Appendix Three: Cost Recovery Impact Statement

Stage 2 Cost Recovery Impact Statement

Interim Immigration Fee and Levy Review

Agency Disclosure Statement

This Cost Recovery Impact Statement (CRIS) has been prepared by the Ministry of Business, Innovation and Employment. It identifies and assesses options to: bring revenue from immigration fees and levies closer to an appropriate level of cost recovery from 1 August 2022; to address deficits that have accrued in the fee memorandum accounts prior to COVID-19 (March 2020) and between 1 July 2021 and 30 June 2022; and to adjust the allocation of costs between fees, levies and the Crown to better reflect public sector cost recovery principles and provide scope to broaden the payer base in future, contributing to a more sustainable funding system [CAB-21-MIN-0467 refers].

The analysis in this CRIS is limited by uncertainty about volumes, costs and migrants' response to increases in the price of a visa, including:

- *How quickly applications for visas and electronic Travel Authorities (eTAs) recover.* This reflects that: decisions on the timing and phasing of the border reopening are ongoing; travellers may be cautious about embarking on international travel while the global pandemic continues; and other changes to immigration policy settings proposed as part of the Immigration Rebalance have yet to be implemented. We have been able to prepare reasonable projections for some categories, and for the remainder we have simply assumed that they will recover to 65% of pre-COVID levels by June 2023 and to 75% by June 2024.
- *The future cost of providing immigration services*. We know the current cost of running the immigration system, but we lack granular information about the relationship between total operating costs and particular visa products. We have addressed this by assuming the existing relativities between the cost of servicing different visas remains the same (as these were adjusted in the last review in 2018), and adopting the pragmatic assumption that costs are incurred equal to the agreed appropriation baseline. The adoption of automation (ADEPT) will deliver operating efficiencies as volumes recover (but these efficiencies may lead to improvements in timeliness rather than a reduction in costs in the short to medium term).
- *The impacts of fee and levy increases on the demand for migration.* There is not a lot of New Zealand literature on the price elasticity of demand for visas. The experience of past fee and levy reviews (and international studies[1]) suggests that the responsiveness of demand is likely to be low for moderate increases in fee and levy rates. However, this may not hold for more significant increases. We have sought to address this by keeping

[1] Home Office (United Kingdom). (2020). *A review of evidence relating to the elasticity of demand for visas in the UK*

the proposed cumulative fee and levy rates within the range of prices charged by our international counterparts.

In light of the uncertainty described above, and because Cabinet decisions on new fee and levy rates are needed in advance of the 2022 Budget moratorium commencing on 11 April, our analysis has been largely informed by plausible assumptions rather than detailed visa volume forecasts. We have undertaken targeted consultation with relevant stakeholders on the proposals in this CRIS. I do not consider that a broader consultation would materially impact the conclusions or recommendations in this advice.

Privacy of natural persons

Kirsty Hutchison
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Ministry of Business, Innovation and Employment

31 March 2022

Executive summary

1. It is good practice that fees and levies are regularly reviewed. The last review of immigration fees and levies, carried out in 2018, aimed to: adjust relative fee rates to correct under- or over-recovery of costs for broad visa categories; increase fee and levy rates to fund additional resourcing that had been agreed by Cabinet, and recover the accumulated deficit in the fee memorandum account due to past under-recovery.

2. However, it soon became apparent that even with high visa volumes, the 2018 fee and levy rates were not sufficient to cover costs and recover the deficits in the memorandum accounts.

3. The outbreak of COVID-19 significantly exacerbated the third-party revenue shortfall. In early 2020, the Government introduced border restrictions to protect New Zealand from COVID-19. This led to a significant drop in visa applications (by 66 per cent) and requests for electronic Travel Authorities (eTAs) declined by 97 per cent. Fee and levy revenue has fallen with the decline in volumes, but INZ's expenditure has remained relatively constant. As a result, funding deficits for visa and eTA fees and immigration levies have continued to grow.

4. The Government provided MBIE with capital injections of more than $260 million to cover the shortfall in fee revenue to June 2021. It has written-off the COVID-related deficits in the fees memorandum accounts to return the combined balance (as at June 2021) back to the pre-COVID deficit (as at 29 February 2020) of -$58 million. In addition, through Budget 2021, the Government provided additional funding of up to $173 million to cover the anticipated third-party revenue shortfall for the year ending June 2022.

5. Maintaining resourcing of the immigration system at current levels is critical to enable the border reopening. The expected recovery in visa applications as border restrictions are eased over 2022 should increase revenue, but won't be sufficient to fully address the funding gap, as volumes are still likely to be lower than pre-COVID levels. We estimate that, in the absence of any increase to fee and levy rates (the status quo), additional Crown funding of up to $210 million over the next two years would be required. This comes with a significant opportunity cost. For example, it would significantly reduce the funding available for other Government priorities such as healthcare.

6. In November 2021, Cabinet agreed to the scope and objectives of a comprehensive review of the immigration funding model (focused on returning the immigration system to a sustainable financial position), commencing with an "interim" fee and levy review.

7. The objectives of the interim immigration fee and levy review are to:

    a. improve affordability to the Crown by bringing revenue from immigration fees and levies closer to cost recovery (while remaining within the range of what comparable jurisdictions charge)

    b. ensure the mix and level of charges support an efficient and effective immigration system

    c. more efficiently allocate Government resources, and

    d. improve transparency, accountability, and equity of the immigration charging system.

8. This CRIS assesses two main options to achieve these objectives. Both options would:

a. shift some of the costs of maintaining the immigration system that are currently collected from fees and the Crown to levies. This shift primarily reflects an assessment that some immigration services have the characteristics of club goods than private or public goods. Confidential advice to Government

b. raise fee and levy rates "across-the-board" for most visa products[2] to close half of the estimated third-party revenue shortfall over the next two years. Limiting rate increases to 50 percent of the increases needed to fully close the projected revenue gap manages the risk of over-recovering costs if visa volumes recover more quickly than anticipated and/or if the efficiency benefits from investments in automation are greater than anticipated

c. keep prices within the range of those charged by comparable countries, including through the application of caps on the price of Visitor and Skilled Migrant visas, and

d. subsidise the price of key Pacific visas (to uphold the Government's wider commitments to the Pacific).

9. The two options differ in their treatment of historical fee deficits accrued prior to COVID-19 (March 2020) and between 1 July 2021 and 30 June 2022:

a. ***Option 1 (with partial deficit recovery from users of immigration services)*** recovers over three years all remaining pre-COVID fee deficits ($46 million in total) and a portion of the COVID-related fee deficits, set with reference to the proportion of costs that were under-recovered prior to COVID (around $21 million in total). The Crown would write-off the remaining balance, around $99 million.

b. ***Option 2 (with the Crown fully writing off historical fee deficits)*** is based on the Crown absorbing the full cost of remaining deficits, estimated to total $164 million.

10. Both Option 1 and 2 are superior to the status quo, which doesn't meet the objectives of the review. MBIE's recommended option is *Option 2 (with the Crown fully writing off historical fee deficits)* because:

a. the more moderate increase to charges is less likely to deter migrants that we want to attract to New Zealand from coming

b. it mitigates the risks of over-recovery should visa volumes recover more quickly

c. it is more equitable by not requiring future fee payers to contribute to the costs of services that past applicants have given rise to, and

d. we consider that these considerations more than outweigh the greater fiscal impact on the Crown of Option 2 compared to Option 1.

11. Under the recommended option, eTA fee, Visa fee and Immigration Levy rates for most visa products (except where exclusions, caps or subsidies apply) would increase by 90%, 12% and 279%, respectively. The large Levy increase of 279% reflects the

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[2] One further exclusion is that fee rates for the recently announced Accredited Employer Work Visa (AEWV) and associated products are out of scope for the review as the charges are still appropriate; however, the applicable levy rate that applies is within scope.

impact of the proposed reformulation of how activities are funded, with more of the costs of managing and operating the immigration system shifting being charged as a levy.

12. Overall, we do not expect the proposed price increases to have a measurable impact on demand for travel and migration to New Zealand. This view is informed by the international evidence that price sensitivity of demand for visas is relatively low, as well as the response to previous increases to border charges in New Zealand. This reflects in part that immigration charges contribute only a small proportion of the overall costs for migrants considering travelling to New Zealand for holiday, work, study or residence. There is some uncertainty about the degree to which this will continue to hold with large increases in visa prices. For this reason, we have sought to keep prices within the range of other comparable jurisdictions.

13. MBIE conducted targeted consultation with stakeholders from early to mid-March, to understand their views of the impacts of the combined fee and levy increases and the underlying proposals.

14. Stakeholders expressed concerns about:

    a. The size of the proposed fee and levy increases, including that:

        i. they would send the wrong signal as New Zealand re-opens to the world, and could make us less competitive relative to comparable countries

        ii. they would negatively impact Pacific migrants in a way that would be inconsistent with the Government's wider commitments to the Pacific, and

    b. The fairness of including deficit recovery in the new fee rates, as:

        i. new applicants should not be held responsible for past under-recovery of costs (pre-COVID deficits), and

        ii. the Government should cover the full cost of keeping the immigration system running while the border restrictions were in place, as the revenue loss arose from Government decisions (COVID-related deficits).

15. Notwithstanding this feedback, there is a strong case for increasing fee and levy rates to recover a more appropriate share of costs. However, MBIE has revised the initial proposals to recommend that the Crown subsidise key Pacific visas, and write-off all remaining historical deficits. The final fee and levy rates proposed are also lower than the rates consulted on due to the effect of updated higher visa volume assumptions.

16. Subject to final Government decisions, the proposed option would be implemented by amendments to the regulations with effect from 1 August 2022. This is the earliest feasible date, taking into account the significant change programme to enable INZ to deliver on the reopening of the border alongside other key Government priorities. The preferred option will offset the under-recovery of costs and contribute to a more sustainable funding model, but it won't solve all of the problems with the current funding model. The next stage of the review will Confidential advice to Government

Context and Status Quo

Immigration funding overview

Summary of immigration activities and funding

17. Migrants and visitors make a significant contribution to New Zealand's economy and society.

18. Immigration New Zealand (INZ), a business group within the Ministry of Business, Innovation and Employment (the Ministry), facilitates access to New Zealand for migrants and visitors, for the purposes of work, study, tourism and services exports, investment and innovation, family reunification, resettlement, and international and humanitarian commitments, while excluding people who pose unacceptable risks to New Zealand's interests.

19. INZ's operations are supported by research and policy functions located elsewhere in the Ministry, and services provided to migrants by other government and non-government organisations.

20. INZ administers an annual budget for immigration services of approximately $453 million (2022/23 budget). This is paid for, in large part, by fees and levies recovered from migrants. This recognises the benefits migrants receive, such as from compliance, border and regulatory activities. Historically, third-party revenue has funded about two-thirds of immigration system costs, with fees contributing the largest share.

Table 1: Summary of immigration services spending and funding

Funding Source	Amount ($ millions)	Functions
Fees	276.8 (61%)	Visa assessment and processing, electronic Travel Authority (eTA) processing, border security (offshore)
Crown	148.0 (33%)	Refugee services, some national security and foreign relations functions, border security (onshore), ministerial appeals, investigations and compliance
Levy	28.7 (6%)	Some migrant settlement services, marketing, information and guidance, investigations and compliance
Total	**453.5**	

21. They are collected for different purposes:

    a. fees are charged on a full cost-recovery basis for the costs and associated overheads of visa decision-making (which benefit individuals and so represent private goods)

    b. levies contribute to immigration system costs which cannot be directly attributed to a specific applicant (and so represent a club good)

22. In addition, the Crown makes a contribution to the immigration system in recognition of the public benefits it provides (i.e. they are a public good).

23. Immigration fees and levies are chargeable under the Immigration (Visa, Entry Permission, and Related Matters) Regulations 2010 (the regulations), made under sections 393, 399 and 400 of the *Immigration Act 2009*. Fees are charged for most immigration services provided by INZ, but only a subset of immigration services (namely, visa applications) attract levies.

24. Fee and levy rates are a fixed charge to applicants and differentiated by visa product or category rather than calculated on a variable basis, such as at an hourly rate. However,

some fee rates vary by the location of the applicant (New Zealand, Pacific/Australia, Rest of World) which have historically reflected localised differences in costs (such as additional allowances for management seconded from New Zealand, or different levels of information verification required) as well as broader policy commitments to our Pacific neighbours.

25. Application volumes vary from year to year, and memorandum accounts are used to manage fee and levy revenue. These accounts can be in surplus or deficit in any given year, but the aim over time is for the memorandum accounts to be roughly in balance.

Context for this review

Immigration fees and levies were last reviewed in 2018

26. It is good practice that fees and levies are regularly reviewed. The last review of immigration fees and levies, carried out in 2018, aimed to: adjust relative fee rates to correct under- or over-recovery of costs for broad visa categories; and to increase fee and levy rates to fund additional resourcing that had been agreed by Cabinet, and to recover the accumulated deficit in the fee memorandum account due to past under-recovery of costs.

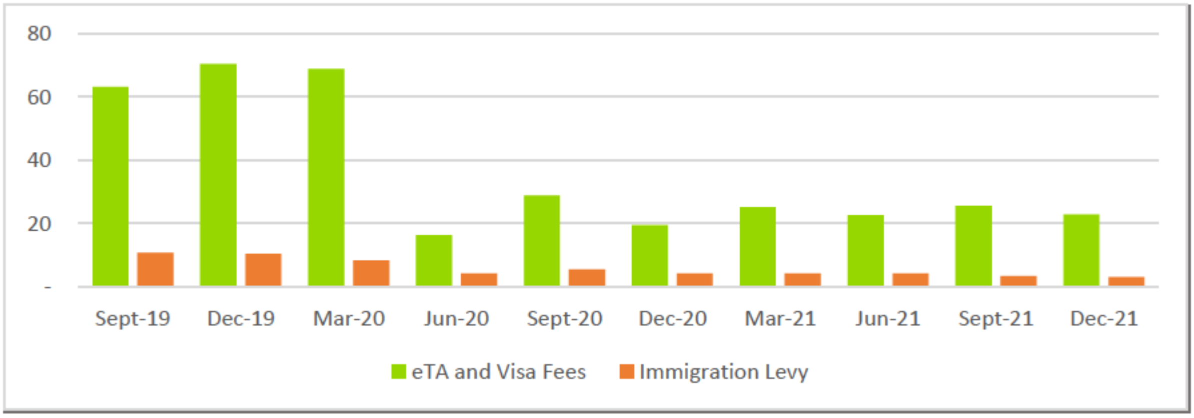
27. However, it soon became apparent that even with high visa volumes the 2018 fee and levy rates were not sufficient to cover costs and recover the deficits in the memorandum accounts. The deficits continued to grow by a further $10 million after the implementation of new rates in November 2018 to the end of December 2019.

28. This “interim” review is the first stage of a wider review of immigration funding settings. Confidential advice to Government [redacted]

Immigration system funding has been significantly affected by the response to COVID

29. The outbreak of COVID-19 significantly exacerbated the third-party revenue shortfall. In early 2020, the Government introduced border restrictions to protect people in New Zealand from COVID-19. This led to a significant drop in visa applications (by 66 per cent) and requests for electronic Travel Authorities (eTAs) declined by 97 per cent. Fee and levy revenues fell as a result, as shown in table 1 below, and now contribute only about one-third of the funding required to cover immigration system costs, down from about two-thirds.

Figure 1: Immigration revenue from system users, $ millions



Expenditure has not reduced in line with the fall in revenue

30. Spending has not changed much. This is due to the ongoing resource-intensive work to process visa applications from existing onshore migrants, and due to additional processing work associated with responding to COVID, including variations to the conditions of visas, visa extensions and border exceptions. For example, the Henderson office (approximately 13% of the processing workforce) switched entirely to processing border exceptions (more than 40,000 in 2020/21).

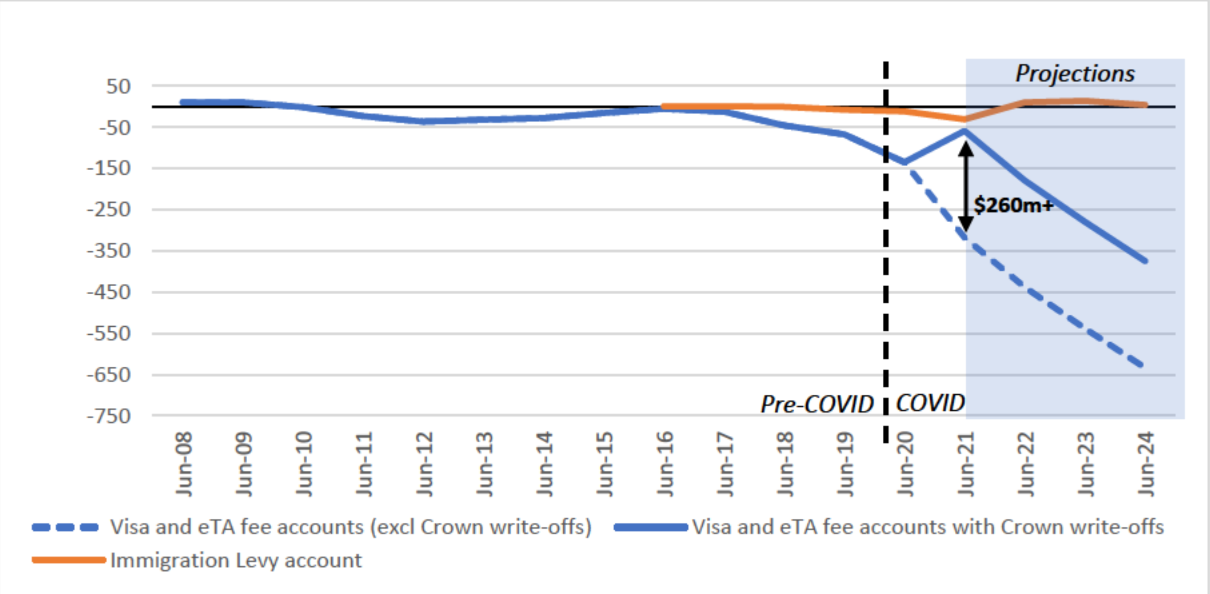
31. Although INZ was able to close offshore offices – those that had previously processed visas that were no longer able to be applied for – there were few options to reduce processing resources further without further increasing backlogs and waiting times.[3]

32. As a result, the balance between spending and revenue in the associated memorandum accounts has deteriorated further, as shown in figure 2 below.

33. The Government has provided MBIE with capital injections of more than $260 million to cover the shortfall in fee revenue to June 2021, and agreed to write-off COVID-related deficits in the fees accounts to return the combined balance (as at June 2021) back to the lower pre-COVID deficit balance (as at 29 February 2020) of $58.5 million. This decision reflected the role that border closure played in the public health response to manage the impacts of COVID-19 on New Zealand.

34. In addition, through Budget 2021, the Government agreed to provide additional funding of up to $173 million to cover the anticipated third-party revenue shortfall for the year ending June 2022. Cabinet has delegated authority to the Minister of Finance and Minister of Immigration to decide whether this third-party revenue shortfall will be recovered from future fee payers or be written-off. Our advice (discussed later in this CRIS) is to fully write-off remaining deficits.

Figure 2: Memorandum account balances, $ millions



3 If there hadn't been additional work as a result of COVID-19, it would still likely have been difficult to 'right-size' the workforce. This is due to uncertainty over developments in the pandemic and border re-opening. There are also costs associated both with reducing the size of the workforce and with subsequently retraining new staff in time to support an eventual border-reopening.

35. In November 2021, Cabinet agreed to the scope and objectives of an in-depth review of the overall approach to immigration funding. It is to support sustainable immigration funding Confidential advice to Government [redacted]

Funding is expected to remain unsustainable under the status quo despite the border reopening

36. The progressive reopening of the border is expected to increase volumes of off-shore visa applications and eTA requests, but applications are likely to remain below pre-COVID levels in the short-term (one to two years). There is a high degree of uncertainty around these forecasts. We project total visa volumes[4] to return to approximately one-half and two-thirds of 2018/19 volumes over the next two years, respectively, but with considerable variation across visa categories.

37. It is also difficult to forecast what the costs of the immigration system will be through the transition to an open border, including what processing capacity will be required. However, we do know how much funding is required to maintain existing resources, and so we are using this as our plausible assumption of costs.

38. Figure 2 above and Table 2 below show that current fee and levy rates are not expected to provide sufficient revenue to cover costs under our planning assumptions. Although revenue is expected to improve in the very near-term due to the one-off surge in applications for the 2021 Resident Visa – especially levy revenue – we expect large third-party shortfalls across fee and levy accounts by the end of June 2024.

Table 2: Estimated deficits in memorandum accounts with current fees and levies[5]

	Jun-19 $m	Feb-20 $m	Jun-20 $m	Jun-21 $m	Jun-22 $m	Jun-23 $m	Jun-24 $m
Visa fee	-65.1	-56.3	-127.1	-56.3	-156.5	-241.1	-326.8
eTA fee	-2.0	-2.2	-7.5	-2.2	-22.4	-40.3	-55.1
Total fee	**-67.2**	**-58.5**	**-134.6**	**-58.5**	**-178.9**	**-281.4**	**-381.9**
Immigration levy	-7.2	-5.27	-11.1	-30.6	11.0	14.4	4.3
Total	**-74.4**	**-63.7**	**-145.7**	**-89.1**	**-167.9**	**-267.0**	**-377.6**

Problem definition

Problem: Third-party revenue is not sufficient to recover costs

39. The current fee and levy rates have been insufficient to meet the non-Crown funded share of the costs of running the immigration system.

40. To maintain current resourcing without increasing third-party revenue would require additional funding of up to $209.7 million over the next two years.

4 Excludes eTAs due to their high volume, low revenue, which are projected to be approximately one-quarter and one-half of 2018/19 volumes over the next two years, respectively.

5 Includes the effect of decisions to write-off COVID-related deficits in the fees account to return the balance (as at June 2021) back to the lower pre-COVID deficit balance (as at 29 Feb 2020).

41. Relying entirely on the Crown (rather than users) to make up the $209.7 million, in addition to existing deficits, would not be desirable because:

   a. an appropriately funded and effective immigration system is critical to achieving the intended economic and social outcomes of *Reconnecting New Zealand*

   b. it would reduce the funding available for other Government priorities

   c. users would continue to pay less than an appropriate share of costs (i.e. less than the 67% envisaged by the current funding baseline in table 1 above).

42. Delaying any action to reduce the third-party revenue shortfall would either require a larger capital injection from the Crown or large fee and levy increases in the future.

Problem: Current cost recovery arrangements are too heavily weighted towards fees

43. The current budgeted revenue mix is approximately 61% fees, 6% levy and 33% Crown. This places high reliance on fees and does not adequately reflect the underlying nature of activities provided by the immigration system which benefit the wider ‘club’ of users.

44. Addressing this issue:

   a. would improve the transparency and equity of the funding arrangements. It would more fairly reflect the significant cost of infrastructure and activities that are required to operate an immigration system, but which cannot be directly attributed to individuals, and

   b. could align with outcomes sought from the in-depth review. [redacted] Confidential advice to Government

Cost Recovery Principles and Objectives

45. Our approach to this review is consistent with the best practice cost recovery principles outlined in guidelines for the setting of fees and charges in the public sector provided by the Treasury[6] and the Office of the Auditor General.[7] The table below briefly outlines what these principles are and how they are generally interpreted in the context of the immigration system.

Table 3: Cost-recovery principles in the context of the immigration system

Principle	Description
Equity	Costs associated with the direct provision of services (private goods) or the maintenance of the immigration system and management of risks associated with migration (club goods) are fully recovered from fee and levy payers, respectively.

6 The Treasury (New Zealand). (2017). *Guidelines for Setting Charges in the Public Sector: April 2017*

7 The Office of the Auditor General (New Zealand). (2021). *Setting and administering fees and levies for cost recovery: Good practice guide*

Principle	Description
	Cost recovery is managed through memorandum (or hypothecation) accounts. Inter-temporal equity is achieved by looking to reduce sustained deficits or surpluses. The cost of activities with public and private benefits should be shared between the Crown and migrants. As much as possible, the relativity between visa categories should reflect the relativity of the underlying processing efforts to minimise cross-subsidisation.
Transparency and consultation	Fees and levies for applications are fixed in regulations and generally charged at the point of application. Where appropriate, there should be consultation on significant changes to immigration charges and information about the underlying drivers of costs and decisions should be available.
Efficiency	Fees and levies should reflect the underlying costs of efficiently delivered services. This relies on having a good understanding of and information about the costs of the activities that are being charged for and the relationship to cost drivers.
Simplicity	An average fee is set across applicants within a particular category, or across categories. This smooths the fee between applications that require more or less processing, due to differing levels of complexity.
Accountability	INZ fees and revenues are scrutinised as part of its public sector financial accountability arrangements.
Effectiveness	Fees and levies reflect the costs of providing the service and have some relationship to the benefits that applicants enjoy and the risks and costs they give rise to, enabling resources to be used optimally (allocative efficiency). Fees and levies are not set at a rate that undermines the relevant immigration policy objectives.

46. The following objectives were chosen for this funding review to assess options to address the problem and opportunity identified above:

Table 4: Objectives for this interim review

Objective	Description / Explanation
1. Recover a more appropriate share of costs from users: improve affordability to the Crown by bringing revenue from immigration fees and levies closer to cost recovery (while remaining within the range of what comparable jurisdictions charge)	The gap between costs and revenue over the next two years is reduced, but not necessarily closed, to reduce the risk of over-recovery if volumes increase substantially. The two-year time horizon reflects the considerable planning uncertainty through the transition to an open border, and the “interim” period before a further “comprehensive” reset of fees at the end of the wider funding review in approximately two years’ time.

Objective	Description / Explanation
2. Support an efficient and effective immigration system through the mix and level of charges	The balance between funding sources takes account of the possible future direction for charges in the immigration system In addition to closing the gap between costs and revenue, the level of charges: • do not undermine the intended objectives of immigration policies by materially reducing demand, for example by being significantly out of step with prices charged by comparable countries • reflect the considerable degree of uncertainty in costs and revenue over the next two years, and limit the risk of over-recovering costs
3. More efficiently allocate Government resources	The fiscal impact on the Crown is reduced, enabling resources to be allocated to other Government priorities
4. Transparency and equity: there is improved transparency, accountability and equity across the charging regime	Decisions by Government to subsidise or cap price increases for particular products is transparent, and the impact of the foregone revenue is borne by the Crown Charges – including for the recovery of historical deficits – should reflect a fair and appropriate split of costs between users and the Crown

Policy Rationale: Why a user charge? And what type is most appropriate?

This review is not reconsidering all aspects of cost recovery from first principles

47. This interim review took the following features of the current immigration cost recovery model as given, due to their continued alignment with cost recovery principles:

    a. that users of the immigration system contribute toward the cost of the system through both fees and levies, alongside a Crown contribution

    b. the overall structure and relative prices within the fee and levy rate schedules.

48. These elements may be reconsidered as part of the next stage of the wider review of immigration funding review.

49. However, this interim review has explored changes to the mix of revenue sources in the cost recovery model (see paras 65-70 below).

The level of the proposed fees and levies and their cost components (cost recovery model)

Volume assumptions

We have estimated the volume of visa applications and eTA requests relative to pre-COVID levels

50. Future demand to travel or migrate to New Zealand is highly uncertain. Whereas the previous fee and levy review in 2018 had to form a judgement about the growth rate (from the previous year's base) for each category of visa, it is unclear how quickly volumes will return to pre-COVID volumes (if at all). It depends on numerous factors including:

    a. the final sequencing of the border re-opening

    b. the general demand for travel as the border reopens for different groups of migrants

    c. the impacts of recent and planned changes to immigration policies on the demand for migration, such as general tightening of eligibility under the Immigration Rebalance, and reduced demand for repeated temporary visas or alternative residence pathways due to the 2021 Residence Visa.

51. INZ last completed visa application forecasts in September 2021. The wider context for immigration has changed considerably over the last six months, especially for the 2022/23 and 2023/24 years (but also for the current year to a lesser extent) given the higher than anticipated demand for the 2021 Resident Visa, and border reopening decisions.

52. INZ is in the process of updating its visa application forecasts to better account for the latest sequencing of the border re-opening, and the impacts of the Immigration Rebalance and the 2021 Resident Visa. However, the outcome of this work was not ready in time to fully inform this funding review.

53. For this reason, we have made informed estimates of volumes for some key products (based on border re-opening dates, and judgements about the speed of recovery to pre-COVID (2018/19) levels and any pent-up demand) but have largely relied on plausible assumptions rather than detailed visa volume forecasts.

54. Overall, volumes[8] are projected to return to approximately half of 2018/19 levels by June 2023, increasing to two-thirds of 2018/19 levels by June 2024, but there is considerable variation across visa categories.

55. For example, visitor visas are assumed only to return to 26% of pre-COVID levels by June 2023, and 53% by June 2024. Some visas with capped places are expected to hit those caps by June 2023, such as the Recognised Seasonal Employer (limited work) visa.

56. For all other products, we have broadly assumed volumes over the next two years return to 65% and 75% of visa decisions in 2018/19. This is broadly aligned with the assumptions made to support decision making for *Reconnecting New Zealanders,* which broadly assumed that traveller volumes would return to 65% of pre-COVID volumes in the year ending June 2023.

57. Appendix 1 provides more information about the estimated number of visa applications (by broad visa category) and eTA requests for the current year and the next two years.

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8 Excludes eTAs due to their high volume, low revenue, which are projected to be approximately one-quarter and one-half of 2018/19 volumes over the next two years, respectively.

58. We have had to rely on the outdated September 2021 forecasts to estimate application volumes for the current year. Therefore, given the limitations of these forecasts, the actual funding position at the end of June 2022 is likely to be better than projected.

59. For simplicity, we have also assumed that all applications are being made onshore in New Zealand (unless no New Zealand rate is applicable). This is not expected to materially affect revenue estimates as the rates charged for applications in New Zealand generally fall between the higher "rest of the world" rates and the slightly discounted rates for some visa applications made in the Pacific. Proposed increases to fee rates would be applied proportionately across all three fee streams.

Cost assumptions

Our analysis has used current baselines to estimate funding requirements for providing immigration services over the next two years

60. Future immigration system costs are highly uncertain. The two-year window for this fee and levy review coincides with changes to border settings (and international travel and migration behaviour), immigration policy settings, and the visa operating model. For example, in addition to completing the processing of 2021 Resident Visas and border exceptions, INZ will implement the new Accredited Employer Work Visa and roll-out increased levels of automation.

61. Although MBIE is in the process of developing a new model that will estimate the "cost-to-serve" for each visa product, MBIE does not currently collect detailed enough cost data to form a reliable estimate of the fixed and variable costs associated with a given volume and composition of visa applications.

62. Therefore, MBIE's best estimate of the cost of providing immigration services over the next two years is to assume current resourcing with costs equal to the current baseline of funding. This implies that costs will remain relatively stable in nominal terms, which implicitly assumes sufficient efficiency savings (for example through greater automation) to offset any inflation.

63. Table 5 sets out the historical and estimated future costs of immigration services, reflecting the existing mix of funding between fees, levies and the Crown. The reduction in funding between 2021/22 and 2022/23 primarily reflects the end of time-limited Crown funding for time-bound projects, including resettling Afghan evacuees and closure of offshore offices.

Table 5: Actual and estimated cost of immigration services, $ millions

	2018/19 Actual	2019/20 Actual	2020/21 Actual	2021/22 Budget	2022/23 Budget	2023/24 Budget
Cost (visa fee share)	246.0	266.3	268.0	253.6	255.0	255.7
Cost (eTA fee share)	2.0	19.8	11.2	20.8	21.8	22.8
Cost (levy share)	37.1	38.0	38.1	32.5	28.7	27.5
Cost (Crown share)	78.2	95.2	118.3	180.4	148.0	144.2
Total cost	**363.3**	**419.3**	**435.6**	**487.2**	**453.5**	**450.2**

We are also adjusting the allocation of costs to revenue sources (i.e. the mix of funding)

64. Immigration services can broadly be split into four categories.[9] The current revenue mix for each of these four categories, and the rationale for this mix, is summarised in table 6 below.

Table 6: Split of immigration services by funding source (2022/23) [10]

Category of services	Amount ($ millions)	Fee (visa + eTA)	Levy	Crown	Rationale
Attraction of migrants (and information provision)	9.0	0%	76%	24%	This is a mix of a club good and public good – information benefits the wider public (who can't be easily excluded), but especially all users of the immigration system. The public also benefit from attraction that aims to support economic outcomes for NZ
Assessment and processing of eTAs and visas	297.8	93%	0%	7%	Primarily a private good to visa applicants and employers. However, the Crown portion reflects historical decisions to subsidise certain visas (including bilateral fee waivers with some countries)
Settlement and integration of migrants and refugees	68.6	0%	4%	96%	Reflects significant proportion of funding allocated to Refugee resettlement, which has private benefits for refugees (with no ability to pay) and wider public benefits for New Zealanders. In particular, successful settlement and integration of both refugees and migrants benefits wider communities. There are also settlement services provided to new residents, the cost of which is recovered from the wider club of users.
Maintaining the **integrity and security** of the immigration system	78.1	0%	25%	75%	The club of users contribute to these costs as the risk exacerbators. However, the Crown contributes because there are public benefits associated with national security, border protection, supported by an effective system

65. As noted in para 49 above, this interim review was an opportunity to review the appropriateness of the current cost recovery arrangements, which have a low share of Levy funding. In particular, it is an opportunity to improve equity (re-evaluating who benefits from different immigration services, and therefore how charges are structured), Confidential advice to Government [redacted]

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9 These correspond to the four departmental output expense categories that comprise the *Immigration Services multi-category appropriation* within Vote Labour Market.

10 There is also an immaterial amount (<0.7%) of funding received from other Government departments for services that they receive.

66. Table 7 summarises the total changes proposed, which comprise changes to more than 50 of INZ's cost centres – affecting most business units. It is based on an assessment of these activities, the nature of the benefits they confer, and alignment with the legislative scope of the Immigration Levy.

67. At an aggregate level, the most material shifts (in both absolute and proportional terms) are to *assessment and processing* and *integrity and security.*

a. The main changes to *assessment and processing* primarily reflect that the enabling infrastructure that support assessment and processing of visas (including ICT costs, operational policy, risk and verification of applications, quality assurance and complaints process) support the operation and integrity of the immigration system, benefitting the wider club of users, rather than being solely attributable to the actions of individuals. Therefore, a proportion of these costs is proposed to shift to Levy.

b. The main changes to *integrity and security* primarily reflect that risk management investigations and compliance functions have elements of both club and public goods, but that the current revenue split underrepresents the role of immigration system users as risk exacerbators. While a range of funding splits could be justified, we are proposing to shift more costs towards a 50:50 Crown/Levy split, reflecting a balanced judgement between the public and club good elements of these services.

Table 7: Proposed shifts in funding mix across immigration services

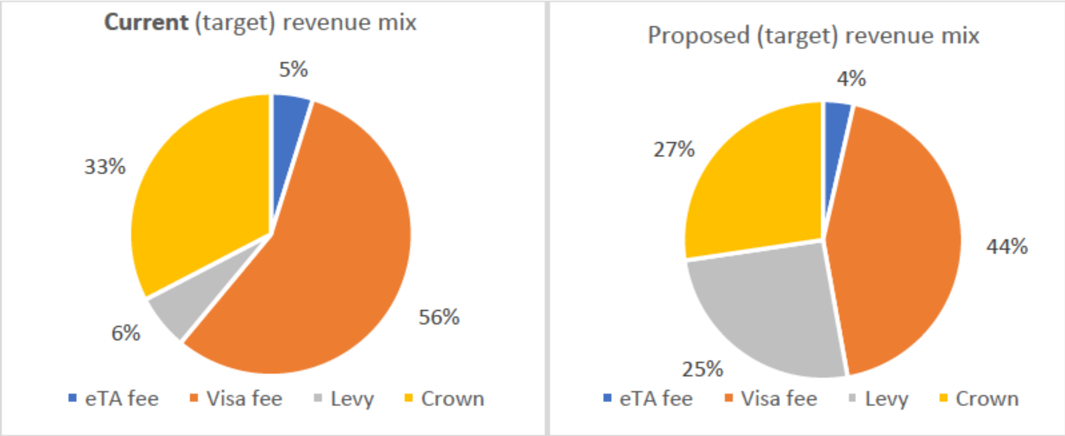
	Attraction of migrants			Assessment and processing			Settlement and Integration			Integrity and Security		
	Fee (visa + eTA)	Levy	Crown	Fee (visa + eTA)	Levy	Crown	Fee (visa + eTA)	Levy	Crown	Fee (visa + eTA)	Levy	Crown
Current	0%	76%	24%	93%	0%	7%	0%	4%	96%	0%	25%	75%
Proposed	0%	86%	14%	72%	22%	6%	0%	4%	96%	0%	49%	51%
Change	**-**	**10%**	**-10%**	**-21%**	**22%**	**-1%**	**-**	**-**	**-**	**-**	**24%**	**-24%**

68. The net impact on the overall funding mix is shown in Figure 3 below. This reflects the targeted revenue mix (even though actual third-party revenue is currently much lower). This forms the proposed cost base to be allocated before any caps or subsidies.[11]

69. Absent any other changes to fee and levy rates, this reformulated cost allocation is estimated to reduce the annual deficit in the eTA fee and visa fee accounts by about $4.5 million and $54.1 million and increase the annual levy account deficit by about $85.7 million. The difference between these amounts reflects the $27.1 million reduction in direct Crown funding that would no longer be required.

11 Accounting for caps and subsidies results in a Crown share that is approximately 3 percentage points larger; and visa fee and levy shares that are approximately 1 percentage and 2 percentage points lower, respectively.

Figure 3: Comparison between current and proposed revenue mix



Proposed fee and levy rates

70. MBIE identified two options to achieve the objectives of the review. The two options differ in their treatment of historical fee deficits accrued prior to COVID-19 (March 2020) and between 1 July 2021 and 30 June 2022:

   a. ***Option 1 (with partial deficit recovery from users of immigration services)*** recovers over three years all remaining pre-COVID fee deficits ($43.9 million in total) and a portion of the COVID-related fee deficits, set with reference to the proportion of costs that were under-recovered prior to COVID ($21.3 million in total). The Crown would write-off the remaining balance, $99.1 million.

   b. ***Option 2 (with the Crown fully writing off historical fee deficits)*** is based on the Crown absorbing the full cost of remaining deficits, estimated at $164.3 million.

Table 8: Summary of Options

Feature	**Option 1** (with partial deficit recovery from users of immigration services)	**Option 2** (with the Crown fully writing off historical fee deficits)	**Rationale**
Target level for short-term cost recovery	Generating additional revenues sufficient to only close **half of the estimated third-party revenue shortfall** over the next two years		Reflects a balance between moving towards the intended level of cost recovery and **limiting the risk of over-recovering costs** given the significant uncertainty about costs and volumes over this review period. Over-recovery is not desirable as it is not equitable to payers, it does not support an efficient level of migration, and may undermine the goals of immigration policies.

<table>
<tr><th>Feature</th><th>Option 1
(with partial deficit recovery from users of immigration services)</th><th>Option 2
(with the Crown fully writing off historical fee deficits)</th><th>Rationale</th></tr>
<tr><td>“Across-the-board” or targeted adjustments</td><td colspan="2">“Across-the-board” for most visa products,[12] but with price caps and subsidies for some visa products</td><td>Reflects the current data limitations around the cost-to-serve better different immigration services. Given this, and because price relativities were reset in the 2018 review, it is preferable to maintain existing relativities of prices (where appropriate) for this interim review.</td></tr>
<tr><td>Caps and subsidies</td><td colspan="2">Price caps for Visitor visas and Skilled Migrant resident visa, to be funded by the Crown

Subsidised (fully) price increases for key Pacific visas (Pacific Access Category, Samoan Quota, Recognised Seasonal Employer (limited work) visas), to be funded by the Crown</td><td>Capping required to keep visas benchmarked to comparable countries, to maintain competitiveness and support immigration policy objectives.

Subsidies recognise New Zealand’s wider commitments to the Pacific.</td></tr>
<tr><td>Treatment of accumulated deficits</td><td>Fully recover over three years remaining pre-COVID fee deficit ($41.7m visa/$2.2m eTA)

Partially recover over three years a portion of COVID-related fee deficit ($19.4m visa/ $1.9m eTA)

Crown writes off remainder ($99.1m)</td><td>Deficits would be absorbed by the Crown and written-off in full ($164.3m)</td><td>Three-year period lowers risk of over-recovery, but won’t fully recover over two-year period.

Proposed COVID-related recovery amounts based on rates of under-recovery pre-COVID.

Remaining pre-COVID visa fee deficit reflects recent policy decisions to include a contribution to pre-COVID deficits within fees for 2021 Resident Visa and Accredited Employer Work Visa (migrant check) amounting to $14.6m over three years.</td></tr>
</table>

71. Table 9 sets out the proposed increases to immigration fees and levies for most visa products (except where exclusions, caps or subsidies apply) under the two options, and the methodology and calculations used for these. It reflects the consequences of:

   a. shifting the mix of revenue to levy (from fee and Crown) – significantly more revenue is required to close 50% of the shortfall in levy revenue due to the higher allocation of costs. Conversely, only a small increase in visa fees is required.

   b. partially recovering historical deficits under Option 1 – the proposed visa and eTA fee rates are higher to generate the additional revenue required.

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12 One further exclusion is that fee rates for the recently announced Accredited Employer Work Visa (AEWV) and associated products are out of scope for the review as the charges are still appropriate; however, the applicable levy rate that applies is still within scope.

72. A detailed list of current and proposed visa prices under Options 1 and 2 is attached in Appendices 3 and 4. A summary of the implications for key[13] visa products are attached in Appendix 2.

Table 9: Calculation of "across-the-board" increases for each Option, $ millions

		eTA fee	visa fee	Levy	Crown	Total
	Across-the-board increases to close 50% of revenue shortfall					
A	Total Expenses (2023/23 + 2023/24)					906.5
B	Reformulated cost allocation	4%	44%	25%	27%	
C	**Share of costs *(A × B)***	**33.2**	**399.2**	**229.9**	**244.2**	**906.5**
D	Third-party revenue in-scope (current rates, estimated volumes)	11.9	250.7	32.4		295.0
E	Additional third-party revenue (current rates, estimated volumes)		92.4	17.2		109.6
F	**Total Third-party revenue *(D + E)***	**11.9**	**343.1**	**49.6**		**404.6**
G	Revenue shortfall	21.3	56.1	180.3		257.7
H	50% of revenue shortfall (*50% × G*)	10.7	28.1	90.2		128.9
I	**Across-the-board increases required** *(H ÷ D)*	**90%**	**12%**	**279%**		
	Deficit recovery					
J	Contribution to pre-COVID deficits	2.2	41.7			43.9
K	Contribution to COVID-related deficits	1.9	19.4			21.3
L	**Total deficits to recover over three years** *(J + K)*	4.1	61.1			65.2
M	Total deficits to recover over two years (L × 2/3)	2.7	40.7			43.5
N	**Across the board increases required** *(L ÷ D)*	**24%**	**17%**			
	Total across the board increases					
O	**Option 1: Partial deficit recovery** *(I + N)*	**114%**	**29%**	**279%**		
P	**Option 2: No deficit recovery** *(I)*	**90%**	**12%**	**279%**		

73. Table 10 below summarises the expected impact on the memorandum account balances by the end of 30 June 2024 under each option. The differences between Option 1 and 2 reflects that, under Option 1, only two-thirds of the pre-COVID deficits would have been recovered by the end of the two-year period due to the proposed three-year recovery period.

Table 10: Estimated memorandum account balances, as at 30 June 2024, $ millions

	Status quo	**Option 1** (with partial deficit recovery from users of immigration services)	**Option 2** (with the Crown fully writing off historical fee deficits)
Visa fee	-326.8	-62.1	-41.7
eTA fee	-55.1	-12.3	-10.9
Total fee	**-381.9**	**-74.3**	**-52.6**
Immigration levy	4.3	-82.6	-82.6
Total	**-377.6**	**-156.9**	**-135.2**

[13] 'Key' defined as high volume, material revenue, or otherwise of high public/political interest

Assessment of options

Objective 1: Recover a more appropriate share of costs from users

Option 1: *(with partial deficit recovery from users of immigration services)*

74. This option meets this objective by significantly reducing the third-party revenue shortfall over the next two years, compared to the status quo.

Option 2: *(with the Crown fully writing off historical fee deficits)*

75. This option meeting this objective – assessment is as per Option 1.

Objective 2: Support an efficient and effective immigration system

Option 1: *(with partial deficit recovery from users of immigration services)*

76. This option partially meets this objective. The funding mix takes account of the possible future direction for the immigration system; however, this option also results in the largest increases to fee and levy rates – creating the greatest risk of over-recovering costs (especially with blunt "across-the-board" increases) or undermining policy objectives. This is partially mitigated by benchmarking against the charges of comparable countries, the use of price caps and subsidies, and the focus of the 2018 review of fees and levies which addressed under- and over-recovery across products.

Option 2: *(with the Crown fully writing off historical fee deficits)*

77. This option best meets this objective. Assessment is as per Option 1, except that complete deficit write-offs allow for lower fee increases, further mitigating the risk that high prices undermine immigration policy objectives.

Objective 3: More efficient allocation of Government resources

Option 1: *(with partial deficit recovery from users of immigration services)*

78. This option best meets this objective, because in addition to closing 50% of the third-party revenue shortfall, it would result in recovering $65.2 million of historical deficits ($43.5 million over the next two years).

Option 2: *(with the Crown fully writing off historical fee deficits)*

79. This option partially meets this objective because it would close 50% of the third-party revenue shortfall.

Objective 4: Transparency and equity

Option 1: *(with partial deficit recovery from users of immigration services)*

80. This option partially meets this objective. Proposed price caps and subsidies would be explicitly funded by the Crown, which is equitable (given specific policy objectives, e.g. supporting tourism) and transparent. However, the proposed contributions to deficit recovery may be considered inequitable because they require future users to pay for the benefits (under-recovery of costs) of past users (pre-COVID deficits) and to pay for costs associated with public health measures in response to COVID (COVID-related deficits).

Option 2: *(with the Crown fully writing off historical fee deficits)*

81. This option best meets this objective. Assessment is as per Option 1, except that it more equitably would have the Crown absorb the cost of accumulated deficits (which cannot be attributed to the actions of future service users).

Summary of assessment

82. Table 11 below summarises our evaluation of the options against the objectives.

Table 11: Summary of option evaluation

Objectives[1]	Status quo	Option 1 (with partial deficit recovery from users of immigration services)	Option 2 (with the Crown fully writing off historical fee deficits)
1. Recover a more appropriate share of costs from users	✗	✓✓	✓✓
2. Support an efficient and effective immigration system	✗	✓	✓✓
3. More efficiently allocate Government resources	✗	✓✓	✓
4. Transparency and equity	✗	✓	✓✓

Options not considered

Reducing immigration services

83. An option that was not considered in this review is reducing funding deficits by reducing immigration services, for example reducing visa processing or compliance capacity.

84. This was not considered to be a viable option for the review for the following reasons:

   a. *Inconsistent with supporting policy changes and an effective border re-opening.* Reducing resources could compromise the successful implementation of key policy changes or limit the ability of employers to meet skill demands.

   b. *Impacts on revenue, service quality and system integrity.* Reducing resources could increase service times, which could delay revenue recognition, or limit focus on system integrity and compliance with policy settings. Throughout consultation, stakeholders expressed discontent about current wait times, and it is unlikely they would be willing to increase these further in exchange for a minor reduction in the proposed price increases.

85. INZ has already taken some steps to reduce costs, such as closing offshore offices and increased investment in automation. Confidential advice to Government

Full recovery of the COVID-related deficits

86. Another option that was not considered in this review would be fully recovering COVID-related deficits through further increases to immigration fee rates.

87. This was not considered to be a viable option for the review for the following reasons:

   a. this option would result in significantly larger increases to fee rates – creating the greatest risk of over-recovering costs (especially with blunt "across-the-board" increases), deterring prospective migrants, and undermining policy objectives

   b. it would not be equitable to recover this amount from future users of the system as it cannot be attributed to the actions of future service users – rather it is largely due to the border closure decision made by the Crown on public health grounds. Option 1 reflects this by limiting recovery to the rate of under-recovery that was present prior to COVID-19.

Impact analysis

Impacts on the Crown

Table 12: Summary of fiscal impacts[1] for the Crown, relative to the status quo, $ millions

	Status quo	**Option 1** (with partial deficit recovery from users of immigration services)	**Option 2** (with the Crown fully writing off historical fee deficits)
Improvement in memorandum account balances	n/a	-220.7	-242.4
Change in funding mix	n/a	-48.0	-48.0
Caps and subsidies	n/a	43.0	29.4
Deficit write-offs	n/a	99.1	164.3
Total fiscal impact[1]	**n/a**	**-126.6**	**-96.7**

[1] Negative fiscal impacts reflect reduction in operating costs and/or debt for the Crown

88. It is difficult to show a complete picture of the fiscal impacts of each option, as the review does not propose to address how deficits over the next two years will be met. This decision was made due to the significant uncertainty about costs and volumes described elsewhere in this CRIS. For comparative purposes, this CRIS has assumed that improving memorandum accounts will reduce the potential fiscal burden on the Crown.

89. Table 12 summarises the notional fiscal impacts of the options, in that choosing to apply Crown funds to write-off memorandum account balances implies an opportunity cost of this funding. In practice, the Crown has already provided capital injections of up to $173 million for the 2021/22 year which can be applied to historical deficits without incurring additional debt, and therefore amounts below this level are unlikely to have fiscal impacts in a technical sense.

90. The table shows that both options are fiscally positive for the Crown, but Option 1 more so due to partially recovering deficits from users of immigration services.

Impacts of higher prices on payers

91. Appendix 2 shows the change in price for key visa products under Options 1 and 2.

92. Under Option 1, the price increases for residence class visas range between $0 (where subsidies apply) and $3545 (for Investor Migrant), while the price increases for other key immigration visas typically range between $0 (where subsidies apply) and $320 (for partnership work visa).

93. Under Option 2, the price increases for residence class visas range between $0 (where subsidies apply) and $2825 (for Investor Migrant), while the price increases for other key immigration visas typically range from $0 (where subsidies apply) to $215 for partnership work visa.

94. Under the recommended option (Option 2), prices affected by the review (excluding eTAs) would increase on average by $76 (42%), from $179 to $255. Although there is a large increase of 279% to all levy rates, this has a less than proportionate impact on the overall price increase as levies represent between 5-25% of the total price of most visas. The significant increase reflects the impact of the proposed reformulation of how activities are funded with more of the costs of managing and operating the immigration system shifting being charged as a levy.

95. While the increase in costs for most payers will be negligible relative to the overall cost of travel or migration to New Zealand, it is likely to be more significant for migrants from lower income countries. The lower income levels of Pacific Migrants means that fee and levy increases have a greater impact on them relative to immigrants from other countries, and this disadvantage is recognised by a lower fee and levy.

Impacts on migration decisions

96. Increases in fee and levy rates could potentially reduce the volume of visa applications and eTA requests compared to expected volumes without a change in fee and levy rates. Conversely, increasing fee and levy rates may reinforce the move to encourage more highly skilled migrants to come to NZ, as envisaged in the Immigration Rebalance.

97. There is limited research, especially in New Zealand, regarding the impact of fee and levy rate changes on migration and travel decisions. However, evidence from the last two decades of visa price increases and international studies[14] would generally indicate low price sensitivity to changes in fees and levies. While any effects cannot be easily quantified, the proposed increases are generally insignificant in the wider context of the costs of travelling to or settling in New Zealand, or the benefits that migrants receive from coming to New Zealand.

98. In addition, with the proposed increases, New Zealand will generally remain competitive compared to other jurisdictions (see Appendix 2), and any effects will be hard to determine due to the considerable uncertainty about the global demand for migration to New Zealand once borders reopen.

99. Table 13 below summarises the expected impacts of the proposals on the migration decisions of key groups.

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14 Home Office (United Kingdom). (2020). *A review of evidence relating to the elasticity of demand for visas in the UK*

Table 13: Expected impacts of proposals on migration volumes

Groups	Relevant Visa products	Expected short-term impacts on migration volumes	Rationale
Workers	Recognised Seasonal Employer (limited work) Post-study work Working Holiday AEWV (migrant)*	Low	Increase in charges are a relatively small increase compared to expected wages, especially as duration of work increases RSE price is proposed to be subsidised Post-study migrant is already in the country, so change in price unlikely to affect migration decision
Partners and family	Partnership (work) Partnership (resident) Dependent child	Low to moderate	Where the principal migrant is already in the country, a change is price is unlikely to affect migration decisions Proposed rates still considerably lower than AUS and UK Impacts could be more moderate when considering the cumulative increase in price for a family unit
Students	Fee-paying Student	Low	Increase in charges are a relatively small increase to the cost of international education, especially at higher levels of education with high international fees. Proposed rates still considerably lower than AUS and UK
Visitors	eTA (visitor) Visitor Group visitor Working Holiday	Low	eTA charges are still low, which covers key visitor markets Overall visitor charges are still somewhat higher than comparable countries, but price is unchanged due to capping
Employers	AEWV (employer) RSE (Approval to recruit)	Limited direct impacts Low indirect impacts	Employer Accreditation is out of scope (doesn't include a levy) Employers indirectly affected, depending on how migrants' overall decisions are impacted
Prospective permanent migrants	Residence Family Investor Entrepreneur Skilled Migrant Category	Low	Visa charges are spread across a longer duration (including effective reduction in wages for skilled migrants) which reduces size of impacts Residence decisions often driven by non-price factors Impact expected to be highest for Skilled Migrant visa, but cap should limit the impact (still broadly competitive)

100. Although the table above reflects our estimate of impacts on migration decisions in most circumstances, we acknowledge impacts may differ in other circumstances. For example, where a family unit together is deciding whether to travel and migrate to New Zealand, the price increases proposed could exert a greater influence on the decision.

101. We will continue to monitor any impacts on migration decisions, to inform the subsequent comprehensive review. However, given the step-change in volumes due to *Reconnecting New Zealand*, and other changes in the global context, it will likely be difficult to isolate the effects of higher prices from other drivers, such as higher travel costs or traveller risk appetites.

Consultation

Targeted consultation process

102. Cabinet agreed to MBIE undertaking targeted consultation with groups representing those most likely to be affected by the changes, including:

   a. Tourism / Airlines: Tourism Industry Aotearoa (TIA)*

   b. Immigration advisers: Immigration Reference Group, represented by Kristy Vester, the chairperson of the NZ Association of Immigration Professionals (NZAIP)

   c. Business / employers: Business New Zealand* and the Employers and Manufacturers Association (EMA)

   d. Workers: Council of Trade Unions (CTU) and Union Network of Migrants

   e. International students: Universities New Zealand and Independent Tertiary Education New Zealand (ITENZ)

(* = this stakeholder submitted on the 2018 fee and levy review)

103. MBIE held three consultation sessions with stakeholders over a two-week period in early to mid-March. MBIE gave a presentation summarising the context, problem definition, interim review proposals, implications of the proposals on combined fee and levy prices for key visa products and the eTA, and an assessment of the impacts on migration decisions.

104. Participants were asked for particular feedback on the impacts of the combined fee and levy increases, or the underlying proposals. Participants also had the opportunity to send through feedback via email, following the consultation session.

Themes from discussions with targeted stakeholders

105. Table 14 sets out the key themes in the feedback received and how we propose to address this feedback in the final proposals. A more detailed summary of the feedback from consultation is set out in Appendix 5.

Table 14: Themes from stakeholder discussions and MBIE responses

Theme	MBIE response
Higher prices are likely to negatively impact migrants from the Pacific	We are recommending a cap on increases to Pacific visas as an option for the Government to subsidise these visas. We recommend these for consistency with our humanitarian commitments and foreign policy objectives in the Pacific. In addition, the existing Pacific Stream discount will continue to apply for visa applications made from the Pacific.
Including deficit recovery in the new fee rates is inequitable, because new applicants shouldn't cover past costs and the decision to keep the border closed was a Government decision.	We are recommending that the Government consider writing off both the COVID-related deficit, and the pre-COVID deficit. The former recognises that the border closure was primarily a public health response. The latter recognises that sufficient time has passed, and recent policy decisions have sought to recover a portion of pre-COVID deficits from those most likely to have benefited from past under-recovery. The resulting lower fee increases would balance cost recovery with the cumulative impact of increasing migration costs as New Zealand reopens to the world.
Fee and levy increases would send a poor signal about New Zealand's preparedness to welcome back migrants, given the current uncertain environment for businesses and workers.	The final fee and levy increases that we are recommending are lower than the initial proposals we consulted on. This should further limit the potential impact on people's migration decisions.

Consultation with other government agencies

106. The Treasury, Customs, Ministry of Transport, Ministry of Foreign Affairs and Trade, Ministry of Primary Industries, Ministry for Pacific Peoples, Ministry for Ethnic Communities, Ministry of Education, and MBIE (Tourism Policy) were consulted on the draft proposals, noting that further modelling and policy work was still in progress. The Department of Prime Minister and Cabinet was informed.

107. Agencies were generally supportive of the proposed fee and levy rates.

108. The Ministry for Pacific Peoples and the Ministry of Foreign Affairs and Trade (through their Minister) initially raised concerns with the proposed prices increases for Pacific applicants. In particular they were concerned with the loss of income that Pacific families would face, Free and frank opinions [redacted]

109. The proposed subsidisation of key Pacific visas was incorporated in response to this feedback.

Conclusions and recommendations

110. The table below summarises MBIE's evaluation of the status quo and options against the objectives of the interim review and the general nature of the scale of the increases, the expected impact on the Crown's fiscal position.

Table 15: Summary assessment of the options

Objectives[1]	Status quo	Option 1 (with partial deficit recovery from users of immigration services)	Option 2 (with the Crown fully writing off historical fee deficits)
1. Recover a more appropriate share of costs from users	✘	✓✓	✓✓
2. Support an efficient and effective immigration system	✘	✓	✓✓
3. More efficiently allocate Government resources	✘	✓✓	✓
4. Transparency and equity	✘	✓	✓✓
Impacts for most visa products			
Increase in fee rates	-	29%	12%
Increase in eTA rates	-	114%	90%
Increase in Levy rates	-	279%	279%
Impacts on Crown fiscals (relative to the status quo) over two years, $ millions [2]			
Improvement in memorandum account balances	n/a	-220.7	-242.4
Change in funding mix	n/a	-48.0	-48.0
Caps and subsidies	n/a	43.0	29.4
Deficit write-offs	n/a	99.1	164.3
Total fiscal impact[1]	**n/a**	**-126.6**	**-96.7**

[1] One tick indicates the option partially meets the objective. Two ticks indicate the best option. A cross indicates the worst option.
[2] Negative fiscal impact reflects reduction in operating costs and/or debt for the Crown

111. In conclusion, both Option 1 and 2 are superior to the status quo, which doesn't meet the objectives of the review. MBIE's recommended option is *Option 2 (No Deficit Recovery)* because:

a. the more moderate increase to charges is less likely to deter migrants that we want to attract to New Zealand from coming;

b. it mitigates the risks of over-recovery should visa volumes recover more quickly

c. it is more equitable by not requiring future fee payers to contribute to the costs of services that past applicants have given rise to, and

d. we consider that these considerations more than outweigh the greater fiscal impact on the Crown of Option 2 compared to Option 1

112. The preferred option will offset the under-recovery of costs and contribute to a more sustainable funding model, but it won't solve all of the problems with the current funding model. Confidential advice to Government [redacted]

Implementation plan

113. Changing fee and levy rates affects a number of INZ systems all at once. There are also a number of transitional issues that will need to be considered when new fees and levies come into effects, such as inflight applications, reconciliation impacts, and foreign exchange movements.

114. Therefore, it is proposed that the changes will take effect on 1 August 2022:

a. the fee and levy schedules (schedules 4 and 5) in the Immigration (Visa, Entry Permission, and Related Matters) Regulations 2010 will be updated to reflect the new fee and levy rates

b. the regulation amendments will be notified in the New Zealand Gazette by 7 July 2022, in line with the 28-day rule

c. INZ will update their systems to changes the amounts charged for different visa applications

d. INZ will develop a communication strategy to inform applicants and stakeholders as soon as regulatory changes are confirmed prior to the changes taking effect on 1 August 2022.

115. The breadth of system change required means there are some implementation risks, due to overlap with other system changes necessary to support the bringing forward of border re-opening dates as well as the implementation of the 2022 Special Ukraine Visa.

Monitoring, evaluation and review

116. The proposed fee and levy rates are based on the best estimates of the number of visa applications and eTA requests and associated costs that are currently available. However, the current uncertainty about volume and cost estimates makes it likely that the resultant fee and levy deficit positions will be materially higher or lower than estimated.

117. Confidential advice to Government [redacted]

118. MBIE has sought to mitigate the risk of material over-recovery by:

a. proposing base increases to fee and levy rates that would only generate sufficient revenue to close half of the projected third-party revenue shortfall over the next two years

b. recommending an option to write-off historical deficits, rather than increasing fee rates further

c. assuming immigration system costs remain relatively fixed over the next two years in nominal dollar terms

119. Confidential advice to Government

Appendix 1: Projected number of visa applications and requests for an electronic Travel Authority

Visa product categories	2021/22	2022/23		2023/24	
	Forecast volume of tendered applications (as at Sept 21)	*Projected volume of decided applications*	*% of 2018/19*	*Projected volume of decided applications*	*% of 2018/19*
Visitors	23100	143600	26%	292700	53%
Essential skills	39200	0	0%	0	0%
Students	27000	71600	83%	76800	89%
Work to Residence	7700	0	0%	0	0%
Partnership - Work	26800	28300	65%	32600	75%
Residence Family	12800	7300	65%	8400	75%
Other	166800	106000	68%	120600	77%
Accredited employer	320	0	0%	0	0%
Approval in Principle	20	20	6%	10	4%
Dependent Child	16800	20300	65%	23400	75%
Recognised Seasonal Employer	12200	17000	129%	17000	129%
Entrepreneur	60	170	65%	200	75%
Investor	660	230	65%	270	75%
Pacific Access Category/Samoan Quota Permanent Residence	50	640	100%	640	100%
Privacy	62000	14800	65%	17000	75%
Permanent Resident Visa	25100	28100	109%	28100	109%
Refugee Family Support	340	630	100%	630	100%
Section 61	8200	2400	65%	2800	75%
Skilled Migrant Category	8300	2400	28%	2800	33%
Specific Purpose	5000	6800	65%	7900	75%
Variation of Conditions	18300	16100	65%	18600	75%
Post-study work	13200	18600	65%	21400	75%
Working Holiday	470	78600	112%	63300	90%
Critical Purpose Visa	27800	3300	N/A	0	N/A
Border Exceptions EOI	34100	4700	N/A	0	N/A
2021 Resident Visa	89700	23800	N/A	0	N/A
Accredited Employer Work Visa employer Check	5300	10200	N/A	10200	N/A
Accredited Employer Work Visa job Check	3700	23400	N/A	23400	N/A
Accredited Employer Work Visa Migrant check	2400	23400	N/A	23400	N/A
TOTAL visa products	**637500**	**652300**	**53%**	**792100**	**64%**
electronic Travel Authority	**81800**	**482625**	**26%**	**556875**	**53%**

Caveats

- Volumes are rounded to nearest 10 (<1000) or 100 (≥1000)
- Forecast 2021/22 volumes were prepared by INZ in September 2021, and don't account for more recent changes to border re-opening scheduling or demand for the 2021 Resident Visa
- Forecast 2021/22 volumes reflect 'tendered applications' – 'Tendered application' volumes may may be higher or lower than 'decided applications' (used for 2022/23 and 2023/24), depending on whether on-hand applications decrease (higher) or increase (decrease) over the same period. Decided applications provides a better estimate of work undertaken and revenue recognised.
- 'Other' and privacy are primarily administrative tasks – many of which do not have any fee or levy associated with them – but also includes many visa products of an immaterial size. These are primarily included for completeness

Assumptions:

- 2022/23 and 2023/24 volumes account for border reopening by assuming volumes return to an increasing proportion of pre-COVID (2018/19) decided volumes over time, as follows:

Visa product category	Assumptions
Essential skills; Accredited employer; Approval in Principle	Replaced by Accredited Employer Work Visa (AEWV) from July 2022 (except for small number of approvals in principle for fishing crews)
Permanent residence	Reflects a two-year lag in accepted residence visas
Work to Residence; Residence from Work	Phased out with Immigration rebalance changes
Critical purpose and border exceptions	Phased out with border reopening – only 3 months at 50% of 2021/22 levels due to removal of skilled worker exception
Visitor visas; eTA	Small amount of pent-up demand, returning slowly to 75% of pre-pandemic levels after three years
Working Holiday	Reflects one-year worth of pent-up demand, returning to 100% of pre-pandemic levels by the end of 2022
Student visas	Reflects half-year of pent-up demand, returning to 75% of pre-pandemic levels after one-year
Accredited Employer Work Visa (employer/job/migrant check)	Reduced to half of original policy estimates due to reduced demand following successful 2021 Resident visa applications
Skilled Migrant	Assume reopened towards end of 2022/23, and volumes return slowly to 50% of pre-pandemic levels after three years due to successful 2021 Resident visa applications
2021 Resident Visa	Applications close at the end of July 2022
Recognised Seasonal Employer; Pacific Access Category Permanent Residence; Samoan Quota Permanent Residence; Refugee Family Support	High demand will return volumes to top of relevant caps (recently increased for RSE) by June 2023
All other visa product categories ('Other'; Privacy; Partnership – Work; Residence Family; Dependent Child; Entrepreneur; Investor; Section 61; Specific Purpose; Post-study Work)	Return to 65% of 2018/19 volumes by June 2023, and 75% of 2018/19 volumes by June 2024

Appendix 2: Comparison of proposed rates with comparable jurisdictions

				Other jurisdictions (in NZD) - combined fee and levy		
Key Visa Products	**Current price** (fee + levy)	**Option 1** (with partial deficit recovery from users of immigration services)	**Option 2** (with the Crown fully writing off historical fee deficits)	**Australia**	**Canada**	**United Kingdom**
eTA (visitor)	12	26	23	21	8	57
Visitor	210	**210**	**210**	155	115	180
Working Holiday	245	455	420	530	180	465
Student	275	415	375	675	170	665
RSE	325	**325**	**325**	340	180	465
Post-study work	495	775	700	1805	295	1335
AEWV (migrant check)	595	750	750	1385	355	1345
Partnership – Work	635	955	860	0	630	1345
Partnership – Resident	1480	2935	2750	8425	1205	7465
Skilled Migrant – Resident	3240	**5000**	**5000**	4415	1520	6330
Entrepreneur	4140	7415	6855	4415	2385	2435
Investor Migrant	5070	8615	7895	9580	0	7655

Notes:

Bold numbers reflect capped/subsidised rates

Red highlighting shows highest rate amongst comparator jurisdictions

Appendix 3: Updated schedules of fee and levy rates – Option 1: (with partial deficit recovery from users of immigration services)

NOTE: Capped prices in blue; Unchanged/subsidised prices in orange	Current immigration fee and levy rates					Proposed immigration fee and levy rates				
Fee and Immigration Levy Rates	**Band A NZ**	**Band B Pacific**	**Band C Rest of world**	**Levy**	**Total (Band A) including Levy**	**Band A NZ**	**Band B Pacific**	**Band C Rest of world**	**Levy**	**Total (Band A) including Levy**
Residence class visa										
Skilled Migrant Category	1,880	1,610	2,480	830	2,710	1,920	1,650	2,480	2,210	4,130
Investor Plus (Investor 1 Category)	4,240	4,130	4,130	830	5,070	5,470	5,330	5,330	3,150	8,620
Investor (Investor 2 Category)	4,240	4,130	4,130	830	5,070	5,470	5,330	5,330	3,150	8,620
Entrepreneur Residence Category	3,310	3,310	3,310	830	4,140	4,270	4,270	4,270	3,150	7,420
Residence from Work Category	970	n/a	n/a	830	1,800	1,250	n/a	n/a	3,150	4,400
Family Category	1,070	1,070	1,840	410	1,480	1,380	1,380	2,370	1,550	2,930
Parent Retirement Category	3,310	3,310	3,310	410	3,720	4,270	4,270	4,270	1,550	5,820
Samoan Quota scheme	820	800	n/a	n/a	820	820	800	n/a	n/a	820
Pacific Access Category	890	870	n/a	410	1,300	890	870	n/a	410	1,300
Refugee Family Support Category	670	660	920	n/a	670	860	850	1,190	n/a	860
Any other residence category	1,070	1,070	1,840	410	1,480	1,380	1,380	2,370	1,550	2,930
Applications by holder or former holder of resident visa										
Permanent resident visa (by a person holding resident visa or who previously held a resident visa)	210	210	210	n/a	210	270	270	270	n/a	270
Grant of second or subsequent resident visa	210	210	210	n/a	210	270	270	270	n/a	270
Variation of travel conditions on a resident visa	210	210	210	n/a	210	270	270	270	n/a	270
Residence class visa - related matters										
Expression of interest for Skilled Migrant Category (hard copy)	680	680	680	n/a	680	870	870	870	n/a	870
Expression of interest for Skilled Migrant Category (online)	530	530	530	n/a	530	680	680	680	n/a	680
Expression of Interest for Investor (Investor 2) Category	620	620	620	n/a	620	800	800	800	n/a	800
Expression of Interest for Parent Category (hard copy)	490	490	490	n/a	490	630	630	630	n/a	630
Expression of Interest for Parent Category (online)	380	380	380	n/a	380	490	490	490	n/a	490
Expression of Interest under Pacific Access Category (first year)	85	85	85	n/a	85	85	85	85	n/a	85
Expression of Interest under Pacific Access Category (second year and subsequent)	35	35	35	n/a	35	35	35	35	n/a	35
Expression of Interest under COVID-19 immigration instructions	45	45	45	n/a	45	60	60	60	n/a	60
Temporary visa – visitor visa										
Visitor visa	190	150	190	21	211	190	150	190	21	211
Retirement Category visitor visa	3,310	3,310	3,310	21	3,331	4,270	4,270	4,270	80	4,350
Group visitor visa per person (approved destination status (China) – offshore only)	n/a	n/a	30	15	45	n/a	n/a	40	55	95
Group visitor visa per person (other)	50	50	50	15	65	65	65	65	55	120
Temporary visa – student visa										
Student visa	250	200	270	25	275	320	260	350	95	415
Student visa (submitted by education provider)	110	n/a	n/a	25	135	140	n/a	n/a	95	235
Temporary visa – work visa										
Accredited Employer Work Visa - Migrant check	540	540	540	55	595	540	540	540	210	750
Partnership/Work to Residence	580	580	580	55	635	750	750	750	210	960
Entrepreneur Work Visa	3,310	2,800	3,310	55	3,365	4,270	3,610	4,270	210	4,480
Working holiday scheme	190	n/a	190	55	245	250	n/a	250	210	460
Work visa - working holidaymaker extension	190	n/a	190	55	245	250	n/a	250	210	460
Work visa - other	440	370	440	55	495	570	480	570	210	780
Temporary visa – related matters										
Reconsideration of decision to decline temporary visa	220	n/a	n/a	n/a	220	280	n/a	n/a	n/a	280
Limited visa										
Limited student visa	250	200	270	25	275	320	260	350	95	415
Limited visa for recognised seasonal employer	310	270	310	15	325	310	270	310	15	325
Limited visa – other	190	150	190	21	211	250	190	250	80	330
Transit visa										
Transit visa	160	160	160	n/a	160	210	210	210	n/a	210
Transit visa — group Chinese nationals (per person)	95	n/a	95	n/a	95	120	n/a	120	n/a	120
New Zealand Electronic Travel Authority (ETA)										
Request for traveller NZeTA made via INZ website	12	12	12	n/a	12	25	25	25	n/a	25
Request for traveller NZeTA made via mobile app	9	9	9	n/a	9	20	20	20	n/a	20
Request for crew NZeTA	9	9	9	n/a	9	20	20	20	n/a	20
Other matters – applications or requests by employers and organisations										
Request by employer for approval in principle to recruit overseas workers	440	n/a	n/a	n/a	440	570	n/a	n/a	n/a	570
Approval in principle to recruit foreign crew of fishing vessels	5,630	n/a	n/a	n/a	5,630	7,260	n/a	n/a	n/a	7,260
Request for supplementary seasonal employment approval in principle	290	n/a	n/a	n/a	290	370	n/a	n/a	n/a	370
Recognised Seasonal Employer status	960	n/a	n/a	n/a	960	1,240	n/a	n/a	n/a	1,240
Agreement to recruit under Recognised Seasonal Employer instructions	260	n/a	n/a	n/a	260	340	n/a	n/a	n/a	340
Employer Accreditation - Standard	740	n/a	n/a	n/a	740	740	n/a	n/a	n/a	740

Employer Accreditation - Upgrade from standard to high volume	480	n/a	n/a	n/a	480	480	n/a	n/a	n/a	480
Employer Accreditation - High Volume	1,220	n/a	n/a	n/a	1,220	1,220	n/a	n/a	n/a	1,220
Employer Accreditation - Triangular Employment	3,870	n/a	n/a	n/a	3,870	3,870	n/a	n/a	n/a	3,870
Employer Accreditation - Franchisee	1,980	n/a	n/a	n/a	1,980	1,980	n/a	n/a	n/a	1,980
Reconsideration - declined employer accreditation	240	n/a	n/a	n/a	240	240	n/a	n/a	n/a	240
Accredited Employer Work Visa - Job check	610	n/a	n/a	n/a	610	610	n/a	n/a	n/a	610
Reconsideration - declined job check	240	n/a	n/a	n/a	240	240	n/a	n/a	n/a	240
Request, under COVID-19 immigration instructions, for approval in principle for a person to travel to New Zealand	380	380	380	n/a	380	490	490	490	n/a	490
Other matters - general										
Special direction	220	220	220	n/a	220	280	280	280	n/a	280
Residence class visa granted under section 61	960	n/a	n/a	n/a	960	1,240	n/a	n/a	n/a	1,240
Temporary entry class visa granted under section 61	410	n/a	n/a	n/a	410	530	n/a	n/a	n/a	530
Variation of conditions on a temporary entry class visa	190	190	190	n/a	190	250	250	250	n/a	250
Call-out fee where office is opened outside normal working hours in order to process immigration matter	320	320	320	n/a	320	410	410	410	n/a	410
Registration under Refugee Family Support Category	100	n/a	n/a	n/a	100	130	n/a	n/a	n/a	130
Confirmation of immigration status	130	130	130	n/a	130	170	170	170	n/a	170
Transfer fee where visa stamp or label transferred from one passport or certificate of identity to another	130	130	130	n/a	130	170	170	170	n/a	170
Endorsement indicating New Zealand citizenship - first	150	150	150	n/a	150	190	190	190	n/a	190
Endorsement indicating New Zealand citizenship - second or subsequent	95	95	95	n/a	95	120	120	120	n/a	120

Appendix 4: Updated schedules of fee and levy rates – Option 2: (with the Crown fully writing off historical fee deficits)

NOTE: Capped prices in blue; Unchanged/subsidised prices in orange	Current immigration fee and levy rates					Proposed immigration fee and levy rates				
Fee and Immigration Levy Rates	**Band A NZ**	**Band B Pacific**	**Band C Rest of world**	**Levy**	**Total (Band A) including Levy**	**Band A NZ**	**Band B Pacific**	**Band C Rest of world**	**Levy**	**Total (Band A) including Levy**
Residence class visa										
Skilled Migrant Category	1,880	1,610	2,480	830	2,710	1,880	1,610	2,480	2,410	4,290
Investor Plus (Investor 1 Category)	4,240	4,130	4,130	830	5,070	4,750	4,630	4,630	3,150	7,900
Investor (Investor 2 Category)	4,240	4,130	4,130	830	5,070	4,750	4,630	4,630	3,150	7,900
Entrepreneur Residence Category	3,310	3,310	3,310	830	4,140	3,710	3,710	3,710	3,150	6,860
Residence from Work Category	970	n/a	n/a	830	1,800	1,090	n/a	n/a	3,150	4,240
Family Category	1,070	1,070	1,840	410	1,480	1,200	1,200	2,060	1,550	2,750
Parent Retirement Category	3,310	3,310	3,310	410	3,720	3,710	3,710	3,710	1,550	5,260
Samoan Quota scheme	820	800	n/a	n/a	820	820	800	n/a	n/a	820
Pacific Access Category	890	870	n/a	410	1,300	890	870	n/a	410	1,300
Refugee Family Support Category	670	660	920	n/a	670	750	740	1,030	n/a	750
Any other residence category	1,070	1,070	1,840	410	1,480	1,200	1,200	2,060	1,550	2,750
Applications by holder or former holder of resident visa										
Permanent resident visa (by a person holding resident visa or who previously held a resident visa)	210	210	210	n/a	210	240	240	240	n/a	240
Grant of second or subsequent resident visa	210	210	210	n/a	210	240	240	240	n/a	240
Variation of travel conditions on a resident visa	210	210	210	n/a	210	240	240	240	n/a	240
Residence class visa - related matters										
Expression of interest for Skilled Migrant Category (hard copy)	680	680	680	n/a	680	710	710	710	n/a	710
Expression of interest for Skilled Migrant Category (online)	530	530	530	n/a	530	590	590	590	n/a	590
Expression of Interest for Investor (Investor 2) Category	620	620	620	n/a	620	690	690	690	n/a	690
Expression of Interest for Parent Category (hard copy)	490	490	490	n/a	490	550	550	550	n/a	550
Expression of Interest for Parent Category (online)	380	380	380	n/a	380	430	430	430	n/a	430
Expression of Interest under Pacific Access Category (first year)	85	85	85	n/a	85	85	85	85	n/a	85
Expression of Interest under Pacific Access Category (second year and subsequent)	35	35	35	n/a	35	35	35	35	n/a	35
Expression of Interest under COVID-19 immigration instructions	45	45	45	n/a	45	50	50	50	n/a	50
Temporary visa – visitor visa										
Visitor visa	190	150	190	21	211	190	150	190	21	211
Retirement Category visitor visa	3,310	3,310	3,310	21	3,331	3,710	3,710	3,710	80	3,790
Group visitor visa per person (approved destination status (China) – offshore only)	n/a	n/a	30	15	45	n/a	n/a	35	55	90
Group visitor visa per person (other)	50	50	50	15	65	55	55	55	55	110
Temporary visa – student visa										
Student visa	250	200	270	25	275	280	220	300	95	375
Student visa (submitted by education provider)	110	n/a	n/a	25	135	120	n/a	n/a	95	215
Temporary visa – work visa										
Accredited Employer Work Visa - Migrant-check	540	540	540	55	595	540	540	540	210	750
Partnership/Work to Residence	580	580	580	55	635	650	650	650	210	860
Entrepreneur Work Visa	3,310	2,800	3,310	55	3,365	3,710	3,140	3,710	210	3,920
Working holiday scheme	190	n/a	190	55	245	210	n/a	210	210	420
Work visa - working holidaymaker extension	190	n/a	190	55	245	210	n/a	210	210	420
Work visa - other	440	370	440	55	495	490	410	490	210	700
Temporary visa – related matters										
Reconsideration of decision to decline temporary visa	220	n/a	n/a	n/a	220	250	n/a	n/a	n/a	250
Limited visa										
Limited student visa	250	200	270	25	275	280	220	300	95	375
Limited visa for recognised seasonal employer	310	270	310	15	325	310	270	310	15	325
Limited visa – other	190	150	190	21	211	210	170	210	80	290
Transit visa										
Transit visa	160	160	160	n/a	160	180	180	180	n/a	180
Transit visa — group Chinese nationals (per person)	95	n/a	95	n/a	95	110	n/a	110	n/a	110
New Zealand Electronic Travel Authority (ETA)										
Request for traveller NZeTA made via INZ website	12	12	12	n/a	12	23	23	23	n/a	23
Request for traveller NZeTA made via mobile app	9	9	9	n/a	9	17	17	17	n/a	17
Request for crew NZeTA	9	9	9	n/a	9	17	17	17	n/a	17
Other matters – applications or requests by employers and organisations										
Request by employer for approval in principle to recruit overseas workers	440	n/a	n/a	n/a	440	490	n/a	n/a	n/a	490
Approval in principle to recruit foreign crew of fishing vessels	5,630	n/a	n/a	n/a	5,630	6,310	n/a	n/a	n/a	6,310
Request for supplementary seasonal employment approval in principle	290	n/a	n/a	n/a	290	320	n/a	n/a	n/a	320
Recognised Seasonal Employer status	960	n/a	n/a	n/a	960	1,080	n/a	n/a	n/a	1,080
Agreement to recruit under Recognised Seasonal Employer instructions	260	n/a	n/a	n/a	260	290	n/a	n/a	n/a	290
Employer Accreditation - Standard	740	n/a	n/a	n/a	740	740	n/a	n/a	n/a	740
Employer Accreditation - Upgrade from standard to high volume	480	n/a	n/a	n/a	480	480	n/a	n/a	n/a	480

Employer Accreditation - High Volume	1,220	n/a	n/a	n/a	1,220	1,220	n/a	n/a	n/a	1,220
Employer Accreditation - Triangular Employment	3,870	n/a	n/a	n/a	3,870	3,870	n/a	n/a	n/a	3,870
Employer Accreditation - Franchisee	1,980	n/a	n/a	n/a	1,980	1,980	n/a	n/a	n/a	1,980
Reconsideration - declined employer accreditation	240	n/a	n/a	n/a	240	240	n/a	n/a	n/a	240
Accredited Employer Work Visa - Job check	610	n/a	n/a	n/a	610	610	n/a	n/a	n/a	610
Reconsideration - declined job check	240	n/a	n/a	n/a	240	240	n/a	n/a	n/a	240
Request, under COVID-19 immigration instructions, for approval in principle for a person to travel to New Zealand	380	380	380	n/a	380	430	430	430	n/a	430
Other matters - general										
Special direction	220	220	220	n/a	220	250	250	250	n/a	250
Residence class visa granted under section 61	960	n/a	n/a	n/a	960	1,080	n/a	n/a	n/a	1,080
Temporary entry class visa granted under section 61	410	n/a	n/a	n/a	410	460	n/a	n/a	n/a	460
Variation of conditions on a temporary entry class visa	190	190	190	n/a	190	210	210	210	n/a	210
Call-out fee where office is opened outside normal working hours in order to process immigration matter	320	320	320	n/a	320	360	360	360	n/a	360
Registration under Refugee Family Support Category	100	n/a	n/a	n/a	100	110	n/a	n/a	n/a	110
Confirmation of immigration status	130	130	130	n/a	130	150	150	150	n/a	150
Transfer fee where visa stamp or label transferred from one passport or certificate of identity to another	130	130	130	n/a	130	150	150	150	n/a	150
Endorsement indicating New Zealand citizenship - first	150	150	150	n/a	150	170	170	170	n/a	170
Endorsement indicating New Zealand citizenship - second or subsequent	95	95	95	n/a	95	110	110	110	n/a	110

Appendix 5: Summary of Submissions

Issue	Summary of comments	Submitter(s)	MBIE response	Recommended action
Pacific visas	Higher prices are likely to negatively impact migrants from the Pacific	Free and frank opinions	We are considering a cap on increases to Pacific visas as an option for the Government to subsidise these visas. In addition, the existing Pacific Stream discount will continue to apply for visa applications made from the Pacific.	We are recommending a cap on increases to Pacific visas as an option for the Government to subsidise these visas, for consistency with our humanitarian commitments and foreign policy objectives in the Pacific.
Deficit recovery	Including deficit recovery in the new fee rates is inequitable, because new applicants shouldn't cover past costs and the decision to keep the border closed was a Government decision.		We are considering how to fairly share the cost burden between taxpayers and users of the immigration system, and have already proposed that the Crown write-off the majority of the COVID-related deficit.	We are recommending that the Government consider writing off both the COVID-related deficit, and the pre-COVID deficit. The former recognises that the border closure was primarily a public health response. The latter recognises that sufficient time has passed, and recent policy decisions have sought to recover a portion of pre-COVID deficits from those most likely to have benefited from past under-recovery. The resulting lower fee increases would balance cost recovery with the cumulative impact of increasing migration costs as New Zealand reopens to the world.
Scale and timing of price increases	New Zealand should be proactive about attracting people to New Zealand. The price increases are substantial, and this would send a poor signal to businesses, migrant workers and international students at a time when New Zealand is reopening the border and needing to compete with other countries. The increase in the Working Holiday Visa Scheme fee occur at the same time Australia is refunding Working Holiday makers.		We noted that fees and levies are a small component of the overall cost of migration to New Zealand. Australia's refund for Working Holiday Scheme visa holders is fairly limited in scope, designed to encourage those who were already issued a visa to travel to Australia soon.	There is still a need to increase fees and levies to recover costs. The final fee and levy increases that we are recommending are lower than the initial proposals we consulted on. This should further limit the potential impact on people's migration decisions.

Impact of price increase for particular groups e.g. families, students, and migrants from lower-income countries	Migrants often fund their upfront costs through debt, so onerous increases would add to this burden. The timing of the increases is an issue given inflation is outstripping wage increases. Higher prices will have a greater impact on families, as they apply as a family unit, not just a principal applicant. Cumulative impact will be felt by students (increase in living costs amount they are required to have will impact them at the same time as this change)	Free and frank opinions [redacted]	We are aware of the cumulative impact of price changes for visa applicants in general.	We plan to closely monitor the impact of the fee and levy increases. The final fee and levy increases that we are recommending are lower than the initial proposals we consulted on. This should further limit the potential impact on people's migration decisions.
How burden of price increases is shared	The relative share of costs between employers and migrants is not fairly shared. This appears inconsistent with the aims of the AEWV, which was signalled as streamlining processes and reducing costs for migrants (as the increase in the immigration levy will increase the overall price of the AEWV migrant check). Concerns were also separately raised by some stakeholders about the cost burden on employers (who would pay in order to attract the staff they need).		We clarified that while the fee for the AEWV was not increasing as it's out of scope for the interim review, the immigration levy to be paid by AEWV applicants is proposed to increase. Confidential advice to Government [redacted]	Confidential advice to Government [redacted]
Demand assumptions	Visitor volume assumptions (65% of 2019 numbers in 2022/23) seem overly optimistic, given China is our second largest tourist market and not currently allowing people to travel.		We noted that we are still revising our forecasts, given the uncertain environment.	We have fine-tuned our volume assumptions.
Comparison to other countries	The duration of student visas in other key markets, such as Australia and Canada, is for the length of the study programme rather than annually, so NZ's upfront cost is slightly higher than we are assuming.		Issue noted.	No change – Confidential advice to Government [redacted]

Suggestions outside the scope of the interim review	Employers should pay a greater share of system costs. Since the AEWV is out of scope for the interim review, request that substantial increases in fees and levies for work visas be deferred until the comprehensive review. Fees for those applying as a family unit could be restructured to avoid disadvantaging those with large families. Fee increases not justified given concerns with INZ's service delivery performance. System is not as efficient as it could be. A fundamental review is required so that future visitors and workers do not have to carry the cost of a broken system.	Free and frank opinions	We have noted these issues and may consider them as part of the next stages of the wider Immigration Funding Review. We recommend proceeding the increase to the levy that will apply to the AEWV, because this accounts for the shift in the balance of funding sources that was not accounted for in the setting of the AEWV fee and levy.	Consider as part of the wider Immigration Funding Review.
Comments on the consultation process	Some stakeholders (especially those who were consulted on the 2018 review) expected the process to be similar to previous reviews, where more information was made available on the MBIE website for the public and more time was given to stakeholders to put in their written submissions. Some stakeholders are keen to be involved in the next stages of the Immigration Funding Review		We acknowledge some stakeholders may have expectations of the consultation process and timeframes that we did not clarify prior to consultation meetings. The purpose of targeted consultation meetings (rather than seeking written public submissions) was to elicit more detailed feedback from stakeholders who represent those who are likely to be most impacted by the changes.	Consider this feedback in plans to consult stakeholders as part of the next stages of the Immigration Funding Review.