

- 6 **noted** that the Minister of Immigration intends to consult on a core option for changes to immigration fees and levies that will, dependent on full approval of proposed additional spending:
- 6.1 increase the Work visa category fees by 54 percent, except for Recognised Seasonal Employment scheme visas, Working Holiday Visas, and Work Visas associated with humanitarian visas, which will increase by 10 percent (in line with increases to all other visa category fees);
 - 6.2 reduce Student visa category fees by 6.5 percent;
 - 6.3 reduce group visitor visas fees by 45 percent;
 - 6.4 decrease the Business/Skilled Residence visa category fees by 1 percent;
 - 6.5 increase all other visa category fees by 10 percent;
 - 6.6 increase all immigration levy rates by 43 percent;
 - 6.7 increase employer accreditation fees by 20 percent;
 - 6.8 remove discounts for on-line applications;
- 7 **noted** that the changes referred to in paragraph 6 above will return the immigration fee memorandum account to a zero balance in three years by the end of 2021/22;
- 8 **noted** that the increased third party revenue collected through the immigration levy referred to in paragraph 6.6 above will result in a change in the overall proportion of funding for border and compliance activity from 33:67 (third party:Crown) to 51:49 (third party:Crown);
- 9 **noted** that the financial implications of the above changes will be considered as part of the Budget process;

Public consultation on the proposed changes to fees and levies

- 10 **agreed** to the release of the consultation document, *Consultation on Immigration Fees and Levies: Seeking Your Views on Adjusting Immigration Fees and Levies* (the consultation document), attached to the paper under DEV-18-SUB-0040, subject to any minor or technical changes that may be authorised by the Minister of Immigration following Budget 2018 announcements;
- 11 **agreed** that the consultation be undertaken from May to June 2018;
- 12 **noted** that the Ministry of Business, Innovation and Employment will consult with Pasifika community representatives (in collaboration with the Ministry for Pacific Peoples) and Pacific governments (in collaboration with the Ministry of Foreign Affairs and Trade) as part of the public consultation process, on the impact that the proposed increases in fees and levies could have on visa applicants from Pacific countries;
- 13 **noted** that public consultation will raise the potential for an expansion to the existing Customs Border Clearance Levy (of around \$3) to meet around \$20 million in border-related costs currently funded by the Crown;
- 14 **noted** that the paper under DEV-18-SUB-0040 and substantive lead advice will be made available on the Ministry of Business, Innovation and Employment's website, subject to any appropriate redactions;

15 **invited** the Minister of Immigration to report back to the Cabinet Economic Development Committee in August 2018 with final proposals for changes to immigration fee and levy settings, s 9(2)(f)(ii)



Janine Harvey
Committee Secretary

Present:

- Hon Kelvin Davis
- Hon Phil Twyford
- Hon Dr Megan Woods (Chair)
- Hon Dr David Clark
- Hon David Parker
- Hon Nanaia Mahuta
- Hon Stuart Nash
- Hon Iain Lees-Galloway
- Hon Jenny Salesa
- Hon Damien O'Connor
- Hon Willie Jackson
- Hon Meka Whaitiri
- Hon James Shaw
- Hon Eugenie Sage

Hard-copy distribution:

Minister of Immigration

Officials present from:

- Officials Committee for DEV
- Treasury
- Ministry of Business, Innovation and Employment

Released under the Official Information Act 1982